



**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2015

atkinson

PRECISE. PERSONAL. PROACTIVE.

TABLE OF CONTENTS

	<u>Page</u>
CONTENTS.....	i-iii
OFFICIAL ROSTER.....	1
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	5-16
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	17
STATEMENT OF ACTIVITIES.....	18
BALANCE SHEET - GOVERNMENTAL FUNDS.....	19-20
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION.....	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	22-23
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	24
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL.....	25-29
NOTES TO FINANCIAL STATEMENTS.....	30-53

SUPPLEMENTAL INFORMATION

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT - FUND 18900 P512 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 1.....	54
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - FILM DIVISION - FUND 18900 P514 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 2.....	55
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - PROGRAM SUPPORT - FUND 18900 P526 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 3.....	56
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - INDUSTRIAL DEVELOPMENT - FUND 63800 P528 MAJOR GOVERNMENTAL FUND - JOB INCENTIVE TRAINING PROGRAM – SCHEDULE 4.....	57

TABLE OF CONTENTS - CONTINUED

SUPPLEMENTAL INFORMATION - CONTINUED

	<u>Page</u>
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - LEDA PROGRAM - ENDS JUNE 30, 2015 - FUND 18900 Z30533 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 5.....	58
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - MAINSTREET PROGRAM - ENDS JUNE 30, 2015 - FUND 18900 Z30534 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 6.....	59
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - FEASIBILITY STUDY RAIL LINE - ENDS JUNE 30, 2015 - FUND 18900 Z30535 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 7.....	60
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL APPROPRIATION - COUNTY FOOD INFRASTRUCTURE - ENDS JUNE 30, 2015 - FUND 18900 Z80903 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 8.....	61
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - JOB INCENTIVE PROGRAM - ENDS JUNE 30, 2016 - FUND 63800 Z40536 MAJOR GOVERNMENTAL FUND - JOB INCENTIVE TRAINING PROGRAM – SCHEDULE 9	62
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - LEDA PROGRAM - ENDS JUNE 30, 2016 - FUND 18900 Z50521 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 10.....	63
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - TECHNOLOGY AND RESEARCH - ENDS JUNE 30, 2016 - FUND 18900 Z50522 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 11.....	64
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - MAINSTREET PROGRAM - ENDS JUNE 30, 2016 - FUND 18900 Z50523 MAJOR GOVERNMENTAL FUND - GENERAL FUND – SCHEDULE 12.....	65
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL SPECIAL MULTI-YEAR APPROPRIATION - JOB INCENTIVE PROGRAM - ENDS JUNE 30, 2016 - FUND 63800 Z50525 MAJOR GOVERNMENTAL FUND - JOB INCENTIVE TRAINING PROGRAM – SCHEDULE 13	66
SCHEDULE OF REVENUES AND EXPENDITURES - MAJOR CAPITAL PROJECTS FUND - BUDGET AND ACTUAL SEVERANCE TAX BOND CAPITAL PROJECTS FUND - FUND 02800 – SCHEDULE 14.....	67

TABLE OF CONTENTS - CONTINUED

SUPPLEMENTAL INFORMATION - CONTINUED

	<u>Page</u>
SCHEDULE OF REVENUES AND EXPENDITURES – MAJOR CAPITAL PROJECTS FUND - BUDGET AND ACTUAL SEVERANCE TAX BOND CAPITAL PROJECTS FUND - FUND 89200 – SCHEDULE 15.....	68
SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY SPECIAL AND SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE – SCHEDULE 16.....	69
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS – SCHEDULE 17.....	70
MEMORANDA OF UNDERSTANDING – SCHEDULE 18.....	71-72
SCHEDULE OF VENDOR INFORMATION (UNAUDITED) – SCHEDULE 19.....	73
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	74-75
SUMMARY OF AUDIT FINDINGS.....	76
SCHEDULE OF AUDIT FINDINGS AND RESPONSES.....	77
EXIT CONFERENCE.....	78

State of New Mexico Economic Development Department

OFFICIAL ROSTER

June 30, 2015

OFFICE OF THE SECRETARY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

State of New Mexico Economic Development Department
and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Economic Development Department (the Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the Department's budgetary comparison schedules of the components of the general fund and major capital projects funds presented as supplementary information for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State of New Mexico Economic Development Department as of June 30, 2015, and the respective changes in financial position and respective budgetary comparisons of the general fund and special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the budgetary comparison schedules for the components of the general fund and capital projects funds for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2015, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not modify our opinion for this matter.

As discussed in Note B22, the State of New Mexico, as a single employer, has implemented GASB 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2015, Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Agency's governmental funds. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to

be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

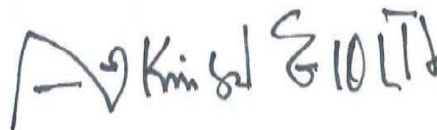
Other Information

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparison schedules for component funds of the general fund and capital projects funds presented as supplementary information. The accompanying schedule of multiple year capital projects funded by special and severance tax capital outlay appropriations, schedule of individual deposit accounts and memoranda of understanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information, required by 2.2.2 NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

The State of New Mexico Economic Development Department's (the Department or NMEDD) 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, 2015.

Financial Highlights

- In the fiscal year ended June 30, 2015, the total assets of the Department exceeded total liabilities by \$43,163,361.
- The Department acquired \$46,140 in total capital assets with individual acquisition values greater than \$5,000.
- Of the \$45,392,559 in total current assets, nearly 99% was in the form of cash and investments in the State General Fund Investment Pool.
- The total cost of Department programs was \$23,402,519, whereas the total Department revenue was \$46,753,983. Reversions to State General Fund amounted to \$88,547

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.

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 position presents information on all of the Department's assets and liabilities and deferred inflows and outflows of resources, with the residual reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 eight 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, two Capital Projects Funds, and three Special Revenue Funds. All funds are presented as major.

Governmental Funds - The Department adopts an annual appropriated budget for its General and Special Revenue Funds. The basic governmental fund financial statements can be found on pages 19 through 29 of this report.

Other Information. Supplemental information begins on page 54.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Government-Wide Financial Analysis

As mentioned earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by \$43,163,361 at the close of the 2015 fiscal year.

The second largest portion of Department net position is associated with the Local Economic Development Act funding, which is included in the general fund, Job Incentive Training Program, which is presented in a separate fund. 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 2014 fiscal year, the Department was able to report positive balances in the category of net position. The same situation held true for the prior fiscal year.

Governmental Activities

Governmental activities increased the Department's net position by \$23,351,464.

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.

As of the end of the 2015 fiscal year, the Department's governmental funds reported combined ending fund balances of \$43,235,763, an increase of \$23,347,578 in comparison with the prior year. The majority of this amount is derived from the Special Appropriations relating to MainStreet and LEDA that which will not revert to the State of New Mexico's General Fund and is available for spending in the following fiscal year.

During the 2015 fiscal year, the net change in fund balance of the Department's General Fund increased by \$21,626,181. Fund balance was \$28,730,372 at June 30, 2015, in the General Fund, which increased largely due to MainStreet and LEDA appropriation funding.

