

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT  
DEPARTMENT  
Financial Statements  
for the Year Ended  
June 30, 2010,  
and Independent  
Auditors' Report**

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Official Roster

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Year Ended June 30, 2010

**Office of the Secretary**

**Title**

Fred Mondragon  
Toni Balzano  
Allan Oliver  
Elizabeth Davis  
Michael Davis

Cabinet Secretary  
Deputy Cabinet Secretary  
Deputy Cabinet Secretary  
Director of Marketing  
Communications Director

**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, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Economic Development Department (Department) as of and for the year ended June 30, 2010, 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 and budgetary comparisons for the major capital project fund and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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, the budgetary comparisons for the general fund, major special revenue funds, capital project fund, and the aggregate remaining fund information of the Department as of June 30, 2010, and the changes in financial position, *of those activities and funds. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2010, or the respective changes in the financial position, thereof, in accordance with accounting principles generally accepted in the United States of America.*



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 and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund, 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, 2010, 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 November 29, 2010, 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 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 20 are not a required part of the basic financial statements but are 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 (Schedules 1 through 4) 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.

*Meyers + Company, LLC*

November 29, 2010

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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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, 2010.

### **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, 2010, the total assets of the Department exceeded total liabilities by \$14,731,519.
- The Department acquired \$55,920 in total capital assets with individual acquisition values greater than \$5,000.
- Of the \$20,066,733 in total current assets, nearly 84% was in the form of cash and investments in state general fund investment pool.
- The total cost of Department programs was \$21,970,508, whereas the total Department revenue was \$21,783,344. Reversions to State General Fund amounted to \$6,625,677.

### **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, 2010

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**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. The Department has three types of governmental funds - general fund, special revenue and capital outlay.

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 one Special Revenue fund. 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 59 and 60 of this report.



**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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**Overview of the Financial Statements - continued**

**Governmental Funds**

The Department adopts an annual appropriated budget for its general special revenue fund. The basic governmental fund financial statements can be found on pages 26 and 28 of this report.

**Other Information**

Required supplementary information beginning on page 59.

**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 \$14,731,519 at the close of the 2010 fiscal year.

The largest portion of Department net assets (approximately 84%) 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 2010 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 \$6,812,841.

**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, 2010**

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**Governmental Activities - continued**

**Financial Analysis of the Government's Funds - continued**

As of the end of the 2010 fiscal year, the Department's governmental funds reported combined ending fund balances of \$12,189,868, a decrease of \$9,606,496 in comparison with the prior year. The majority of this amount is derived from the In-Plant Training fund (63800) and constitutes reserved for community development fund balance, which will not revert to the general fund and is available for spending in the following fiscal year.

The general fund is the chief operating fund of the Department. At the end of the 2010 fiscal year, unreserved fund balance of the general fund was \$23,899. This amount is not associated with non-committed funding from the In-Plant Training Program and Community Development Loan Fund.

During the 2010 fiscal year, the fund balance of the Department's general fund decreased by \$1,148,955.

The Department's assets at the fund level are mostly comprised of cash, which is \$16,803,655 or 84%. The fund liabilities are made up mostly of accounts payable, \$2,975,983, or 36%, and deferred revenue, \$2,761,391, or 32%. As mentioned earlier, the Department's largest source of income comes from State General Fund Appropriations. The Department spent 41%, or \$9,047,903, on contractual services. The next largest expenditure category is "other" expenditures, which include funding the in-plant training fund and other programs. The Department spent \$8,016,434, or 36%, in this category.

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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

**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, 2010. Net assets for Governmental Activities were \$14,731,519.

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

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<u>Governmental Activities</u>				
<b>Assets:</b>				
Current assets	\$ 20,010,270	25,017,968	(4,812,856)	-20%
Capital and non-current assets	<u>56,463</u>	<u>17,362</u>	<u>39,101</u>	225%
<b>Total Assets</b>	<b>20,066,733</b>	25,035,330	(4,773,755)	-20%
<b>Liabilities:</b>				
Current liabilities	<u>5,335,214</u>	<u>3,490,970</u>	<u>1,810,442</u>	53%
<b>Total Liabilities</b>	<b>5,335,214</b>	3,490,970	1,810,442	53%
<b>Net Assets:</b>				
Invested in capital assets	56,463	17,362	39,101	225%
Restricted	14,927,360	8,486,473	6,389,246	75%
Unrestricted	<u>(252,304)</u>	<u>13,040,525</u>	<u>(13,241,188)</u>	-102%
<b>Total Net Assets</b>	<b>\$ 14,731,519</b>	<u>21,544,360</u>	(6,812,841)	-32%

**Changes in Net Assets**

The Department's change in assets for fiscal year 2010 was a decrease of \$6,812,841 (Statement of Activities). Seventy-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, 2010

Financial Analysis of the Department as a Whole - continued

Changes in Net Assets - continued

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

	<u>FY 2010</u>	<u>FY2009</u>	<u>Amount Change</u>	<u>Total % Change</u>
<u>Governmental Activities</u>				
<b>Revenues:</b>				
Program Revenue	\$ 224,324	-	190,522	100%
Operating Grants	-	-	-	0%
<b>Total Program Revenues</b>	<b>224,324</b>	<b>-</b>	<b>190,522</b>	<b>100%</b>
<b>General Revenues:</b>				
State General Fund Appropriations	14,209,500	10,594,107	3,615,393	34%
Other	2,266	30,901	(28,635)	-93%
<b>Total General Revenues</b>	<b>14,211,766</b>	<b>10,625,008</b>	<b>3,586,758</b>	<b>34%</b>
<b>Total Revenues</b>	<b>14,436,090</b>	<b>10,625,008</b>	<b>3,777,280</b>	<b>36%</b>
<b>Expenses:</b>				
Economic Development	21,970,508	36,828,718	(14,858,210)	-40%
<b>Other Sources (Uses):</b>				
Severance Tax Bonds Proceeds	4,738,730	1,953,141	24,198	143%
Operating Financing Sources (Uses)	(4,017,153)	(3,850)	(3,979,501)	104,242%
<b>Total Expenses</b>	<b>21,248,931</b>	<b>34,879,427</b>	<b>(10,902,907)</b>	<b>-39%</b>
<b>Change in Net Assets</b>	<b>(6,812,841)</b>	<b>(24,254,419)</b>	<b>14,680,187</b>	<b>-72%</b>
<b>Net Assets, Beginning</b>	<b>21,544,360</b>	<b>45,798,779</b>	<b>(24,254,419)</b>	<b>-53%</b>
<b>Net Assets, Ending</b>	<b>\$ 14,731,519</b>	<b>21,544,360</b>	<b>(9,574,232)</b>	<b>-32%</b>

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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**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 \$56,463 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. The Department expended \$55,920 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 \$1,810,442 over the previous fiscal year. The key factors in this increase were an increase in accounts payable. The Department does not have any long-term debt, deferred revenue and due to the State General Fund.

**Original and Final Budget**

The Department's major sources of revenue are General Fund Appropriations. Due to the budget cuts of FY 2010, the Department was forced to reduce its spending to be in alignment with the General Fund revenue.

**Department Overview**

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 2011 is anticipated to be bleaker than that experienced during FY10. For the Department, this means that operating budgets will likely end up lower than the levels appropriated during February 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.

However, even with the issues discussed above, the Department has had many successes to celebrate in fiscal year 2010. The Department has two approaches to creating jobs and wealth in New Mexico: growing communities and growing businesses.

**Economic Development Division.** In FY10, 2,763 new jobs were created (1,446 rural and 1,317 urban) as a result of Economic Development Department efforts. Of this total, 626 jobs were created via 49 business expansions, 36 in urban communities and 13 in rural communities. In the aerospace/aviation companies, 188 jobs were created. The Job Training Incentive Program provided training for 1,174 persons in new jobs and reported a one-year retention rate of 55%. NM9000 exceeded its target of 15 businesses by training 49 businesses in this popular program. NM9000 program is a training initiative conducted in collaboration with Honeywell Federal Manufacturing and Technologies. The ISO (International Standards Organization)

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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**Department Overview - continued**

certification makes it possible for New Mexico businesses to compete for government contracts and do business overseas. The New Mexico Partnership facilitated the creation of 767 jobs through 6 business "locates," short of their target of 12.

**Community Development.** In FY10, the target for the number of communities designated as certified communities was 40. The division met the target. MainStreet communities reported a total of 681 new jobs, with 23 local organizations participating in the program by year-end.

***Certified Communities Initiative Program (CCI)***

Now in its eighth year, the Certified Communities Initiative Program (CCI) continues to assist New Mexico communities build the local economic development capacity necessary to facilitate economic growth.

- Certification requires communities to pass the Local Economic Development Act, which empowers them to embark on economic development projects tailored to their needs. Other benefits of certification include state promotion of certified communities, technical assistance in undertaking economic development efforts, and financial resources to help communities develop marketing materials, fund professional development training for staff, conduct labor market and feasibility studies and other related projects.
- To date, the program has grown to include (40) certified communities, with the majority of the original communities maintaining their certification. In FY 2011, (23) of the 40 communities were required to go through the recertification application process, which requires them not only to maintain the original requirements, but to take on new requirements needed for their continued economic growth. NMEDD is in the process of reviewing and scoring these proposals. Successful applications will be announced at the November Economic Development Commission Meeting.