The Department's assets at the fund level are mostly comprised of investment in the State General Fund Investment Pool, which is \$45,238,834 or almost 100% of the total assets. The fund liabilities are made up mostly of accounts payable, \$1,884,603, or 87%. As mentioned earlier, the Department's largest source of income comes from State General Fund Appropriations. The Department spent 37%, or \$8,774,350, on contractual services. The second largest expenditure category is "other" expenditures, which include funding the JTIP and other programs. The Department spent \$6,486,092, or 28%, in this category.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Financial Analysis of the Department as a Whole**Net Position**

The Department's condensed net position changed from fiscal year 2014, increasing from \$19.8 million, to \$43.2 million, which represented a 118% change.

**Detail of the Department's Condensed Net Position
as of June 30, 2015 and 2014**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Amount Change</u>	<u>Total % Change</u>
Governmental Activities				
Assets:				
Current assets	\$ 45,280,016	\$ 22,036,021	\$ 23,243,995	105%
Due from other state agencies	112,543	45,895	66,648	145%
Capital and non-current assets	86,834	56,816	30,018	53%
Total assets	<u>\$ 45,479,393</u>	<u>\$ 22,138,732</u>	<u>\$ 23,340,661</u>	105%
Liabilities:				
Current liabilities	<u>\$ 2,316,032</u>	<u>\$ 2,326,835</u>	<u>\$ (10,803)</u>	0%
Total liabilities	2,316,032	2,326,835	(10,803)	0%
Net position:				
Invested in capital assets	86,834	56,816	30,018	53%
Restricted	43,154,934	19,755,081	23,399,853	118%
Unrestricted	<u>(78,407)</u>	<u>-</u>	<u>(78,407)</u>	
Total net position	<u>43,163,361</u>	<u>19,811,897</u>	<u>23,351,464</u>	118%
Total liabilities and net position	<u>\$ 45,479,393</u>	<u>\$ 22,138,732</u>	<u>\$ 23,340,661</u>	105%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Statement of Activities

The Department's change in net position for fiscal year 2015 was an increase of \$23,351,464 (Statement of Activities). Total general and revenues from all sources for fiscal year 2015 were \$46,753,983, of which 89% is State General Fund appropriations.

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Amount Change</u>	<u>Total % Change</u>
Governmental Activities				
Revenues:				
Program revenue	\$ 200	\$ 478	\$ (278)	-58%
Federal other	4,543,760	4,527,194	16,566	0%
Total program revenues	4,543,960	4,527,672	16,288	0%
General revenues:				
State General Fund appropriations	41,487,600	17,392,878	24,094,722	139%
Total general revenues	41,487,600	17,392,878	24,094,722	139%
Total revenues	46,031,560	21,920,550	24,111,010	110%
Expenses:				
Economic development	23,402,519	19,025,083	4,377,436	23%
Other sources (uses):				
Severance tax bonds proceeds	662,970	812,172	(149,202)	-18%
Operating financing sources (uses)	59,453	(230,048)	289,501	-126%
Total other sources	722,423	582,124	140,299	24%
	22,680,096	18,442,959	4,237,137	23%
Change in net position	23,351,464	3,477,591	19,873,873	571%
Net position, beginning	19,811,897	16,334,306	3,477,591	21%
Net position, ending	<u>\$ 43,163,361</u>	<u>\$ 19,811,897</u>	<u>\$ 23,351,464</u>	118%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

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 \$86,834 (net of accumulated depreciation). This investment in capital assets includes machinery and equipment. The Department expended \$46,140 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.

A significant budget increase was made to budget \$27,000,000 additional funding for Local Economic Development Act and \$3,500,000 more funding for the Joint Incentive Training Program in addition to the final portion of federal funds from the U.S. Treasury State Small Business Incentive (SSBCI) with pass-through to New Mexico Finance Authority.

The Department's total liabilities decreased \$10,803 over the previous fiscal year. The Department does not have any long-term debt or unearned revenue due to the State General Fund, but does owe the state \$68,547 for reversions at June 30, 2015.

Department Overview

The Department is one of 28 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.

In FY15 the Department held expenditures and costs flat while still facilitating the creation, retention and expansion of jobs and increasing investment through public/private partnerships in order to establish a stable diverse economy. The national and state financial situation in FY15 was, as anticipated, less bleak than that experienced during FY14.

Department Efficiency

In Fiscal Year 2015, EDD had 18 vacant positions; 7 of these positions were filled leaving 11 vacancies. Of the 18 vacancies, 3 of the positions were from employees retiring, 8 were for resignations, one for separation, one due to an internal promotion and 5 positions were carried over from FY14.

New Mexico's private sectors continued to make incredible gains in FY15. New Mexico exceeded its recently increased job creation target of 3,000 (previously 2,500 in FY14) by 294 jobs for a total of 3,294. The number of business expansions assisted by EDD was 63 total expansions, of which 16 were rural businesses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

The \$15 million that the Department received in Local Economic Development Act (LEDA) funds for FY15 was instrumental in helping local New Mexico businesses expand and recruit new firms to the state. Additionally, the department continues to ensure tax dollars are protected and involved the public in developing guidelines for the LEDA process during a five-city town hall tour.

The Job Training Incentive Program (JTIP) is also one of our instrumental tools in developing our workforce and creating jobs. Efforts in FY15 added to the recurring funding made available to the JTIP.

Our rural programs are paying great dividends from MainStreet's Historic Theater and the Frontier Community Initiatives to our investments in rural incubators and commercial USDA-certified kitchens helping entrepreneurs develop and sell their products.

This year, Secretary Barela announced \$42,000 for four community kitchens located in Taos, Gallup, Silver City and Espanola. Additionally, Las Vegas, Anton Chico, Raton, Ribera and El Morro Valley received technical assistance from NMSU Arrowhead Center in determining a business model for a potential commercial kitchen in each area.

Since Secretary Barela created the Historic Theaters Initiative in 2013, communities that have participated are experiencing an increase in visitors and business in local downtown commercial districts. In FY15, five theaters received LEDA funding as part of the Historic Theaters and Movie Houses Initiative: the Silco in Silver City, the El Morro in Gallup, the Lea in Lovington, the Shuler in Raton, and the Lyceum in Clovis. The funding provides for a digital conversion to show modern films in the new format and preservation of the historic theaters.

The Department and the state's five certified business incubators launched a pilot effort to assist rural communities considering some form of entrepreneurship program. Each incubator mentored a community with a unique incubation project. WESST Enterprise Center assisted the Village of Los Lunas with a preliminary business incubator feasibility study. The Pueblo of Zuni is considering an "arts center" which would combine a co-working space with a training facility and is being mentored by the Santa Fe Business Incubator. New Mexico State University Arrowhead Technology Incubator assisted Emerging Technology Ventures and Otero County as they develop a new facility to serve the growing UAS cluster there. The City of Aztec acquired a building which will be a combined co-working space and downtown Mercado, and was assisted by the Enterprise Center at San Juan College in developing policy and client services for the facility. Las Vegas/San Miguel County is hoping to partner with Highlands University in the renovation of a residence hall into a business incubator and co-working space to be utilized by students, professors and new business startups.

New Mexico's international exports shattered records as the state continues efforts to diversify the manufacturing sector which translates to new jobs for New Mexico workers. Total exports of New Mexico products set another all-time high in 2014 at \$3,788,924,922, an increase of more than \$1 billion over 2013 figures. Additionally, New Mexico's exports are more diverse and more businesses are exporting to more countries than ever before.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

New Mexico's ports of entry overweight zones with Mexico now extend from 6 to 12 miles. This eases the transport of goods between Mexico and New Mexico by allowing heavier loads to enter the state and trucks to unload cargo in New Mexico before shipping elsewhere. New Mexico extended the deduction for new trade support companies operating in the border zone with Mexico by continuing the credit through December 2020. Logistics and transportation companies located within 20 miles of a port of entry may qualify.