***MainStreet Program***

***MainStreet Program Initiatives***

- Four new Emerging and Start Up Communities
- Four Hands on Design Initiatives (MainStreet Project Makeover – Deming, MainStreet Façade Squad – Las Cruces, Clovis, MainStreet Curb Appeal – Clayton)
- MainStreet Master Planning (Belen, Deming, Nob Hill, Truth or Consequences)
- MainStreet Entrepreneur Development (Portales, Tucumcari)
- MainStreet Re-Energize (Carlsbad, Hobbs)

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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**Department Overview - continued**

**International Trade Office**

The New Mexico Middle East Trade Office visit to Albuquerque and Southeastern New Mexico in July 2009, conducted individual export consultations with 17 New Mexico companies, local economic development officials and universities in Albuquerque, Las Vegas, Clovis, Portales and Roswell

**Trade Missions**

Hong Kong Cosmetics Industry show (August 2009) assisted Taos-based company Private Label Select, Ltd. to arrange distribution in Hong Kong and Taiwan with orders of \$100,000.

Taipei International Food Industry Show (August 2009) assisted Albuquerque-based food manufacturing company to locate distributor in Taiwan and export US\$20,000 in bottled salsas for supermarket promotions held in conjunction with the food industry show.

Export to mainland China facilitated in conjunction with Taiwan distributor to assist Basic Dental Implants, an Albuquerque area company, to launch their product on the mainland China market utilizing their Taiwan distributor to appoint a sub-distributor in China generating US \$500,000 in exports to the mainland.

Exports to Macau, S.A.R. China by assistance to Lumidigm, Inc. of Albuquerque, NM to expand sales based on contacts obtained from their participation in a prior fiscal year trade show and trade mission organized by the Office of International Trade in conjunction with the Hong Kong Trade and Development Council of Los Angeles. Lumidigm was able to identify and appoint a representative to work with Macau Dept. of Immigration to implement a new digital imaging system utilizing fingerprint identification and generating close to US \$1,000,000 in business sales.

**New Mexico Film Office**

August 2009

- Governor Richardson and the NMFO announced 11 winners for the 2009 New Visions/New Mexico contract awards. A total of \$160,000 was awarded to eleven local filmmakers to help fund their original narrative, documentary, animation, and experimental films.
  
- The National Association of Latino Independent producers (NALIP) hosted its Latino Producer's Academy in Santa Fe where 33 documentary and feature fellows were provided an intensive curriculum of filmmaker training on and off set, financial and budget guidance, legal instruction, marketing and promotional training, as well as personal mentoring.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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Department Overview - continued

New Mexico Film Office - continued

- The NMFO once again offered a free, two-day intensive Teen Animation Workshop at New Mexico's Native Cinema Showcase for students aged 12-18 who were interested in creating their own animated films. Local New Mexican and award-winning Animator Chris Keintz instructed.

September 2009

- Governor Richardson and NMFO announce new reporting policy for the refundable tax credit program for film. The NMFO will now provide to the public aggregate totals in specific categories of New Mexico spending for all film and television productions that apply for the refundable tax credit.
- NMFO begins weekly radio show on KTRC 1260 AM in Santa Fe. The show, offered as a public service by Hutton Broadcasting at no charge to the state, focuses on everything having to do with film and television production in NM.

October 2009

- *Variety* magazine ranked New Mexico as the third-best location in North America for film production, behind only California and New York. The rankings were compiled from an online poll of hundreds of location managers, unit production managers, cinematographers, directors and assistant directors who were asked to rate locations based on a number of specific criteria: visual appeal, incentives, film-office support, production resources, and ability to substitute for another location.

November 2009

- The NMFO held the annual NM Filmmakers' Showcase presentation tour in Roswell, Carlsbad, and Las Cruces. The showcases featured films from the 2009 NM Filmmakers Showcase held in Albuquerque.
- *American Indian Heritage Month* – For the second year, the NMFP organized a weekend of events celebrating local Native American filmmakers and dancers in Santa Fe, NM. This showcase of all locally made films illustrated the outstanding work of Native American in the state, and the tribal dance performance that followed were held free for the public.

December 2009

- NMFO hosted a video conference to share best practices regarding the implementation of film production tax incentives offered by states across the country. Representatives from more than 30 states participated in the first-of-its-kind event.



STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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**Department Overview - continued**

**New Mexico Film Office - continued**

January 2010

- Dick Cook, former CEO of Disney Studios, visits New Mexico as a possible location for a new animation company.
- Special screening of *The Book of Eli* was held in Carrizozo.
- New Mexico takes the lead on global anti-film piracy efforts.

February 2010

- NM Legislature: NMFO partnered with IATSE Local 480 to host “Film and Media Day.” Participants were able to watch crews filming public service announcements and had the chance to appear in a film about Billy the Kid. There were exhibits and demonstrations from industry professionals, and representatives from film and media programs at New Mexico colleges and universities. The event also featured a reception and a breakfast for VIPs (legislators, tribal leaders and mayors) and was a tremendous success.
- NMFO and the Governor’s Office teamed up to present “Ryan Bingham Day” at the State Capitol. Bingham is a Native of Hobbs, and with T Bone Burnett, co-wrote “The Weary Kind (Theme from Crazy heart)”, which has earned the duo both the 2010 Academy® Award and 2010 Golden Globe® Award for Best Original Song. Bingham also plays a small role in the film, which was filmed in New Mexico.
- Governor Bill Richardson and Robert Redford announced the details of “Milagro at Los Luceros.” Programs began this spring and have so far included a series of labs, workshops, and discussions. The focus of the initiative is on creating and expanding training programs in film, arts, and the environment, giving priority to underrepresented voices such as Native American, Hispanic, and African American filmmakers.
- *Black History Month* – For the second year, the NMFP organized a weekend of events that celebrated African American filmmakers and musicians in New Mexico with a free public showcase of films and a free public concert featuring local African American musicians. Held in collaboration with the NM Music Commission.
- NMFO met with the NM Department of Workforce Solutions regarding matching unemployed skilled NM workers with potential film-related work.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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Department Overview - continued

New Mexico Film Office - continued

- “New Mexico Film Works!” weekly radio show expanded to one hour and adds Albuquerque station-KABQ 1350 AM.

March 2010

- Jeff Bridges and singer-songwriter Ryan Bingham each received an Academy Award for their work on the movie “Crazy Heart”, which was made in New Mexico. Bridges won the Best Actor Oscar, and New Mexico singer-songwriter Ryan Bingham won Best Original Song for co-writing and performing “The Weary Kind-Theme from Crazy Heart.” Bingham is a native of Hobbs.
- NMFO met with Zia Pueblo regarding increasing filming on tribal lands.
- NMFO met with the NM Department of Indian Affairs regarding the use of New Markets Tax Credits for filming.
- NMFO met with representatives of the College of Santa Fe regarding ways to increase exposure for Garson Studios.
- NMFO met with the new leadership at Albuquerque Studios.

April 2010

- The NMFO joined with, Cerelink, Albuquerque Studios, the New Mexico Computing Applications Center, and film liaisons from Albuquerque, Santa Fe, Lincoln County, and Zia Pueblo participated in the three-day Association of Film Commissioners International (AFCI) Locations Trade Show in Santa Monica, California. The NMFO booth won “most informative booth” out of 233 booths representing US states and more than 30 countries. New Mexico’s display was “paperless” and featured two large touch-screen monitors that allowed visitors to personally search a database of thousands of high-resolution photographs of locations throughout the state.
- Milagro at Los Luceros and the NMFO held audition workshops for Native American, Hispanic, and African American residents of New Mexico interested in acting to help them develop the essential skills needed for casting calls. The workshops were held in Albuquerque (2), Española, Gallup, Las Cruces, and Roswell and were well attended and enthusiastically received.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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Department Overview - continued

New Mexico Film Office - continued

May 2010

- Milagro at Los Luceros teamed up with SAG for two advanced acting workshops, one in Santa Fe and one at Los Luceros. Participants were chosen from actors who attended the audition workshops in April. A number of acclaimed actors, writers, and producers, and casting directors were on hand to work with the participants.
- The NMFP held the fourth annual *NM Filmmakers Showcase* in May of 2010 which was an open platform that provided free screenings of over 70 local filmmakers' work in Albuquerque.
- NMFO worked on revising the state's child labor laws related to the film industry.
- Oscar-winning cinematographer, Haskell Wexler and renowned physician and scientist, Jim Pagel have a "think tank" type discussion on the Science of Story. A Milagro at Los Luceros program, held at NM History Museum, and open to the public.
- *Who Needs Sleep?* screening and discussion in Taos with filmmaker Haskell Wexler. A Milagro at Los Luceros program, held at TCA in Taos and open to the public.
- *Boy* screening and discussion with New Zealand director/writer Waititi. A Milagro at Los Luceros program, held at the Lensic Theatre in Santa Fe and open to the public.
- *Nashville* screening and discussion with writer Joan Tewkesbury. A Milagro at Los Luceros program, held at the Lensic Theatre in Santa Fe and open to the public.
- The National Association of Latino Independent Producers (NALIP) held its annual Latino Writers Lab in Santa Fe. This screenwriting training program is as part of an ongoing effort to nurture above-the-line Hispanic and Native American talent in New Mexico, while introducing other Latino and Native writers to the opportunities and vistas of the state.

June 2010

- NMFO joined Governor Richardson to announce funding for film-related programs at six state colleges and universities, including ENMU-Roswell, NMSU-Carlsbad, Luna Community College in Las Vegas, Western NM University in Silver City, UNM-Gallup, and San Juan College in Farmington. A total of \$760,000 was allocated through the Governor's film and media fund.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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**Department Overview - continued**

**New Mexico Film Office - continued**

- NMFO presented a two-day conference on Film Financing and Distribution Part 1 at the National Hispanic Cultural Center to educate, brainstorm and network with local filmmakers. The conference featured panels and discussions led by experts and seasoned film industry professionals.
- NMFO hosted a statewide meeting of local film liaisons at the NHCC.
- The NM Filmmakers Program held its second *Native/Hispanic Film Crew Tour* in a number of cities and native lands across the state. These free seminars featured local, professional film crew technicians of Hispanic and Native descent, who spoke with the public about the wide range of crew positions available on movie sets, educational and training opportunities in the state, and a day in the life of the film crew worker.
- NMFO worked with Zia Pueblo on new economic development initiative including standing film sets.
- NMFO announces a collaboration with Quote Unquote, Inc. (Encantada TV) and Las Cruces Channel 98 to televise the winning films from the 2010 New Mexico Filmmakers Showcase. The screenings also included the winning films from the 2009 Showcase and New Visions/New Mexico Contract Award winners as well.

**FY 2010 Major Film and Television Productions**

- *Breaking Bad*, season 3  
Albuquerque, Los Ranchos de Albuquerque, Cabezón
- *MacGruber*  
Albuquerque, La Cienega, To'hajiilee, Zia Pueblo
- *The Sunset Limited*  
Santa Fe
- *Due Date*  
Albuquerque, Las Cruces, Las Vegas, Santa Fe
- *Let Me In*  
Albuquerque, Angel Fire, Bosque Farms, Los Alamos, Red River, Sandia Pueblo
- *The Loop*  
Cochiti Pueblo, Los Alamos, Pojoaque, Santa Fe, San Ildefonso Pueblo
- *Passion Play*  
Albuquerque, Santa Fe, Tesuque, Zia Pueblo

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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Department Overview - continued

FY 2010 Major Film and Television Productions - continued

- *In Plain Sight* season 3  
Albuquerque, Bernalillo, Los Lunas, Los Ranchos de Albuquerque, Santa Ana Pueblo
- *The Odds* pilot  
Albuquerque
- *Haywire* (formerly *Knockout*)  
Española, Las Vegas, Los Alamos, Nambé Pueblo, Santa Fe, Terrero
- *True Grit*  
Buena Vista ranch (Las Vegas), Charles R Ranch (Las Vegas), Pecos, San Cristobal Ranch (Galisteo), Santa Clara Pueblo, Santa Fe.
- *Thor*  
Cerro Pelon Ranch (Galisteo), Santa Fe
- *Scoundrels* season 1  
Albuquerque, Los Lunas, Placitas
- *Stargate: Universe* episode  
Bisti Wilderness, Farmington
- *Cowboys and Aliens*  
Santa Fe, Galisteo
- *Let Them Shine*, Albuquerque

**Office of Mexican Affairs and Trade.** The Office of Mexican Affairs and Trade (OMA) serves as the State's governmental authority for Trade and Policy issues as they relate to the Republic of Mexico. OMA offers a variety of services and support for New Mexico companies by working closely with Mexican government and business organizations to develop trade opportunities.

By utilizing business associations in Mexico's largest markets (including Monterrey, Mexico City and Guadalajara) and strong ties with the Mexican Government, the Office of Mexican Affairs seeks to facilitate business opportunities for New Mexican companies. OMA's inbound and outbound trade missions create affordable, structured opportunities for New Mexico companies to reach out and identify new opportunities that otherwise might not have been possible.

In addition to trade missions OMA has a major business recruiting and outreach program called the Maquiladora Supplier Program. OMA works directly with the management of the Maquila industry to identify the products and services that are most crucial to plants in the Borderplex region. This work provides New Mexican companies the opportunity to supply these plants in addition to the creation of jobs associated with suppliers that OMA recruits to Southern New Mexico.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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**Department Overview - continued**

The Office of Mexican Affairs also works with the NM Border Authority to improve infrastructure at our ports of entry and along Mexican border as well as to improve business and political relationships between New Mexico and Mexico. This work includes administering New Mexico's role in the on-going initiatives of the Border Governors Conference and the state's commissions with Chihuahua and Sonora. Through the dialogue created, bi-national issues and opportunities are surfaced and addressed. In addition to important policy changes made on both sides of the border, these strong relationships generate collaborative efforts for New Mexico's educational and R&D institutions as well as essential information sharing across the border protecting New Mexicans from serious health and public safety risks.

**Green Jobs Cabinet.** The New Mexico Green Jobs Cabinet (GJC), formed by Governor Richardson through Executive Order 2009-002, convenes eight state agencies and engages non-profit and business partners to foster green economic and workforce development statewide and support national energy independence. The GJC was chaired by Cabinet Secretary Fred Mondragon.

Cabinet Secretaries met quarterly and staff designees met monthly to advance the work of the GJC. Regular staff level meetings were important to ensure effective implementation.

The GJC developed a Green Economy Report including an inventory of assets and opportunities and a strategic plan to leverage them. This report identified five bold strategic goals with detailed supporting recommendations: 1) Be the leader in renewable energy export, 2) Be the center of the North American solar industry, 3) Lead the nation in Green Grid innovation, 4) Remain a center of green building and energy efficiency excellence, 5) Develop a highly skilled and ready-to-work workforce.

**Green Grid Initiative.** The New Mexico Green Grid Initiative (NMGGI) was initiated in August 2009 to address the need for the nation to quickly become energy independent by employing the most efficient renewable energy sources possible. The Green Grid Initiative was established with the goal of vetting a next-generation smart grid for renewables, from utility-scale renewable power to rooftop photovoltaic arrays, that is fully integrated with a complete system of energy delivery, storage and smart controls. The result will be a system that is repeatable and scalable and re-saleable, creating jobs. The plan calls for the state to work with industry and venture capitalists to implement a Green Grid system across New Mexico within five years.

The Green Grid Initiative proposed three phases (see attached Legislative Summary):

- **Phase I** A technology development phase, where commercialized R&D and prototyping leads to the development of a fully integrated system.
- **Phase II** Construction of a demonstration project that will power a residential/commercial area from distributed and utility-scale renewable energy sources.
- **Phase III** Statewide implementation of the Green Grid.

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

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

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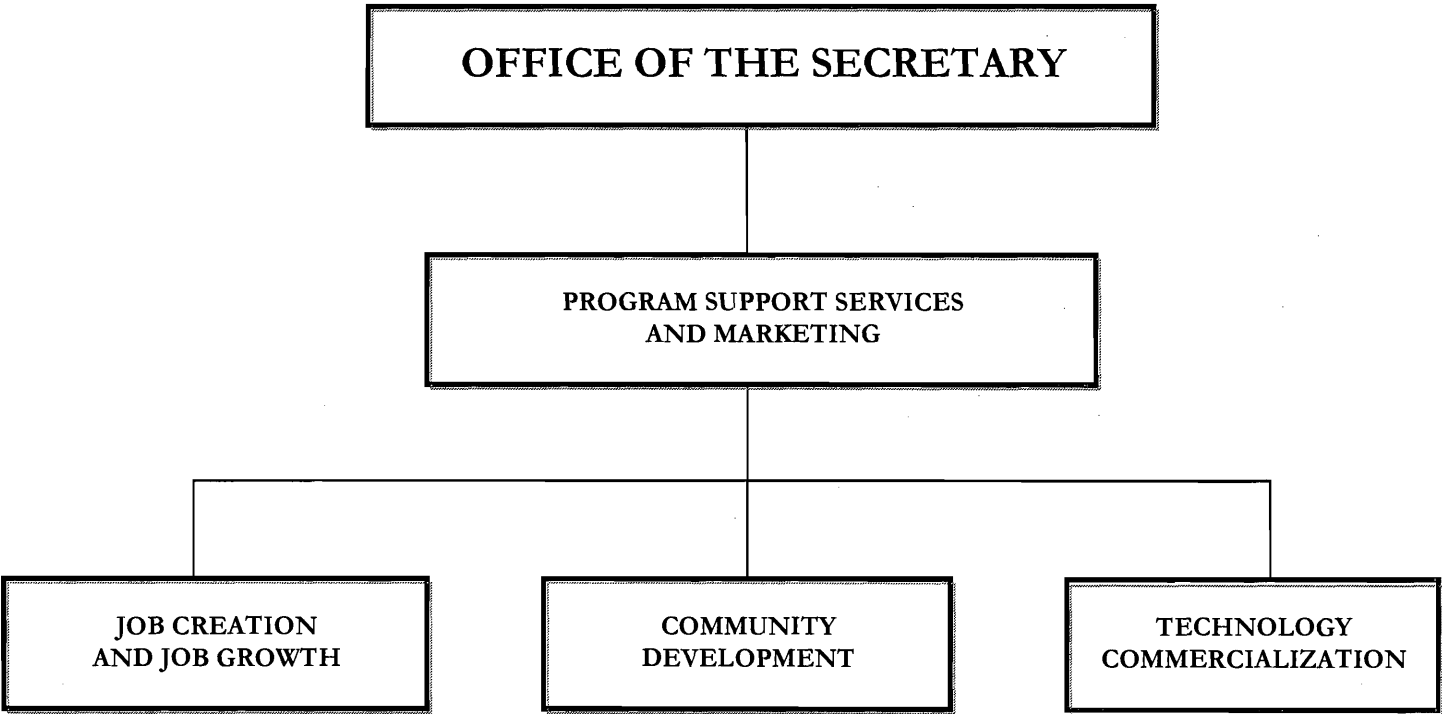
**Requests for Information**

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

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## **FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Statement of Net Assets