In April the Department launched a new website design. The site was built so that constituents can quickly find the resources and information they seek, and is the first Department site accessible from a mobile device. The site includes the new Business Resource Center (BRC). The BRC is a one-stop-shop for all New Mexico businesses who are starting or growing their business. The BRC features a searchable directory of business development programs and services. It also highlights the Department's business development programs: the JTIP, Finance Development, ISO 9000 training, the statewide business retention and expansion (BRE) program, Office of International Trade (OIT) and the Office of Business Advocacy.

The Department has developed a State Science and Technology Plan to capitalize on the presence of three national laboratories, three research universities, state-supported programs, and incentives for technology-based businesses in New Mexico. The plan focuses on water, energy, biosciences and photonics.

The New Mexico Partnership (NMP), a not-for-profit entity, contracts with the Department to market and recruit economic base jobs to New Mexico. NMP finished the FY15 fiscal year with a total of 8 locates and 222 jobs. The booming economy at Santa Teresa continued to contribute heavily to the NMP's performance metrics with five of the "locates" reported this year.

The New Mexico State Film Office (NMFO), a division of the Department, serves the film, television and multi-media industry locally, nationally and internationally benefiting local economy by expanding job and business opportunities to increase in-state spending. The division's services are categorized as follows: (1) Recruitment: Emerging Media & Production; (2) Statewide Outreach; and, (3) Workforce Development.

Film Division

In FY15, The NMFO continued to expand recruitment, workforce and outreach efforts by guiding production companies through the Film Production Refundable Tax Credit incentive program, providing location services, creating industry job opportunities for New Mexico residents and supporting statewide communities and filmmakers. The office services and connects production companies and industry professionals with organizations, businesses and communities throughout the state.

In addition to general inquiries and subsequent meetings, over 225 new projects were logged by Film Office in FY15. Of the 79 productions that have come to fruition, an additional 180 inquiries have been logged by the division - of which more than 50 received location assistance. Of the 25 major productions in principal photography in FY15, eight primarily took place in quarter four, which is considered the busiest quarter each year for the New Mexico film industry.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

The Film Crew Advancement Program, available through the JTIP, serves as an incentive for participating companies to provide more job opportunities for residents in standard industry crew positions. In FY15, 22 production companies participated with 182 qualifying residents. The program also expanded to encourage and include veterans and reserve member components to apply transitional skill sets to this industry in an initiative entitled "Operation Soundstage." Two trainings in FY15 were held with approximately 15 veteran attendees at each training. There were two Pre-Employment Training Program workshops on special effects and LED grip and lighting which included a total of 45 participants.

Upon review of statistical data provided by productions, FY15 was a record year for direct spend into the economy since the implementation of the incentive program, totaling \$286.4 million dollars – which is approximately \$10 million dollars higher than the top years of 2008 and 2011. With five television series in this fiscal year, three of which shot in quarters three and four, it was not a surprise to see that the number of worker days also surpassed the previous top year(s). Additionally, it is important to note that the number of registered non-major projects, with budgets less than one million dollars, had a significant increase in FY15 as compared to previous years.

Economic Development Division (EDD)

The EDD is comprised of seven teams, which contribute to the mission of the division. They are: New Mexico MainStreet Program, which includes the Arts & Cultural District (ACD) Program, the Frontier Communities Program and the Historic Theatres Program; the Community, Business and Rural Development Team (CBRDT), which includes the Local Economic Assistance Development & Support Program (LEADS), the Business Retention & Expansion Program (BRE), and the Rural Economic Development Council, and serves as the Tribal Liaison; the Finance Development Team (FDT), which administers the Capital Outlay Funds, the FundIt Program, the Collateral Support Program, and the EB5 Program; the JTIP, which includes STEP UP and ISO9000; Office of Science & Technology (OS&T), which includes the Technology Research Collaborative (TRC); and the OIT.

The EDD had an extremely successful year. Highlights of those successes are detailed below:

The Job Training Incentive Program

JTIP's mission is to assist in the development of New Mexico's economy by providing funds to support training for new employment opportunities, as well as to provide skill enhancement to residents of New Mexico.

JTIP approved 59 businesses for funding across New Mexico, which led to the creation of 1,894 new jobs, an increase of 40% over last year, at an average wage of \$17.67 per hour.

Finance Development Team

The FDT facilitates the growth of new and existing businesses by acting as a catalyst through the utilization of financing tools available within New Mexico. The FDT also administers the agency's Capital Outlay funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Finance Development Team (Continued)

In FY15, the team successfully awarded \$6,579,700 million and announced 2,608 jobs associated with those projects.

FundIt is an initiative of the Department, which was created as a formal collaboration between funding agencies such as Local Government Division, Capital Outlay Division of Department of Finance & Administration, NM Finance Authority, U.S. Small Business Administration, US Department of Agriculture, U.S. Department of Housing and the NM Mortgage Finance Authority as a way to streamline the process for identifying and financing projects. The types of projects may include business development, community development, housing and/or downtown redevelopment. The FundIt agencies are establishing a memorandum of understanding; an intake form; and will meet regularly to vet and make funding decisions on a variety of project brought forth by the entities. In FY15, FundIt met three times and discussed several projects, which were referred to the proper funding agency.

Community, Business and Rural Development Team (CBRDT) & LEADS

The CBRDT commonly known as “regional representatives,” assists communities to build their capacity for development and to advance the region’s goals for economic growth. The CBRDT oversees and administers the LEADS program and conducts BR&E surveys in order to assess business needs within their regions.

The Regional Representative can identify state/local/federal programs which match the needs of the business. In addition, the team provides technical assistance to non-profit private and public economic development entities in direct support of their local job creation efforts. The following services are provided by the Regional Representative Team:

- LEADS, which provides contractual funding of \$1,500 and up to \$15,000 for CCI designated communities or regional applicants. The funding may be used by the economic development organization to create jobs through recruitment, retention/expansion and startup activities;
- develop the tax base; and
- provide incentives for business development.

The CBRDT processed and closed 21 Certified Communities Initiative (CCI) grants for a total of \$163,000 dollars.

MainStreet and Arts and Cultural District Programs

MainStreet assists affiliated communities in revitalizing their traditional commercial neighborhoods while preserving local cultural and historic resources. The technical assistance provided to the local communities by the MainStreet team creates a positive economic environment to create jobs and grow businesses within the districts.

MainStreet currently serves 27 affiliated MainStreet Districts, six state-authorized Arts and Cultural Districts, and seven Frontier Community projects. During FY15, MainStreet Districts saw \$7.85 million in private sector investments and 196 building rehabilitations and the creation of 612 new jobs in the MainStreet districts.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

MainStreet and Arts and Cultural District Programs (Continued)

MainStreet is accredited and licensed through the National Main Street Center in Chicago, a subsidiary of the National Trust for Historic Preservation. Therefore, all technical assistance provided follows the established comprehensive economic strategies of the Main Street Four Point Approach™ of organization, design, promotion, and economic vitality, while tailoring those strategies to meet local economic goals and opportunities. During the past legislative cycle, the MainStreet program received a \$500 thousand dollar appropriation, which allowed it to add one new MainStreet program, two new Arts & Cultural Districts, 1 new Arts & Cultural Compound, 8 Frontier Community Initiatives and two new Historic Theater Initiatives.

Frontier Communities Initiative

As part of the MainStreet Program, there exists the Arts & Cultural District (ACD) program, which is one of the first in the nation and a model for other states and towns. By state statute, the Director of the MainStreet is the “coordinator” of the program. However, it is an inter-agency collaboration which includes the Historic Preservation and New Mexico Arts Divisions of Cultural Affairs; the Tourism Department and two statewide Foundations; the McCune Charitable Trust and the New Mexico Resiliency Alliance. The program utilizes place-based economic development strategies based on a community’s heritage, cultural and arts assets to enhance the economic health and vitality within a walkable district.

The Frontier Community Initiative was created by statute in 2013. It targets communities under 7,500 in population that currently do not have capacity to do the comprehensive MainStreet program. They apply to focus on one catalytic economic development project receiving technical professional assistance to develop and implement that project.

NM ISO9000

The NM ISO9000 program was created by the Department to provide training and assistance to New Mexico businesses in preparing for ISO 9001: 2008 certification. The agency partners with Manufacturing Extension Partnership (MEP) to provide classes to businesses wishing to obtain certification.

Office of International Trade

OIT promotes and facilitates export sales of New Mexico goods and services worldwide and supports efforts to recruit foreign direct investment to New Mexico in order to assist the process of job creation, retention, and expansion throughout the state.

The OIT carries out the responsibilities of the Office through funding which was received by three consecutive State Trade Export Promotion (STEP) grants awarded by the US Small Business Administration for the purpose of assisting SBA-eligible small and midsize companies who wish to participate in overseas trade shows and trade missions organized by OIT. The OIT was awarded \$81,000 in 2011 with \$20,250 matching funds; \$187,802 in 2012 with \$62,601 matching funds; and \$197,500 in 2014 with \$65,833 matching funds. The awards have allowed OIT to fund international trade activities until the end of the federal fiscal year on September 30, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Science & Technology Program

In FY15, the NMEDD hired a Director of Science & Technology as an attempt to revamp commercialization efforts after several years of inactivity. The FY15 rebuilding year has proven successful so far. During this year, "Innovation to Enterprise," New Mexico's Science and Technology Commercialization Plan, is in final review by the Governor's office, the TRC and the Economic Development Commission. The plan integrates the operations and funding of the OS&T, the TRC, and the Defense Industry Adjustment Program and is focused on three strategic priorities: Grow and diversify existing technology companies, Commercialize technologies and innovations, and Increase research and development in emerging science and technology.

Technology Research Collaborative

TRC is dedicated to the advancement of university and laboratory research for job creation and economic growth across the state. "The Collaborative" was initially convened in January of 2015, and has since engaged in additional discussions and a formal strategic planning meeting towards the goal of developing an operations concept and plan. The TRC has completed three studies and reports to support their work: Review of Projects Funded by TRC in 2006 and 2007; Technology Research Centers: A Study of State Programs for Technology Commercialization; and a Sensor Commercialization Report.

Defense Industry Adjustment Program

NM EDD/OST obtained a \$1.4 M grant from the Office of Economic Adjustment. The Office of Economic Adjustment (OEA) is the Department of Defense (DoD) field organization responsible for supporting state and local governments in responding to major defense program changes, such as sequestration and force reduction, and assists states and communities in engaging the private sector in order to plan and develop local adjustment strategies. The grant will fund Phase 1 of a multi-year Defense Industry Adjustment program, and will be used to survey assets and the defense supply chain in New Mexico to develop an assistance program.

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

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 45,238,834
Due from federal government	41,182
Due from other state agencies	112,543
Capital assets, net	<u>86,834</u>
 Total assets	 <u><u>\$ 45,479,393</u></u>
LIABILITIES	
Accounts payable	\$ 1,884,603
Accrued payroll	88,442
Due to State General Fund Investment Pool	115,204
Due to State General Fund	68,547
Compensated absences payable:	
Expected to be paid within one year	<u>159,236</u>
 Total liabilities	 2,316,032
NET POSITION	
Net investment in capital assets	86,834
Restricted	43,154,934
Unrestricted (deficit)	<u>(78,407)</u>
 Total net position	 <u>43,163,361</u>
 Total liabilities and net position	 <u><u>\$ 45,479,393</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Economic Development	\$ 15,246,774	\$ 200	\$ -	\$ -	\$ (15,246,574)
Film	745,511	-	-	-	(745,511)
Program support	1,893,616	-	-	-	(1,893,616)
Other initiatives	5,516,618	-	4,543,760	-	(972,858)
Total governmental activities	\$ 23,402,519	\$ 200	\$ 4,543,760	\$ -	(18,858,559)
General revenues (expenses)					
Other revenue:					
					41,487,600
					662,970
					98,300
					49,700
					-
					(88,547)
					<u>42,210,023</u>
					Change in net position 23,351,464
					<u>19,811,897</u>
					Net position, ending <u>\$ 43,163,361</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	18900 & 38400	63800	Major 02800 Capital Projects Fund
	General Fund	JTIP Fund	Fund
ASSETS			
Investment in State General Fund			
Investment Pool	\$ 29,730,697	\$ 15,342,187	\$ -
Due from Federal government	-	-	-
Due from other State Agencies	-	-	-
Due from other funds	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 29,730,697</u>	<u>\$ 15,342,187</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 843,336	\$ 890,660	\$ -
Accrued payroll	88,442	-	-
Other liabilities	-	-	-
Unearned revenue	-	-	-
Due to State General Fund			
Investment Pool	-	-	78,407
Due to State General Fund	68,547	-	-
	<u>68,547</u>	<u>-</u>	<u>-</u>
Total liabilities	1,000,325	890,660	78,407
FUND BALANCES			
Restricted	28,730,372	14,451,527	-
Unassigned (deficit)	-	-	(78,407)
	<u>-</u>	<u>-</u>	<u>(78,407)</u>
Total fund balances (deficit)	<u>28,730,372</u>	<u>14,451,527</u>	<u>(78,407)</u>
Total liabilities and fund balance	<u>\$ 29,730,697</u>	<u>\$ 15,342,187</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

Funds				
89200 STB Capital Projects Fund	29500 Federal Programs	02300 Revolving Loan Community Development Fund	20530 ISO 9000 Fund	Total
\$ 82,174	\$ -	\$ 81,068	\$ 2,708	\$ 45,238,834
-	41,182	-	-	41,182
112,543	-	-	-	112,543
-	-	-	-	-
-	-	-	-	-
<u>\$ 194,717</u>	<u>\$ 41,182</u>	<u>\$ 81,068</u>	<u>\$ 2,708</u>	<u>\$ 45,392,559</u>
\$ 146,222	\$ 4,385	\$ -	\$ -	\$ 1,884,603
-	-	-	-	88,442
-	-	-	-	-
-	-	-	-	-
-	36,797	-	-	115,204
-	-	-	-	68,547
146,222	41,182	-	-	2,156,796
48,495	-	81,068	2,708	43,314,170
-	-	-	-	(78,407)
48,495	-	81,068	2,708	43,235,763
<u>\$ 194,717</u>	<u>\$ 41,182</u>	<u>\$ 81,068</u>	<u>\$ 2,708</u>	<u>\$ 45,392,559</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2015