AS OF JUNE 30, 2010

		<b>PRIMARY GOVERNMENT</b>
		<b>Governmental Activities Total</b>
<b>ASSETS:</b>		
Investment in State General Fund Investment Pool	\$	16,769,853
Other cash		33,802
Prepaid expenses		8,549
Due from other State Agencies		3,116,673
Notes receivable		80,772
Accrued interest receivable		621
Capital assets, net		56,463
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>20,066,733</b>
<b>LIABILITIES:</b>		
Accounts payable	\$	2,975,983
Accrued payroll		369,276
Due to other Agencies		570,015
Due to State General Fund		1,143,737
Compensated absences payable:		
Expected to be paid within one year		276,203
<b>TOTAL LIABILITIES</b>		5,335,214
<b>NET ASSETS:</b>		
Invested in capital assets		56,463
Restricted for:		
Community development		12,713,083
Capital projects		2,214,277
Unrestricted		(252,304)
<b>TOTAL NET ASSETS</b>		<b>14,731,519</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>20,066,733</b>

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**YEAR ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>
<b>GOVERNMENTAL ACTIVITIES:</b>	
Economic Development	\$ 7,817,235
Film	3,366,937
Mexican Affairs	969,755
Program Support	8,580,252
Technology Commercialization	570,164
Other Initiatives	<u>666,166</u>
<b>TOTAL ACTIVITIES</b>	<b>\$ <u>21,970,508</u></b>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Statement of Activities

Charges for Services	Program Revenue		Net (Expenses) Revenue and Changes in Net Assets	
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
224,324	-	-	(7,592,911)	(7,592,911)
-	-	-	(3,366,937)	(3,366,937)
-	-	-	(969,755)	(969,755)
-	-	-	(8,580,252)	(8,580,252)
-	-	-	(570,164)	(570,164)
-	-	-	(666,166)	(666,166)
<u>224,324</u>	<u>-</u>	<u>-</u>	(21,746,184)	(21,746,184)
<b>GENERAL REVENUES/(EXPENSES):</b>				
Investment earnings			2,266	2,266
State General Fund appropriations			14,209,500	14,209,500
Transfers in - STB Proceeds			4,738,730	4,738,730
Transfers in - Other, net			2,608,524	2,608,524
Transfers out - Reversions to State General Fund FY '10			(6,625,677)	(6,625,677)
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>			<u>14,933,343</u>	<u>14,933,343</u>
<b>CHANGE IN NET ASSETS</b>			(6,812,841)	(6,812,841)
<b>NET ASSETS, BEGINNING</b>			<u>21,544,360</u>	<u>21,544,360</u>
<b>NET ASSETS, ENDING</b>		<b>\$</b>	<u>14,731,519</u>	<u>14,731,519</u>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2010

	Major Funds			Other	Total
	General Fund	In-Plant Training Fund	Capital Projects Fund	Non-Major Governmental Funds	
<b>ASSETS:</b>					
Investment in State General Fund					
Investment Pool	\$ 2,077,969	12,743,586	-	1,948,298	16,769,853
Other Cash	33,802	-	-	-	33,802
Prepaid expenses	8,549	-	-	-	8,549
Due from other State Agencies	59,905	-	3,056,768	-	3,116,673
Due from other funds	358,006	-	-	-	358,006
Notes receivable	-	-	-	80,772	80,772
Accrued interest receivable	-	-	-	621	621
<b>TOTAL ASSETS</b>	<b>\$ 2,538,231</b>	<b>12,743,586</b>	<b>3,056,768</b>	<b>2,029,691</b>	<b>20,368,276</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 431,304	2,060,194	484,485	-	2,975,983
Accrued payroll	369,276	-	-	-	369,276
Deferred revenue	-	-	2,761,391	-	2,761,391
Due to other funds	-	-	358,006	-	358,006
Due to other Agencies	570,015	-	-	-	570,015
Due to State General Fund	1,143,737	-	-	-	1,143,737
<b>TOTAL LIABILITIES</b>	<b>2,514,332</b>	<b>2,060,194</b>	<b>3,603,882</b>	<b>-</b>	<b>8,178,408</b>
<b>FUND BALANCES:</b>					
Reserve for community development	-	10,683,392	-	2,029,691	12,713,083
Reserve for capital projects	-	-	(547,114)	-	(547,114)
Unreserved, designated for subsequent years' expenditures	23,899	-	-	-	23,899
<b>TOTAL FUND BALANCES</b>	<b>23,899</b>	<b>10,683,392</b>	<b>(547,114)</b>	<b>2,029,691</b>	<b>12,189,868</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,538,231</b>	<b>12,743,586</b>	<b>3,056,768</b>	<b>2,029,691</b>	<b>20,368,276</b>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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YEAR ENDED JUNE 30, 2010

<b>Total Fund Balance - Governmental Funds</b> <b>(Governmental Fund Balance Sheet)</b>	\$ 12,189,868
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Amount recorded as deferred revenue at fund level due to the restrictions placed by the period of availability, recognized as revenue on the Statement of Activities	2,761,391
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets total acquisition value	646,041
Total accumulated depreciation	<u>(589,578)</u>
Total capital assets, net	56,463

Long-term and other liabilities at year end consist of:

Compensated absences payable	<u>(276,203)</u>
Total long-term liabilities:	<u>(276,203)</u>

<b>Net assets of governmental activities (Statement of Net Assets)</b>	<b>\$ <u>14,731,519</u></b>
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STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

	Major Funds			Other Non-Major Governmental Funds	Total
	General Fund	In-Plant Training Fund	Capital Projects		
<b>REVENUES:</b>					
Investment Earnings	\$ -	-	-	2,266	2,266
Other revenue	<u>224,324</u>	-	-	-	<u>224,324</u>
<b>TOTAL REVENUES</b>	224,324	-	-	2,266	226,590
<b>EXPENDITURES:</b>					
Current:					
Personal services and benefits	4,882,515	-	-	-	4,882,515
Contractual services	2,969,745	102,723	5,975,435	-	9,047,903
Other	962,262	6,479,956	574,216	-	8,016,434
Capital outlay	<u>55,920</u>	-	-	-	<u>55,920</u>
<b>TOTAL EXPENDITURES:</b>	<u>8,870,442</u>	<u>6,582,679</u>	<u>6,549,651</u>	-	<u>22,002,772</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(8,646,118)	(6,582,679)	(6,549,651)	2,266	(21,776,182)
<b>OTHER FINANCING SOURCES (USES):</b>					
State General Fund appropriations	9,209,500	5,000,000	-	-	14,209,500
Transfers out - Reversions to State General Fund FY '10	(1,712,337)	-	(4,913,340)	-	(6,625,677)
Transfers in - STB Proceeds	-	-	1,977,339	-	1,977,339
Transfers in (out) - Other	-	<u>1,008,541</u>	<u>1,599,983</u>	-	<u>2,608,524</u>
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>7,497,163</u>	<u>6,008,541</u>	<u>(1,336,018)</u>	-	<u>12,169,686</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,148,955)	(574,138)	(7,885,669)	2,266	(9,606,496)
<b>BEGINNING FUND BALANCE</b>	<u>1,172,854</u>	<u>11,257,530</u>	<u>7,338,555</u>	<u>2,027,425</u>	<u>21,796,364</u>
<b>ENDING FUND BALANCE</b>	\$ <u><u>23,899</u></u>	<u><u>10,683,392</u></u>	<u><u>(547,114)</u></u>	<u><u>2,029,691</u></u>	<u><u>12,189,868</u></u>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances - Total Governmental Funds  
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (9,606,496)

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

Amount recorded as deferred revenue at fund level due to the restrictions placed by the period of availability, recognized as revenue on the Statement of Activities 2,761,391

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

Capital outlay 55,920  
Depreciation expense (16,819)

Change in compensated absence balance not recorded in governmental funds (6,837)

Change in net assets of governmental activities  
(Statement of Activities) \$ (6,812,841)



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, 2010

GENERAL FUND 18900

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>P-512 ECONOMIC DEVELOPMENT:</b>				
<b>REVENUES:</b>				
Federal funds	-	-	-	-
General Fund	3,410,900	3,395,900	3,410,900	15,000
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<u>3,410,900</u>	<u>3,395,900</u>	<u>3,410,900</u>	<u>15,000</u>
<b>EXPENDITURES:</b>				
Current:				
Personal services and benefits	1,921,900	1,906,900	1,906,825	75
Contractual services	1,293,700	1,204,700	972,046	232,654
Other costs	195,300	284,300	277,284	7,016
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,410,900</u>	<u>3,395,900</u>	<u>3,156,155</u>	<u>239,745</u>
<b>P-514 FILM:</b>				
<b>REVENUES:</b>				
Federal funds	-	-	-	-
General Fund	1,451,200	1,441,200	1,451,200	10,000
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<u>1,451,200</u>	<u>1,441,200</u>	<u>1,451,200</u>	<u>10,000</u>
<b>EXPENDITURES:</b>				
Current:				
Personal services and benefits	788,000	828,000	811,302	16,698
Contractual services	223,200	323,200	268,295	54,905
Other costs	440,000	290,000	279,781	10,219
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,451,200</u>	<u>1,441,200</u>	<u>1,359,378</u>	<u>81,822</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, 2010

	GENERAL FUND 18900 - continued			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>P-515 MEXICAN AFFAIRS:</b>				
<b>REVENUES:</b>				
Federal funds	-	-	-	-
General Fund	513,500	493,500	513,500	20,000
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<u>513,500</u>	<u>493,500</u>	<u>513,500</u>	<u>20,000</u>
<b>EXPENDITURES:</b>				
Current:				
Personal services and benefits	278,200	258,200	190,415	67,785
Contractual services	137,700	86,488	61,444	25,044
Other costs	97,600	148,812	139,673	9,139
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>513,500</u>	<u>493,500</u>	<u>391,532</u>	<u>101,968</u>
<b>P-526 PROGRAM SUPPORT:</b>				
<b>REVENUES:</b>				
Federal funds	-	-	-	-
General Fund	3,569,600	3,569,600	3,569,600	-
Other State funds	-	-	807	807
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	60,000	-	60,000
<b>TOTAL REVENUES</b>	<u>3,569,600</u>	<u>3,629,600</u>	<u>3,570,407</u>	<u>60,807</u>
<b>EXPENDITURES:</b>				
Current:				
Personal services and benefits	1,708,800	1,768,800	1,768,657	143
Contractual services	1,601,000	1,549,000	1,401,542	147,458
Other costs	259,800	311,800	294,019	17,781
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,569,600</u>	<u>3,629,600</u>	<u>3,464,218</u>	<u>165,382</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, 2010

	GENERAL FUND 18900 - continued			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>P-529 TECHNOLOGY COMMERCIALIZATION:</b>				
<b>REVENUES:</b>				
Federal funds	-	-	-	-
General Fund	264,300	264,300	264,300	-
Other State funds	-	-	223,517	223,517
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	30,000	-	30,000
<b>TOTAL REVENUES</b>	<b>264,300</b>	<b>294,300</b>	<b>487,817</b>	<b>253,517</b>
<b>EXPENDITURES:</b>				
Current:				
Personal services and benefits	228,000	213,000	205,317	7,683
Contractual services	12,400	12,400	2,000	10,400
Other costs	23,900	23,900	22,882	1,018
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>264,300</b>	<b>249,300</b>	<b>230,199</b>	<b>19,101</b>
<b>OTHER:</b>				
<b>REVENUES:</b>				
Federal funds	-	-	-	-
General Fund	-	-	-	-
Other State funds	769,145	769,145	-	(769,145)
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<b>769,145</b>	<b>769,145</b>	<b>-</b>	<b>(769,145)</b>
<b>EXPENDITURES:</b>				
Current:				
Personal services and benefits	-	-	-	-
Contractual services	769,145	769,145	264,417	504,728
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>769,145</b>	<b>769,145</b>	<b>264,417</b>	<b>504,728</b>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

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GENERAL FUND 18900 - continued

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	<u>Actual Amounts (Budgetary Basis)</u>
 <b>YEAR ENDED JUNE 30, 2010</b>	
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	\$ 567,925
<b>REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)</b>	(1,712,337)
<b>REQUESTS TO PAY PRIOR YEAR BILL WITH CURRENT FUNDS</b>	<u>(4,543)</u>
<b>NET CHANGE IN FUND BALANCE *</b>	\$ <u><u>(1,148,955)</u></u>

\* Fund Balance at the end of the year amounted to \$23,899

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, 2010

IN-PLANT TRAINING FUND 63800				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General Fund	4,900,000	4,900,000	5,000,000	100,000
Other State funds	-	-	-	-
Inter-agency transfers	-	-	1,008,541	1,008,541
Budgeted fund Balance	-	<u>10,786,572</u>	<u>574,138</u>	<u>(10,212,434)</u>
<b>TOTAL REVENUES</b>	<u>4,900,000</u>	<u>15,686,572</u>	6,582,679	<u>(9,103,893)</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	200,000	102,723	97,277
Other costs	4,900,000	15,486,572	6,479,956	9,006,616
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,900,000</u>	<u>15,686,572</u>	<u>6,582,679</u>	<u>41,373,144</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
			-	
<b>BUDGETED FUND BALANCE</b>			<u>(574,138)</u>	
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ (574,138)</u>	*

\* Fund Balance at the end of the year amounted to \$10,683,392

## 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

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**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**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements for the Department have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. GASB Statement 34, Statement 37 and Statement 38 establish financial reporting requirements for state and local governments throughout the United States. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements as the Department has no the proprietary fund types in accordance with GASB No. 20.

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. The Department's significant accounting policies are described below.

In June 1999, the GASB unanimously approved GASB No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This statement provides for the most significant change in financial reporting in over 20 years.

The Department has implemented the provisions of GASB No. 34. As a part of this statement, there is a 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



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

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

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. Amounts reported as program revenues include: 1) charges to customer or applicants for goods, services or privileges provided; 2) operations grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes. 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. The Department has only one function (General Government). The primary function of the Department is to facilitate the creation, retention and expansion of jobs in New Mexico.

The net cost (by function) 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 with the emphasis on the major funds. 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.

Due to the change from modified accrual on the fund level financial statements and full accrual method of accounting used in preparation of the Government Wide financial statements, certain reconciling items created a negative unrestricted Fund balance on the government wide financial statements. This negative balance is attributable to accrual of compensated absences liability on the government wide statement of net assets.

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

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

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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Department first uses restricted resources, then unrestricted resources.

• **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.

The Department classified General Fund (SHARE Fund 23900), In-Plant Training Fund (SHARE Fund 63800) and Capital Project Fund (SHARE fund 02800) as major, based on the financial activity in these funds in FY 2009. In FY 2010, the Department presented the same three funds as major.

Technology Enterprise Fund (SHARE Fund 38400) and Revolving Loan Community Development (SHARE Fund 02300) are presented as non-major funds on the financial statements of the Department.

The following fund types are used by the Department:

**Governmental Funds** - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

General Fund - The General Fund 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. (SHARE Fund 18900). General fund is a reverting fund.

**Special Revenue Funds.** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally 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 non-reverting fund. (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. This is a non-reverting fund. (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. This is a non-reverting fund. (SHARE fund 38400)

**Capital Projects Fund.** The Capital Projects Fund accounts for the acquisition and construction of major capital facilities and other capital projects in the State of New Mexico. This fund was created by Laws of 2003, Chapter 429, Section 31. Unspent funds will revert upon individual project completion. (SHARE fund 02800).

The fund has a deficit fund balance of \$547,114 as of June 30, 2010. The deficit is attributable to the Department reimbursing capital projects that should be funded through severance tax bonds out of the fund balance, and not compensating the fund balance by drawing on the applicable severance tax bonds in the timely manner. The severance tax bonds revenues for the expenditures incurred at

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

June 30, 2010 are reflected in the deferred revenue of the Department due to the fact that availability period of the revenue extends past 60 days from the fiscal year end.

- **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized in the fiscal year for which the taxes are collected. Revenue from grants and appropriations is recognized in the fiscal year for which the taxes are collected. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days). Expenditures, other than vacation, compensatory and with pay, are recorded when they are incurred.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis. In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

- **Modified Accrual**

The exception to this general rule principal and interest on general long-term debt, if any, is recognized when due.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

• **Budgets and Budgetary Accounting - continued**

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

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration." The budget is adopted on the 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 per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed in the notes to financial statements. Legal budgetary control for expenditures and encumbrances is by category of the appropriation unit.

• **Cash and Cash Equivalents**

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

• **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 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, 2010.

• **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,

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

- **Deferred Revenues - continued**

and are accounted for on the modified accrual basis in the fund financial statements. No Federal funds were available to the Department in FY 2010.

- **Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheets of the fund financial statements. Internal activity is eliminated at the government-wide 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.

- **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 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.

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, 2010 were paid on or before September 30, 2010. Reversions are not budgeted for.

- **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.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

• **Reservations of Fund Balance - continued**

A specific amount of the General Fund (SHARE Fund 18900) fund balance in the amount of \$23,899 is designated for payments to vendors that were to take place after the year end. A reservation placed on the fund balances in In-Plant Training Fund (SHARE Fund 65800) Section 12-19 11, NMSA 1978, Technology Enterprise Fund (SHARE Fund 38400) by Laws of 1991, Chapter 21, Section 9-15-19, and Revolving Community Development (SHARE Fund 38400) by Laws of 1983, Chapter 299, are for various community development projects. Fund balance in Capital Projects fund (SHARE Fund 02800) is reserved for various capital projects by Laws of 2003, Chapter 429, Section 31).

• **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 5).

Expenditures are recognized when the related fund liability is incurred. 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 originate from the program or from parties other than the government's taxpayers or citizens as a whole, and 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.

• **Capital Assets**

Capital assets consist of tangible personal property having a value equal to or greater than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at historical cost. Capital assets are depreciated over their estimated useful life using the straight-line mid-month convention. Salvage value is not included in the depreciation calculation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives in years:

Equipment	5
Furniture and fixtures	10
Data processing and software	5
Buildings and structures	20

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

• **Capital Assets - continued**

The Department capitalizes computer software, whether purchased or developed internally, in accordance with guidelines provided by the GSD Rule NMAC Chapter 20, Part 1, Sections 2.20.1.9C(5) and 2.20.1.10C and FASB 86 accounting principles. The Department acquired or developed no software in FY 2010.

• **Fund Balances and Net Assets**

Net assets on the Statement of Net Assets including the following:

Invested in Capital Assets - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition and improvement of these capital assets. Currently, the Department has no outstanding capital-related debt.

Restricted - the component of net assets that reports the difference between assets and liabilities of the Department that consists of assets with constraints placed on their use by legislation or federal law. Out of the Total Net Assets of \$14,731,519, \$14,927,360 was restricted by enabling legislation for Community Development and Capitol Projects activity.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets or Restricted Net Assets.

In the fund level financial statements, fund balance reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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. Further more, the capital assets associated with the project funded the severance tax bonds are excluded from the Department's capital assets list, upon project completion, the Department



**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Notes to Financial Statements - continued**

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

• **Severance Tax Bond Proceeds - continued**

does not retain titles to these assets, but rather passes them through to the beneficiaries, other New Mexico State agencies, local governments, etc, of these projects.