Total Fund Balance - Governmental Funds (Governmental Funds Balance Sheet)		\$ 43,235,763
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets total acquisition value	193,616	
Total accumulated depreciation	<u>(106,782)</u>	
Total capital assets, net		86,834
Compensated absences payable		<u>(159,236)</u>
Total liabilities		<u>(159,236)</u>
Net position of governmental activities (Statement of Net Position)		<u>\$ 43,163,361</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	18900 & 38400	63800	Major 02800 Capital Projects Fund
	General Fund	JTIP Fund	
Revenues			
Federal	\$ 4,493,753	\$ -	\$ -
Other revenue	200	-	-
Total revenues	4,493,953	-	-
Expenditures			
Current:			
Personal services and benefits	3,651,965	-	-
Contractual services	8,677,052	92,548	-
Other	1,065,915	4,711,707	-
Capital outlay	46,140	-	-
Federal - direct	16,514	-	-
Federal - passthrough	4,477,239	-	-
Total expenditures	17,934,825	4,804,255	-
Excess (deficiency) of revenue over expenditures	(13,440,872)	(4,804,255)	-
Other Financing Sources (Uses)			
State General Fund appropriations	34,987,600	6,500,000	-
Other financing sources	98,300	-	-
Other financing sources - compensation package	49,700	-	-
Transfers out - reversions to State General Fund FY15	(68,547)	-	(20,000)
Severance tax bond proceeds	-	-	-
Transfers in (out) - other	-	-	-
Total other financing sources (uses)	35,067,053	6,500,000	(20,000)
Net change in fund balances	21,626,181	1,695,745	(20,000)
Beginning fund balance	7,104,191	12,755,782	(58,407)
Ending fund balance	<u>\$ 28,730,372</u>	<u>\$ 14,451,527</u>	<u>\$ (78,407)</u>

The accompanying notes are an integral part of this financial statement.

Funds				
89200 STB Capital Projects Fund	29500 Federal Programs	02300 Revolving Loan Community Development Fund	20530 ISO 9000 Fund	Total
\$ -	\$ 95,902	\$ -	\$ -	\$ 4,589,655
-	-	-	-	200
-	95,902	-	-	4,589,855
-	-	-	-	3,651,965
-	4,750	-	-	8,774,350
617,318	91,152	-	-	6,486,092
-	-	-	-	46,140
-	-	-	-	16,514
-	-	-	-	4,477,239
617,318	95,902	-	-	23,452,300
(617,318)	-	-	-	(18,862,445)
-	-	-	-	41,487,600
-	-	-	-	98,300
-	-	-	-	49,700
-	-	-	-	(88,547)
662,970	-	-	-	662,970
-	-	-	-	-
662,970	-	-	-	42,210,023
45,652	-	-	-	23,347,578
2,843	-	81,068	2,708	19,888,185
<u>\$ 48,495</u>	<u>\$ -</u>	<u>\$ 81,068</u>	<u>\$ 2,708</u>	<u>\$ 43,235,763</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 23,347,578
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Amounts reported for governmental activities in the Statement of Activities are different because:

Amount of change in unearned revenue recorded at the fund level due to the restrictions placed by the period of availability, recognized as revenue on the Statement of Revenues, Expenditures, and Changes in Fund Balances in the current year whereas recognized as revenue on the Statements of Activities in the prior year	(45,895)
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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 assets	46,140
Depreciation expense	(16,122)
Decrease in compensated absence balance not recorded in governmental funds	<u>19,763</u>

Change in net position of governmental activities (Statement of Activities)	<u>\$ 23,351,464</u>
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State of New Mexico Economic Development Department

**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
GENERAL FUND - FUND 18900
ALL APPROPRIATIONS**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General fund appropriation	\$ 7,337,600	\$ 7,337,600	\$ 7,337,600	\$ -
Other appropriations	48,950,000	48,950,000	27,650,000	(21,300,000)
Federal	-	4,477,239	4,493,753	16,514
Other financing sources	49,700	148,000	148,000	-
Other revenue	-	-	200	200
Total revenues	\$ 56,337,300	\$ 60,912,839	39,629,553	\$ (21,283,286)
Expenditures				
Personal services and benefits	3,825,300	3,662,800	3,651,965	10,835
Contract services	51,358,800	51,602,185	8,693,566	42,908,619
Other	1,153,200	5,647,854	5,590,012	57,842
Total expenditures	\$ 56,337,300	\$ 60,912,839	17,935,543	\$ 42,977,296
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget)			21,694,010	
GAAP basis reconciliation				
Reversions - General Fund			(68,547)	
Prior year bills paid with current year funds			718	
Net change in fund balance			<u>\$ 21,626,181</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
JOB INCENTIVE TRAINING PROGRAM - FUND 63800**

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	6,500,000	11,892,053	6,500,000	5,392,053
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	\$ 6,500,000	\$ 11,892,053	6,500,000	\$ 5,392,053
Expenditures				
Current				
Personal services and benefits	-	-	-	-
Contractual services	100,000	100,000	92,548	7,452
Other costs	6,400,000	17,292,053	4,711,707	12,580,346
Total expenditures	\$ 6,500,000	\$ 17,392,053	4,804,255	\$ 12,587,798
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			1,695,745	
GAAP basis reconciliation				
Timing differences due to accounts payable			-	
Net change in fund balance			\$ 1,695,745	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
FEDERAL PROGRAMS - FUND 29500**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	-	-	-	-
Federal grants	-	224,981	95,902	(129,079)
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	\$ -	\$ 224,981	95,902	\$ (129,079)
Expenditures				
Personal services and benefits	-	-	-	-
Contractual services	-	56,181	4,750	51,431
Other costs	-	168,800	91,152	77,648
Total expenditures	\$ -	\$ 224,981	95,902	\$ 129,079
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			-	
GAAP basis reconciliation				
Reversions			-	
Net change in fund balance			\$ -	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
REVOLVING LOAN COMMUNITY DEVELOPMENT - FUND 02300**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	\$ -	\$ -	-	\$ -
Expenditures				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	\$ -	\$ -	-	\$ -
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			-	
GAAP basis reconciliation				
Reversions			-	
Net change in fund balance			\$ -	

This fund was not budgeted due to expected minimal activity.

Inactive funds with no activity continue to be presented in these financial statements since they still legally exist with the State of New Mexico.

The accompanying notes are an integral part of this financial statement.

State of New Mexico Economic Development Department

**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
ISO 9000 - FUND 20530**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	\$ -	\$ -	-	\$ -
Expenditures				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	\$ -	\$ -	-	\$ -
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			-	
GAAP basis reconciliation				
Reversions			-	
Net change in fund balance			\$ -	

This fund was not budgeted due to expected minimal activity.

Inactive funds with no activity continue to be presented in these financial statements since they still legally exist with the State of New Mexico.

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - DEFINITION OF REPORTING ENTITY

The reporting entity is the Economic Development Department (the 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 enhancement 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - DEFINITION OF REPORTING ENTITY - CONTINUED

- Provide support and assistance in the creation and operation of development finance mechanisms, such as business development corporations and 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 for 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.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates in Preparing Financial Statements

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Principles of Accounting

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

3. 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.