**2. CASH DEPOSIT ACCOUNTS AND INVESTMENTS**

The Department has a cash deposit, as defined in the Schedule of Individual Deposit Accounts on page 65, in the Bank of Albuquerque of \$33,802. This deposit represents a cash balance associated with ISO 9000 program activities. FDIC coverage of \$33,802 is available for this deposit; collateral for the balance, in accordance with 6-10-17 NMSA 1978, is not necessary, as the cash balance did not exceed the FDIC maximum coverage amount of \$250,000. The Department also has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$16,769,853 with the State Treasurer in the State General Fund Investment Pool.

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts. Refer to the Schedule of Pledged Collateral on page 66.

For a detailed listing of all agency bank accounts and State Treasurer SHARE accounts, refer to the Schedule of Individual Deposit Accounts on page 65.

**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:

<u>Fund Type</u>	<u>SHARE Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund	18900	\$ 358,006	-
Capital Project Fund	02800	-	<u>358,006</u>
Total		\$ <u>358,006</u>	<u>358,006</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	Agency Fund	Due From	Due To
18900	To fund Agency's payroll	Spaceport Authority	81700	\$ 59,905	-
02800	To fund Capital Projects through Severance Tax	Dept. of Finance & Administration	81500	3,056,768	-
18900	To fund Agency's payroll	Dept. of Finance & Administration	85300	-	570,015
18900	Reversion of Cash held in Bank of Albuquerque per Department of Finance and Administration instructions	Dept. of Finance & Administration	62000	-	33,802
18900	Reversion of unreserved fund balances in general fund	Dept. of Finance & Administration	62000	-	<u>1,109,935</u>
Total				\$ <u>3,116,673</u>	<u>1,713,752</u>

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Notes to Financial Statements - continued**

**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.

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>80,772</u>	<u>621</u>	<u>81,393</u>

**6. RELATED PARTY TRANSACTIONS**

The Department is responsible for providing administrative support to the agencies it was once associated with: New Mexico Spaceport, Border Authority and Military Base Planning. However, the Department makes no executive decisions on behalf of these independent agencies, and, therefore is not accountable for any consequences, positive or otherwise, related to those decisions.

The Department is responsible for managing General Fund Appropriation, in addition to one Severance Tax bond on behalf of New Mexico Spaceport Authority (NMSA). The funds were originally appropriated to the Department prior to the creation of NSMA. New Mexico Spaceport Development Act, Laws of 2005, Chapter 128, actually established New Mexico Spaceport Authority. However, since the capital appropriation, along with the Severance Tax bond, were already authorized under Economic Development Department, the agency continued to manage the appropriations for the Spaceport Authority. The Department's only responsibility is to settle invoices from various contractors of the capital projects undertaken by NMSA as received. The capital projects carried out for NMSA are not considered assets of the Department; accordingly, the Department bears no liability, if any, associated with those projects.

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Notes to Financial Statement - continued**

**7. CAPITAL ASSETS**

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Equipment	\$ 118,226	-	-	118,226
Furniture & fixtures	21,131	-	-	21,131
Data processing and software	460,482	47,470	(20,497)	487,455
Building & structures	<u>10,779</u>	<u>8,450</u>	<u>-</u>	<u>19,229</u>
Total capital assets	610,618	55,920	(20,497)	646,041
Accumulated depreciation:				
Equipment	112,378	2,541	-	114,919
Furniture & fixtures	17,211	1,092	-	18,303
Data processing and software	452,888	13,186	(20,497)	445,577
Buildings & structures	<u>10,779</u>	<u>-</u>	<u>-</u>	<u>10,779</u>
Total accumulated depreciation	<u>593,256</u>	<u>16,819</u>	<u>(20,497)</u>	<u>589,578</u>
Net capital assets	\$ <u>17,362</u>	<u>39,101</u>	<u>-</u>	<u>56,463</u>

Land, buildings and automobiles used by the Department are not included in these financial statements as those assets are included in the financial statements of the General Services Department.

Depreciation expense was charged to functions as follows:

Economic Development	\$ 5,985
Film	2,578
Mexican Affairs	742
Program Support	6,568
Technology Commercialization	436
Other Initiatives	<u>510</u>
Total	\$ <u>16,819</u>

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Notes to Financial Statements - continued**

**8. DEFERRED REVENUE**

The following receivables out of Due From Other Agencies account in Capital Projects Fund (SHARE Fund 02800) were recorded as deferred revenue at the fund level at June 30, 2010, as the amount had not been received within 60 days after the end of the fiscal year.

<b>Severance Tax Bond</b>	<b>Law</b>	<b>Date Appropriated</b>	<b>Amount</b>
Southwest Reg Spaceport	Laws of 2004	6/30/2010	\$ 584,200
Economic Development Grants	Laws of 2009	6/30/2013	2,000,000
Mainstreet Central Business	Laws of 2009	6/30/2013	<u>177,191</u>
			<b>\$ <u>2,761,391</u></b>

**9. COMPENSATED ABSENCES**

Qualified employees are entitled to accumulate annual leave as follows: A maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

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

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

All sick leave balances from 600 to 1,000 hours have been recorded at 50 percent of the employee's current hourly rate, including those amounts paid in July of the subsequent fiscal year, because no expendable financial resources are available as of the balance sheet date to liquidate the liability. The current portion of compensated absences payable expected to be paid within one year is \$267,203.

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Notes to Financial Statements - continued**

**9. COMPENSATED ABSENCES - continued**

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

		<u>Balance, June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, June 30, 2010</u>	<u>Due Within One Year</u>
Compensated absences	\$	269,366	181,469	(174,632)	276,203	276,203
	\$	<u>269,366</u>	<u>181,469</u>	<u>(174,632)</u>	<u>276,203</u>	<u>276,203</u>

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

There was no short-term debt activity in FY 2010

**10. REVERSIONS**

Current year reversions to the State General Fund as of June 30, 2010 were as follows:

<u>Appropriation Year</u>	<u>Fund Type</u>	<u>SHARE System Fund</u>	<u>Reversion</u>
N/A	General Fund	18900	\$ 33,802
Laws of 2009	General Fund	18900	1,109,935
Laws of 2009	General Fund	18900	568,600 *
Laws of 2009	Capital Projects Fund	02800	<u>4,913,340</u>
	Total		\$ <u>6,625,677</u>

\* General Fund Executive Order 2009-044 Reversion, Laws 2010

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. A total of \$5,481,940 was paid to the State General Fund during the year. \$1,143,737 is payable at June 30, 2010 and due by September 30, 2010. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor. The Department will pay the remainder of the reversions payable during fiscal year 2011.

**11. 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](http://www.pera.state.nm.us).

• **Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09%. 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, 2010, 2009 and 2008 were \$542,848, \$628,073 and \$583,366, respectively, which equal the amount of the required contributions for each fiscal year.

**12. 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 post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA).

The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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

• **Plan Description - continued**

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

• **Funding Policy**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

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

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:



STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

12. POST EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - continued

• Funding Policy - continued

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

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, 2010, 2009 and 2008 were \$46,453, \$49,216 and \$45,714, respectively, which equal the required contributions for each year.

13. 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, 2010 amounted to \$296,232.

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, 2010.

Years ending June 30:	<u>Lease Amounts</u>
2010	\$ 95,685
2011	27,994
2012	-
2013	-
2014	-
2015 and thereafter	-
	\$ <u>123,679</u>

14. 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:

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Notes to Financial Statements - continued**

**14. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS) - continued**

- 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.

**15. OPERATING TRANSFERS**

EDD SHARE Fund	Affiliate Agency	Affiliate SHARE Agency/Fund	Transfers In	Transfers Out
63800	NM Dept. of Workforce Solutions	63100/61300	\$ 1,000,000	-
63800	Dept. of Finance & Administration	34100/39401	8,541	-
02800	Dept. of Finance & Administration	34100/52900	165,421	-
02800	Dept. of Finance & Administration	34100/58100	500,000	-
02800	Office of State Engineer	55000/26700	<u>934,562</u>	-
	Total		\$ <u>2,608,524</u>	<u>-</u>

**16. NEW PRONOUNCEMENTS**

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

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

**16. NEW PRONOUNCEMENTS - continued**

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.
- Statements No. 25, *Financial Reporting for Defined Benefit Pensions Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools – such as bond mutual funds and external bond investment pools – that do not meet the requirements to be reported as a 2a7-like pool.

Statement 53 is amended to:

- Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.
- Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit.
- Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
- Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Notes to Financial Statements - continued

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**16. NEW PRONOUNCEMENTS - continued**

Statement 53 is amended to:

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

**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Combining Balance Sheet -  
Non-Major Governmental Funds

AS OF JUNE 30, 2010

	02300	38400	Total
	Revolving Loan Community Development	Technology Enterprise Fund	Non-Major Governmental Funds
<b>ASSETS:</b>			
Investment in State General Fund			
Investment Pool	\$ 1,896,657	51,641	1,948,298
Notes receivable	80,772	-	80,772
Accrued interest receivable	621	-	621
<b>TOTAL ASSETS</b>	<b>\$ 1,978,050</b>	<b>51,641</b>	<b>2,029,691</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ -	-	-
<b>TOTAL LIABILITIES</b>	-	-	-
<b>FUND BALANCES:</b>			
Reserve for community development	1,978,050	51,641	2,029,691
Unreserved, designated for subsequent years' expenditures	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,978,050</b>	<b>51,641</b>	<b>2,029,691</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,978,050</b>	<b>51,641</b>	<b>2,029,691</b>

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, 2010

	02300	38400	Total
	Revolving Loan Community Development	Technology Enterprise	Non-Major Government Funds
<b>REVENUES:</b>			
Investment Earnings	\$ 2,266	-	2,266
<b>TOTAL REVENUES</b>	2,266	-	2,266
<b>EXPENDITURES:</b>			
Personal services and benefits	-	-	-
Contractual services	-	-	-
Other	-	-	-
Capital Outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	2,266	-	2,266
<b>OTHER FINANCING SOURCES (USES):</b>			
State General Fund appropriations	-	-	-
Reversions to State General Fund	-	-	-
<b>NET OTHER FINANCING SOURCES (USES)</b>	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	2,266	-	2,266
<b>BEGINNING FUND BALANCE</b>	1,975,784	51,641	2,027,425
<b>ENDING FUND BALANCE</b>	\$ 1,978,050	51,641	2,029,691

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

REVOLVING LOAN COMMUNITY DEVELOPMENT FUND 02300				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other State funds	-	-	2,266	2,266
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	2,266	2,266
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	-	-	-	-
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>			2,266	
<b>NET CHANGE IN FUND BALANCE</b>			\$ 2,266	



STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

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

YEAR ENDED JUNE 30, 2010

TECHNOLOGY ENTERPRISE 38400

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal funds	\$ -	-	-	-
General Fund	-	-	-	-
Other State funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	-	<u>-</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	-	<u>-</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>			-	
<b>NET CHANGE IN FUND BALANCE</b>			\$ <u>-</u>	

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Statement of Revenues and Expenditures -  
Major Capital Projects Fund -  
Budget and Actual (Modified Accrual Basis) - continued

YEAR ENDED JUNE 30, 2010

	CAPITAL PROJECTS FUND 02800			
	Life to Date Budgeted Amounts	FY 2010 Amounts Budgetary Basis	Life to Date Actual Amounts Budgetary Basis	Variance Over (Under)
<b>REVENUES:</b>				
Capital outlay appropriations	\$ 17,561,983	1,599,983	10,435,022	(7,126,961)
Severance Tax Bonds proceeds	9,625,079	1,977,339	6,627,706	(2,997,373)
Budgeted Fund Balance	-	-	-	-
<b>TOTAL REVENUES</b>	<u>27,187,062</u>	3,577,322	<u>17,062,728</u>	<u>(10,124,334)</u>
<b>EXPENDITURES:</b>				
Personal services and benefits	\$ -	-	-	-
Contractual services	24,740,226	5,975,435	15,578,271	9,161,955
Other costs	2,446,836	574,216	1,484,457	962,379
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 27,187,062</u>	<u>6,549,651</u>	<u>17,062,728</u>	<u>10,124,334</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
		<u>(2,972,329)</u>		
<b>REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)</b>				
		(4,913,340)		
<b>NET CHANGE IN FUND BALANCE</b>		<u>(7,885,669)</u> *		

\* Fund Balance at the end of the year amounted to \$(547,114). However, the deferred revenue of \$2,761,391 was recorded and will reverse deficit balance in future years. See Note 1 for more disclosure.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Multi-Year Capital Projects Funded by Special  
and Severance tax Capital Outlay Appropriations from the State (Schedule 1)

YEAR ENDED JUNE 30, 2010

Project Description	Expiration	Amount Appropriated	Current Year Expenditures	Current Year Reversions	Balance as of June 30, 2010	Encumbrances at June 30, 2010	Remaining Appropriation
<b>Special Capital Outlay Appropriations</b>							
Southwest Reg Spaceport	6/30/2010	\$ 1,000,000	59,347	-	987,325	12,675	-
Hagerman Garage Door Manual	6/30/2010	250,000	247,500	-	250,000	-	-
Chimayo/Santa Fe Co Chile	6/30/2010	427,000	-	-	427,000	-	-
Cuba Small Business Incubator	6/30/2010	150,000	40,000	108,500	41,500	-	-
Business Incubator Improvement	6/30/2010	500,000	224,680	13,300	470,710	15,990	-
Mainstreet Central Business	6/30/2010	2,165,421	-	165,421	2,000,000	-	-
Alb Tricentennial Digital	6/30/2010	275,000	-	-	275,000	-	-
Film/Media Promotion	6/30/2010	50,000	-	1,040	49,480	-	(520)
Film Media	6/30/2010	340,000	612	-	340,136	-	(136)
Ramah Chp Meat Processing	6/30/2011	85,000	-	-	85,000	-	-
Ramah Chp Meat Processing	6/30/2011	385,000	-	-	3,850	-	381,150
Mainstreet Central Business	6/30/2011	1,500,000	198,508	1,125,079	374,921	-	-
Tucumcari In	6/30/2011	934,562	107,275	-	358,700	-	575,862
Economic Development Grant	6/30/2012	7,000,000	1,550,000	3,500,000	2,291,400	-	1,208,600
Albuquerque Eclipse Aviation	6/30/2012	2,000,000	-	-	1,980,000	-	20,000
Film Media Production	6/30/2010	500,000	419,375	-	500,000	-	-
<b>Total Special Capital Outlay Appropriations</b>		<b>17,561,983</b>	<b>2,847,297</b>	<b>4,913,340</b>	<b>10,435,022</b>	<b>28,665</b>	<b>2,184,956</b>
<b>Severance Tax Bond Proceeds</b>							
Las Vegas Wood Harvesting	6/30/2010	500,000	85,000	-	447,535	-	52,465
Southwest Reg Spaceport	6/30/2010	4,000,000	1,446,889	-	3,844,285	-	155,715
Economic Development Grants	6/30/2013	3,500,000	2,000,000	-	2,000,000	-	1,500,000
Mainstreet Central Business	6/30/2013	1,125,079	170,465	124,921	335,886	-	1,079,535
Aztec Project	6/30/2013	500,000	-	-	-	-	500,000
<b>Total Severance Tax Bond Proceeds</b>		<b>9,625,079</b>	<b>3,702,354</b>	<b>124,921</b>	<b>6,627,706</b>	<b>-</b>	<b>3,287,715</b>
<b>Total Capital Outlay Funding</b>		<b>\$ 27,187,062</b>	<b>6,549,651</b>	<b>5,038,261</b>	<b>17,062,728</b>	<b>28,665</b>	<b>5,472,671</b>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Schedule of Individual Deposit Accounts (Schedule 2)

AS OF JUNE 30, 2010

Fund Name	Fund Number	Fund Type	Depository	Balance per Bank	Adjustments/ Reconciling Items	Reconciled Balance per Books
<b>Cash with State General Fund (with SHARE fund numbers):</b>						
General Fund	18900	Operating	State General Fund	\$ 2,077,969	-	2,077,969
In-Plant Training Fund	63800	Special revenue	State General Fund	12,743,586	-	12,743,586
Revolving Loan Community Development	2300	Special revenue	State General Fund	1,896,657	-	1,896,657
Technology Enterprise Fund	38400	Special revenue	State General Fund	51,641	-	51,641
Capital Projects Fund	02800	Capital project	State General Fund	-	-	-
<b>Total Governmental with State General Fund</b>				16,769,853	-	16,769,853
General Fund	18900	Operating	Bank of Albuquerque	<u>33,802</u>	-	<u>33,802</u>
<b>Total Cash</b>				<u>\$ 16,803,655</u>	<u>-</u>	<u>16,803,655</u>

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Schedule of Pledged Collateral (Schedule 3)

AS OF JUNE 30, 2010

	Bank of Albuquerque	Accounts at State General Investment Fund	Total
Total amount of deposit	\$ 33,802	16,769,853	16,803,655
Less FDIC	(33,802)	-	(33,802)
Total uninsured public money	-	16,769,853	16,769,853
50% collateral	-	8,384,927	8,384,927
State Agency Collateral Listing:	N/A	A	A
Total pledged	-	-	-
Over (under) pledged	N/A	A	A

A: This amount is held at the Office of the State Treasurer and is detailed in the report of the Office of the State Treasurer, whose audit is covered by a separate report. Detail specific for the collateral is commingled by the Office of the State Treasurer, and they monitor the adequacy of the funds pledged for collateral to ensure they are fully covered as required by the Laws of the State of New Mexico and related statutes.

Custodian: Federal Home Loan Bank, Dallas  
Name Security in: New Mexico General Investment Fund

The deposits are fully secured since they are in the name of the New Mexico State General Investment Fund and are held at a separate depository institution that is not affiliated with the depository institution.