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR). Even though the Department Secretary is appointed by the Governor, the Department Secretary has decision making authority, the power to designate management, and the responsibility to significantly influence operations and primary accountability for fiscal matters.

In accordance with the criteria set forth in GASB 39 and GASB 61 for determining component units, the Department does not have any component units.

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 titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. The Department's significant accounting policies are described below.

4. 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 position, both the governmental and business-type activities 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 net position of the Department consist of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the residual is net position. There were no deferred outflows of resources or deferred inflows of resources for the year ending June 30, 2015. See Note P for more information on deferred outflows and inflows of resources. Funds fiduciary in nature are excluded from the government-wide statements and fund statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Government-Wide and Fund Financial Statements - Continued

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 for services; 2) operating 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 can create negative unrestricted net position on the government wide financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. 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 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 all of its funds as major funds which are General Fund (SHARE Fund 18900), Job Training Incentive Program (JTIP) (SHARE Fund 63800), Federal Programs (SHARE Fund 29500), Capital Project Fund (SHARE Fund 02800), STB Capital Project Fund (89200) and Revolving Loan Community Development Fund (SHARE Fund 02300), based on the financial activity in these funds. In FY12, the Department additionally classified the ISO 9000 Fund (SHARE Fund 20530) as major.

The Technology Enterprise Fund (SHARE Fund 38400) is presented as a part of the Operating Fund on the financial statements of the Department, as it no longer generates sufficient revenue to be accounted for separately.

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 report 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 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). The General Fund is a reverting fund for operations only. All other appropriations including JTIP and LEDA included in the General Fund are non-reverting and restricted by enabling legislation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Presentation – Fund Accounting - Continued

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.

JTIP – to provide quick-response classroom and JTIP 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).

Federal Programs – to separately track federal money that is flowing through the Department. This fund was first utilized midway through the FY15. This is a non-reverting fund. (SHARE Fund 29500).

ISO9000 Registration Fee Revenue – in agreement with New Mexico Manufacturing Extension Partnership, the New Mexico Economic Development Department receives registration fee revenue which originates and is charged for ISO9000 courses. The agency receives a portion of this revenue for each business that successfully completes the course (SHARE Fund 20530). This is a non-reverting fund.

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). All outstanding loans were repaid prior to June 30, 2015.

Capital Projects Funds

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). One of the Capital Projects Funds has a deficit fund balance of \$78,407 as of June 30, 2015. The deficit is attributable to the Department reverting remaining balance of two special capital outlay appropriations that expired in fiscal year 2012. The Department never received an anticipated extension for the two expired special capital outlay appropriations.

The Severance Tax Bonds Capital Projects Fund was established at the beginning of FY12 to track capital projects funded by Severance Tax Bonds. Unspent funds will revert upon individual project completion (SHARE Fund 89200).

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus. Under the accrual basis, revenues are recorded when earned and expenses are recorded at the time liabilities or obligations 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 appropriations is recognized in the fiscal year for which the taxes are collected. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. All significant interfund transactions have been eliminated.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as a funding source. Amounts paid to reduce long-term debt of the Authority are reported as a reduction of the liability, rather than as an expenditure in the government-wide financial statements.

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 inflows of resources by the recipient.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Measurement Focus and Basis of Accounting - Continued

The Department follows the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate.

The Department follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 introduced a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources consumed and deferred inflows of resources received are now included in the elements that make up a statement of financial net position and GASB 63 introduced the term *net position* for reporting the residual of all elements in a statement of financial net position. The statement of financial net position of the Department at June 30, 2015 conforms to the presentation requirements of GASB 63.

The Department follows GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* changes the classification of various financial statement balances including several more common type transactions for presentation as assets and liabilities to deferred outflows and inflows of resources. Any unearned revenue for federal or state grants whereas eligibility requirements have not been met are classified as deferred inflows of resources under this standard. There were no unearned revenues as of the year ended June 30, 2015.

The Department engages in federal grant agreement programs commonly referred to as "reimbursement type" programs. These programs require that the recipient (the Department) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the Department simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

Unreimbursed state and federal grants associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the Department.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

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

Per the General Appropriation Act, 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. 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.

8. Cash and Investments in State General Fund Investment Pool

The Authority has cash and investments in the State General Fund Investment Pool (SGFIP). All cash is deposited with and monitored by the State Treasurer.

9. Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investments maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

10. Unearned Revenue

Unearned revenue represents a liability for the Governmental Funds. Unearned revenue is used to account for (1) amounts received from federal grants in advance of expenditures occurring, whereas certain eligibility requirements (other than time) have not yet been met.

11. Credit Risk

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Credit Risk - Continued

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$43,123,630 with the Office of the State Treasurer in the State General Fund Investment Pool.

Detail of pledge collateral specific to the Department is unavailable because the bank comingles 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.

12. 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.

13. 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.

14. Reverting Funds

Reverting funds are all funds that are not identified by law as non-reverting.

15. 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Non-Reverting Funds - Continued

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. Amounts due to the State General Fund for the year ending June 30, 2015, were paid before September 30, 2015. Reversions are not budgeted.

16. Revenues and Expenses

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.

Expenditures are recognized when the related fund liability is incurred, except for the following permitted by accounting principles generally accepted in the United States of America. Prepaid items and inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

17. 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.

18. 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, per Section 12-6-10 NMSA 1978. Capital assets are recorded at historical cost. Capital assets are depreciated over their estimated useful life using the straight-line mid-month convention.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. 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 GASB 62 accounting principles. The Department acquired or developed no software in FY15.

19. Fund Balances and Net Position

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted and spendable, committed, assigned or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. All of the Department's fund balances are restricted or unassigned.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

Restricted for Jobs In-Plant Training – Fund balance restricted for purposes of providing quick-response classroom and in-plant training to furnish qualified manpower resources for new or expanding industries and non-retail service sector business.

Restricted for Capital Projects – Fund balances are restricted for future cost associated with the acquisition and construction of major capital facilities and other capital projects in the State of New Mexico.

Restricted for Revolving Loan Community Development – Fund balances are restricted for purposes of making low-interest loans to political subdivisions of New Mexico for construction or implementation of projects encouraging the expansion of industry within the political subdivision.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. 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. The capital assets associated with the project funded by the severance tax bonds are excluded from the Department's capital assets list; upon project completion, the Department does not retain titles to these assets, but rather passes them through to the beneficiaries (other New Mexico State agencies and local governments) of these projects.

21. State Small Business Credit Initiative

The State Small Business Credit Initiative (SSBCI) Act of 2010 is a Federal program administered by the US Department of the Treasury (US Treasury) to strengthen state programs that support private financing to small businesses and small manufactures. Funds transferred under SSBCI are not considered a grant or other type of federal assistance subject to single audit under Circular A-133. Section 3003(c)(5) of the Act specifically states that funds transferred to states, territories, and eligible municipalities under the SSBCI program are not considered federal assistance for the purposes of Subtitle V and Title 31 of the United States Code. The SSBCI allows states, territories and eligible municipalities the opportunity to build upon or create successful models for state small business programs, including Capital Access Programs (CAPs), and Other Credit Support Programs (OCSPs) such as collateral support programs, loan participation programs, loan guarantee programs, and venture capital programs. The allocation commitment awarded to the Department as the eligible state agency was \$13,168,350 which expires on March 31, 2017. The first tranche of the allocation was received in 2013 and the second tranche in 2014. The final tranche was received in the amount of \$4,477,239 as program income and passed through to the New Mexico Mortgage Finance Authority recorded as expenditure by the Department during the year ended June 30, 2015.