Responsible Party	Description	Term	Total Amount of Project
Bernalillo County, NM	MOU between the Department, and Bernalillo County, New Mexico (County), regarding construction of a business incubator expansion.	6/20/07 - 6/30/10	\$100,000
City of Deming, NM	MOU between the Department, and the City of Deming, New Mexico, to support the secured financial assistance request proposed by Proper Foods, Inc., for land and improvements and to provide for job creation and retention.	9/4/08 - 6/30/10	\$500,000
City of Portales	MOU between the Department, and City of Portales for the support of the Sunland Inc. project with their economic development initiatives.	2/10/09 - 6/30/11	\$156,000
City of Las Cruces, NM	MOU between the Department, and the City of Las Cruces New Mexico, regarding the formal planning, design and construction activities for the redevelopment and revitalization to downtown Las Cruces.	1/8/08 - 6/30/11	\$50,000
Bernalillo County, NM	MOU between the Department, and Bernalillo County, New Mexico (County), to support the capital outlay direct financial assistance proposed by Forest City, NM LLC to construct a building within the Mesa Del Sol development and lease the building to Fidelit	1/26/08 - 6/30/11	\$7,500,000
PCD/GSD	MOU between the Department, and the Property Control Division (PCD), to transfer money received by the Department from PDC to the United States General Services Agency for infrastructure improvements to the Santa Teresa Port of Entry.	12/13/07 - project completion	\$250,000
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.	10/8/08 - 6/30/10	\$10,000

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Memoranda of Understanding (Schedule 4)

<u>Amount Applicable to Department</u>	<u>Amount Department Contributed During FY10</u>	<u>Amount Paid Up-to-Date</u>	<u>Audit Responsibility</u>	<u>Agency Reporting Revenue &amp; Expense</u>
\$100,000	-	\$100,000	Bernalillo County, New Mexico	Bernalillo County, New Mexico
\$500,000	-	\$500,000	City of Deming, New Mexico	City of Deming, New Mexico
\$156,000	-	\$156,000	City of Portales	City of Portales
\$50,000	-	-	City of Las Cruces, New Mexico	City of Las Cruces, New Mexico
\$7,500,000	-	\$7,500,000	Bernalillo County, New Mexico	Bernalillo County, New Mexico
\$250,000	-	\$250,000	New Mexico Economic Development Dept.	New Mexico Economic Development Dept.
\$10,000	-	\$10,000	YWCA Middle Rio Grande	YWCA Middle Rio Grande

<b>Responsible Party</b>	<b>Description</b>	<b>Term</b>	<b>Total Amount of Project</b>
City of Albuquerque, NM	MOU between the Department, and the City of Albuquerque, New Mexico, to provide assistance to a solar equipment economic development project in Bernalillo County.	2/27/09 - 6/30/12	\$8,000,000
City Of Albuquerque	MOU between City of Albuquerque and the Department to promote or enhance local efforts	3/31/2010 - 6/30/2013	2,000,000
City of Alamogordo, NM	MOU between the Department, and the City of Alamogordo, New Mexico,	8/31/09 - 6/30/14	\$400,000
City of Bloomfield, NM	MOU between the Department, and the City of Bloomfield, New Mexico, to promote or enhance local economic development efforts	9/9/09 - 6/30/14	\$300,000
Quality New Mexico	MOU between the Department, and Quality New Mexico, to assist businesses using the baldrige criteria.	9/16/09 - 6/30/10	\$100,000
Catron County, NM	MOU between the Department, and Cartron County, New Mexico, to promote or enhance local economic development efforts.	9/28/09 - 6/30/12	\$250,000
City of Jal, NM	MOU between the Department, and the City of Jal, New Mexico, to promote or enhance local economic development efforts.	1/21/10 - 6/30/10	\$250,000
City of Jal, NM	MOU Between Santa Fe county and the Department to promote or enhance local economic development efforts	7/2/2009 - 6/30/2011	350,000
New Mexico State University (NMSU)	MOU between NMSU and the Department to develop ultra short pulse laser systems	6/9/2010 - 6/30/2010	86,281
University New Mexico (UNM)	MOU between UNM and the Department to develop ultra short pulse laser systems	6/9/2010 - 6/30/2010	49,900
Pegasus Global, LLC	MOU between Pegasus Global and the Department to develop an essential infrastructure project	2/2/2010 - project completion	N/A



STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Memoranda of Understanding (Schedule 4) - continued

<u>Amount Applicable to EDD</u>	<u>Amount EDD Contributed During FY10</u>	<u>Amount Paid Up-to-Date</u>	<u>Audit Responsibility</u>	<u>Agency Reporting Revenue &amp; Expense</u>
\$8,000,000	-	\$8,000,000	City of Albuquerque, New Mexico	City of Albuquerque, New Mexico
2,000,000	2,000,000	2,000,000	City of Albuquerque, New Mexico	City of Albuquerque, New Mexico
\$400,000	400,000	\$400,000	City of Alamogordo, New Mexico	City of Alamogordo, New Mexico
\$300,000	300,000	\$300,000	City of Bloomfield, New Mexico	City of Bloomfield, New Mexico
\$100,000	100,000	\$100,000	Quality New Mexico	Quality New Mexico
\$250,000	250,000	\$250,000	Catron County, New Mexico	Catron County, New Mexico
\$250,000	250,000	\$250,000	City of Jal, New Mexico	City of Jal, New Mexico
350,000	350,000	350,000	City of Jal, New Mexico	City of Jal, New Mexico
86,281	86,281	86,281	New Mexico State University	New Mexico State University
14,900	14,900	14,900	University New Mexico	University New Mexico
N/A	-	-	N/A	N/A

**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, the aggregate remaining fund information, the budgetary comparisons for the general fund, major special revenue fund, capital project 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, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in scheduled findings and questioned costs, that we consider to be significant deficiencies.



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**

financial statements will not be prevented, or detected and corrected, on a timely basis.

A **significant deficiency** is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Significant deficiencies are described in the accompanying schedule of findings and questioned costs as items 10-01 and 09-01.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted another matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying findings and questioned costs as finding 10-02.

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.

*Meyner + Company, LLC*

November 29, 2010

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Schedule of Findings and Responses**

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**YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Economic Development Department (Department).
2. Two significant deficiencies were disclosed during the audit of the financial statements.
3. There was no instance 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

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**10-01 UNRECORDED CASH (Significant Deficiency)**

**Condition:** In FY 2011, the Department became aware of a bank account held with the Bank of Albuquerque for the benefit of the ISO 9000 program. The bank account was neither authorized by the Department of Finance and Administration, nor was it reflected on the General Ledger of the Department. The amount of cash held in this bank account was \$33,802.

**Criteria:** Sections 6-10-2, 6-10-3 and 6-1-13 of NMSA 1978 state that all money received should be properly accounted for, adequately safeguarded and recorded immediately. In addition, Section 6-10-3 of NMSA 1978 states that all monies collected should be either deposited with State General Investment Fund or with an authorized banking institution.

Per State Auditor Rule 2.2.2.12, Subsection A(6)(b) NMSA 1978 requires all funds that meet reversion criteria to be transferred back to the State General Fund by September 30.

**Cause:** Lack of proper internal controls surrounding cash receipts, and management oversight.

**Effect:** The Department is not in compliance with the State requirements. In addition, the assets of the Department could have been misappropriated.

**Recommendation:** We recommend proper segregation of duties within the Department as related to cash transactions.

**Management's Response:** In response to audit finding for unrecorded cash, it was brought to the Department's attention in September of 2010, that ISO 9000 program had opened a bank account several years earlier and had been managing this account for years without the knowledge of the Cabinet Secretary or ASD Director. However, since the issues was brought to the attention of the Department in late September of 2010, the Department could not revert those funds until the agency could adequately assure funds were not misappropriated. Moreover, as those funds represented a liability of the Department to cover audit costs for ISO 9000 participants, it would have been inappropriate to revert all funds without means of covering the liability. Meanwhile, several companies and auditors have requested reimbursements for work performed. The Department is working with DFA to properly settle that liability. Once this has occurred, remaining funds will be reverted to the general fund on or before December 31, 2010. The ASD Director is responsible for the proper handling of this issue.

The agency has met with the Department of Finance Administration and Legislative Finance Council and has asked the legislature to draft language during the 2011 session creating a ISO 9000 non-reverting fund.

STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT

Schedule of Findings and Responses - continued

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

**10-02 MAINTENANCE OF CAPITAL ASSETS**

**Condition:** During the Capital Assets Roll Forward, we noted that the capital asset listing is not maintained properly. The Department utilizes a system that is unable to ensure that the Department does not over-depreciate the assets.

**Criteria:** GASB 34 requires agencies under its authority to maintain capital assets balances accurately.

**Cause:** Lack of an effective system that would ensure proper fixed assets balance maintenance.

**Effect:** The Department could have been over-depreciating the fixed assets and reporting the balance of their capital property inaccurately.

**Recommendation:** We recommend the Department utilizes a system that would enable the Department to track fixed assets accurately.

**Management's Response:** Currently EDD uses an excel spreadsheet to monitor fixed assets balances, in the future, EDD will utilize a system that will track fixed assets accurately. The ASD Director is responsible for implementing this change.

**09-01 UNTIMELY REVERSION TO STATE GENERAL FUND (Significant Deficiency)**

**Condition:** The Department did not revert the FY10 general fund fund balance of \$1,109,935 on a timely basis to the New Mexico State General Fund. Neither did it revert cash in bank of \$33,208 by the due date, as instructed by the Department of Finance and Administration.

**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 FY10 reversion was due on September 30, 2010.

**Cause:** Lack of proper controls over reversion calculations and management oversight.

**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:** The Department has been carrying a fund balance since 2006 and has not been reconciled. However, without a complete reconciliation, EDD did not feel comfortable reverting those funds. The funds will be reverted on or before December 31, 2010 to the general fund. The ASD Director is responsible for this reversion.

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Summary Schedule of Prior Year Audit Findings**

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- 09-1 Untimely Reversion to State General Fund - Repeated and Updated
- 09-2 Interfund Balances - Resolved

**STATE OF NEW MEXICO  
ECONOMIC DEVELOPMENT DEPARTMENT**

**Exit Conference**

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

**ECONOMIC DEVELOPMENT DEPARTMENT**

Alan Oliver, Acting Cabinet Secretary  
Lisa Ortiz, ASD Director

**MEYNER + COMPANY, LLC**

Janet Pacheco-Morton, CPA, CGFM, Director  
Tasha Bochkova, CPA, Staff Accountant  
Jennifer White, CPA, Staff Accountant  
Douglas Scarborough, CPA, Staff Accountant

**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.