22. GASB 68 Implementation

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2015.

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, Total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

23. Subsequent Events

Management evaluated subsequent events through November 25, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to November 25, 2014, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2015.

NOTE C - STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

The Department reconciles its deposits, vouchers and other general ledger activity with the DFA to SHARE on a periodic basis to ensure proper posting.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE D – INTEREST IN STATE TREASURER GENERAL FUND INVESTMENT POOL

Investment balances at June 30, 2015, consisted of the following:

Deposits with State General Fund Investment Pool	
- governmental activities	\$ 45,238,834
Due to State General Fund Investment Pool	<u>(115,204)*</u>
	<u>\$ 45,123,630</u>

*Included within Due to State General Fund Investment Pool was \$78,228 reverted back to AIPP during 2014 and 2015 related to two special capital outlay appropriations that expired in 2012 and were not extended.

Interest Rate Risk – The New Mexico State Treasurer’s Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk – The New Mexico State Treasurer pools are not rated.

For a detailed listing of all agency bank accounts and State Treasurer SHARE accounts, see the schedule referred to above on page 70.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles 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.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2015.

NOTE E - DUE TO/FROM OTHER STATE AGENCIES

NMEDD Fund	Purpose	Affiliate Name	Affiliate Fund	Due To	Due From
89200	To fund Capital Projects through Severance Tax Bonds	Dept of Finance & Adminstration	81500	\$ -	\$ 112,543
Total				<u>\$ -</u>	<u>\$ 112,543</u>

State of New Mexico Economic Development Department

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE F - DUE TO/FROM STATE GENERAL FUND

NMEDD Fund	Purpose	Affiliate Name	Affiliate Fund	Due To	Due From
18900	Reversion of unreserved. Undesignated balance in the operation fund at 06/30/2015	Dept. of Finance & Administration	39401	\$ 67,635	\$ -
18900	Reversion of MainStreet special appropriations in the operation fund at 06/30/2015	Dept. of Finance & Administration	39401	52	-
18900	Reversion of feasibility study rail line special appropriations in the operation fund at 06/30/2015	Dept. of Finance & Administration	39401	360	-
18900	Reversion of county food infrastructure special appropriations in the operation fund at 06/30/2015	Dept. of Finance & Administration	39401	500	-
Total				<u>\$ 68,547</u>	<u>\$ -</u>

NOTE G - RELATED PARTY TRANSACTIONS

The Department is responsible for providing administrative support to the agencies it is associated with: New Mexico Spaceport Authority, New Mexico Border Authority and New Mexico Military Base Planning and Support. 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 NMSA. New Mexico Spaceport Development Act, Laws of 2005, Chapter 128, actually established NMSA. However, since the capital appropriation, along with the Severance Tax bond, were already authorized under the Department, the agency continued to manage the appropriations for NMSA. 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, associated with those projects.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE H - CAPITAL ASSETS

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets:				
Equipment and machinery	\$ 121,404	\$ 46,140	\$ -	\$ 167,544
Building and structures	26,072	-	-	26,072
Total capital assets	147,476	46,140	-	193,616
Accumulated depreciation:				
Equipment and machinery	84,600	13,515	-	98,115
Buildings and structures	6,060	2,607	-	8,667
Total accumulated depreciation	90,660	16,122	-	106,782
Net capital assets	\$ 56,816	\$ 30,018	\$ -	\$ 86,834

Land, buildings, furniture, fixtures, software, 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	\$ 10,483
Film	513
Program support	1,334
Other initiatives	3,792
Total	\$ 16,122

NOTE I - COMPENSATED ABSENCES

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is expected to be liquidated with expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE I - COMPENSATED ABSENCES - CONTINUED

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

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

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015	Amounts Due Within One Year
Compensated absences	\$ 178,999	\$ 147,920	\$ (167,683)	\$ 159,236	\$ 159,236

There was no short-term debt activity in FY15.

NOTE J - REVERSIONS

Current year reversions for the State General Fund as of June 30, 2015 were as follows:

Appropriation Year	Fund Type	SHARE System Fund	Reversion
Laws of 2014	General Fund	18900	\$ 68,547

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. The balance of \$68,547 is payable at June 30, 2015, and due by September 30, 2015. 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 pays the reversions payable during fiscal year 2016.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE K - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. 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.

GASB 68 - Financial Reporting and Disclosure for Multiple Employer Cost Sharing Pensions Plans by Employers: Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

2. Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2015, 2014, and 2013 were \$443,405, \$383,498, and \$353,596, respectively, which equal the amount of the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE L - POST EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

1. 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.

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.

2. Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.000% of each participating employee's annual salary; each participating employee was required to contribute 1.000% of their salary.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE L - POST EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - CONTINUED

2. Funding Policy - Continued

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>
FY16	2.000%	1.000%

All employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$52,215, \$46,314, and \$46,864, respectively, which equal the required contributions for each year.

NOTE M - 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 capital assets. Lease expenditures for the year ended June 30, 2015, amounted to \$127,309.

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, 2015.

2016	\$ 8,888
2017	-
2018 and thereafter	-
	-
	\$ 8,888

NOTE N - RISK MANAGEMENT

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:

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE N - RISK MANAGEMENT - 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.

The Department had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2015, 2014, and 2013, there were no settlements that exceeded insurance coverage.

NOTE O - RESTRICTED FUND BALANCES

The Department's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2014 follows:

	<u>General Fund</u>	<u>Major Special Revenue Funds</u>	<u>Major Capital Projects Funds</u>
Fund Balances:			
Restricted for:			
In-Plant Training (Section 21-19-11 NMSA 1978)	\$ -	\$ 14,451,527	\$ -
Revolving Loan Community Development (Laws of 1983, Ch. 299)	-	81,068	-
Assigned:			
ISO 9000	-	2,708	-
Non-reverting by enabling legislation (See enabling law citation at Notes A and B5)	28,730,372	-	-
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(29,912)</u>

The amount of net position restricted by enabling legislation is \$28,730,372 as reported above. The Department expects to eliminate the negative fund balance in major capital funds through future funding or fund transfer.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE P - FUND BALANCE DEFICIT

SHARE FUND # 02800 FUND DEFICIT EXPLANATION:

Fund 02800 is in a deficit fund balance of \$78,407 as of June 30, 2015. The fund was a reverting fund used for special capital outlay appropriations that expired in 2012. The primary activities accounted for in this fund were revenues and expenditures for Media Production Education and Training for a \$250,000 appropriation and Albuquerque Eclipse Aviation for a \$2,000,000 appropriation. Unspent funds for the first appropriation of \$58,228 were reverted in 2014 and unspent funds for the second appropriation of \$20,000 were reverted in 2015. Use of the fund ended on June 30, 2012.

NOTE Q - NEW ACCOUNTING STANDARDS

GASB 72

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) provides guidance for determining a fair value measurement for financial accounting and reporting purposes and requires additional disclosures related to fair value measurements. GASB 72 defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement sets fair value to be described as an exit price. GASB 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels: Level 1 inputs are quoted prices (unadjusted) in active markets. Level 2 inputs are inputs - other than quoted prices - that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs.

Fair value application generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. GASB 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent) GASB 72 is applicable for financial statements for periods beginning after June 15, 2015 (FY 16).

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE Q - NEW ACCOUNTING STANDARDS - CONTINUED

GASB 74

Governmental Accounting Standards Board Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans is intended to enhance the decision-usefulness of the financial reports of OPEB plans, their value for assessing accountability and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB 74 basically parallels GASB 67 and replaces Statements No. 43 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. GASB 74 requires enhanced note disclosures and is effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17).

GASB 75

Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18).

SUPPLEMENTAL INFORMATION

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT - FUND 18900 P512
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ 4,610,700	\$ 4,610,700	\$ 4,610,700	\$ -
Other appropriations	-	-	-	-
Federal funds	-	4,477,239	4,493,753	16,514
Other financing sources	49,700	49,700	49,700	-
Other revenue	-	-	200	200
Total revenues	<u>\$ 4,660,400</u>	<u>\$ 9,137,639</u>	9,154,353	<u>\$ 16,714</u>
Expenditures				
Personal services and benefits	1,709,900	1,709,900	1,706,652	3,248
Contract services	2,120,000	2,150,000	2,146,360	3,640
Other	830,500	5,277,739	5,258,208	19,531
Total budgeted expenditures	<u>\$ 4,660,400</u>	<u>\$ 9,137,639</u>	9,111,220	<u>\$ 26,419</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			43,133	
GAAP basis reconciliation				
Reversion to State General Fund			(26,419)	
Prior year bills paid and miscellaneous			718	
Net change in fund balance			<u>\$ 17,432</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FILM DIVISION - FUND 18900 P514
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
General Fund appropriation	\$ 755,300	\$ 755,300	\$ 755,300	\$ -
Other appropriations	-	-	-	-
Federal funds	-	-	-	-
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>\$ 755,300</u>	<u>\$ 755,300</u>	755,300	<u>\$ -</u>
Expenditures				
Personal services and benefits	550,700	446,700	440,994	5,706
Contract services	97,500	209,285	208,253	1,032
Other	107,100	99,315	96,380	2,935
Total budgeted expenditures	<u>\$ 755,300</u>	<u>\$ 755,300</u>	745,627	<u>\$ 9,673</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			9,673	
GAAP basis reconciliation				
Reversion to State General Fund			(9,673)	
Net change in fund balance			<u>\$ -</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PROGRAM SUPPORT - FUND 18900 P526
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ 1,971,600	\$ 1,971,600	\$ 1,971,600	\$ -
Other appropriations	-	-	-	-
Federal funds	-	-	-	-
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	\$ 1,971,600	\$ 1,971,600	1,971,600	\$ -
Expenditures				
Personal services and benefits	1,564,700	1,506,200	1,504,319	1,881
Contract services	206,300	209,600	200,314	9,286
Other	200,600	255,800	235,424	20,376
Total budgeted expenditures	\$ 1,971,600	\$ 1,971,600	1,940,057	\$ 31,543
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			31,543	
GAAP basis reconciliation				
Reversion to State General Fund			(31,543)	
Net change in fund balance			\$ -	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
INDUSTRIAL DEVELOPMENT - FUND 63800 P528
MAJOR GOVERNMENTAL FUND - JOB INCENTIVE TRAINING PROGRAM FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	5,500,000	10,892,053	5,500,000	(5,392,053)
Federal funds	-	-	-	-
Other financing sources	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>\$ 5,500,000</u>	<u>\$ 10,892,053</u>	\$ 5,500,000	<u>\$ (5,392,053)</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	-	-	-	-
Other	5,500,000	10,892,053	4,325,482	6,566,571
Total budgeted expenditures	<u>\$ 5,500,000</u>	<u>\$ 10,892,053</u>	4,325,482	<u>\$ 6,566,571</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			1,174,518	
GAAP basis reconciliation				
Reversion to State General Fund			-	
Net change in fund balance			<u>\$ 1,174,518</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION - LEDA PROGRAM
ENDS JUNE 30, 2016 - FUND 18900 Z40533
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	10,000,000	10,000,000	-	(10,000,000)
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Total revenues	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	-	<u>\$ (10,000,000)</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	10,000,000	10,000,000	5,241,251	4,758,749
Other	-	-	-	-
Total budgeted expenditures	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>5,241,251</u>	<u>\$ 4,758,749</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			(5,241,251)	
GAAP basis reconciliation Reversion to State General Fund			-	
Net change in fund balance			<u>\$ (5,241,251)</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION - MAINSTREET PROGRAM
ENDS JUNE 30, 2015 - FUND 18900 Z40534
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	500,000	500,000	-	(500,000)
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Total revenues	<u>\$ 500,000</u>	<u>\$ 500,000</u>	-	<u>\$ (500,000)</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	500,000	500,000	499,948	52
Other	-	-	-	-
Total budgeted expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>499,948</u>	<u>\$ 52</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			(499,948)	
GAAP basis reconciliation Reversion to State General Fund			<u>(52)</u>	
Net change in fund balance			<u>\$ (500,000)</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION - FEASIBILITY STUDY RAIL LINE
ENDS JUNE 30, 2015 - FUND 18900 Z40535
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	300,000	300,000	-	(300,000)
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 300,000</u>	<u>\$ 300,000</u>	-	<u>\$ (300,000)</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	300,000	300,000	299,640	360
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total budgeted expenditures	<u>\$ 300,000</u>	<u>\$ 300,000</u>	299,640	<u>\$ 360</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			(299,640)	
GAAP basis reconciliation Reversion to State General Fund			<u>(360)</u>	
Net change in fund balance			<u>\$ (300,000)</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL APPROPRIATION - COUNTY FOOD INFRASTRUCTURE
ENDS JUNE 30, 2015 - FUND 18900 Z80903
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	-	-	-	-
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	98,300	98,300	-
Total revenues	\$ -	\$ 98,300	98,300	\$ -
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	-	98,300	97,800	500
Other	-	-	-	-
Total budgeted expenditures	\$ -	\$ 98,300	97,800	\$ 500
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			500	
GAAP basis reconciliation				
Reversion to State General Fund			(500)	
Net change in fund balance			\$ -	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION
ENDS JUNE 30, 2016 - FUND 63800 Z40536
MAJOR GOVERNMENTAL FUND - JOB INCENTIVE TRAINING PROGRAM**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	1,000,000	1,000,000	1,000,000	-
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	1,000,000	<u>\$ -</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	100,000	100,000	92,548	7,452
Other	900,000	900,000	386,226	513,774
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total budgeted expenditures	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	478,774	<u>\$ 521,226</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget				
			521,226	
GAAP basis reconciliation				
Reversion to State General Fund			<u> </u>	
			-	
Net change in fund balance			<u>\$ 521,226</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION - LEDA PROGRAM
ENDS JUNE 30, 2016 - FUND 18900 Z50521
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	37,500,000	37,500,000	27,000,000	(10,500,000)
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 37,500,000</u>	<u>\$ 37,500,000</u>	27,000,000	<u>\$ (10,500,000)</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	37,500,000	37,500,000	-	37,500,000
Other	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total budgeted expenditures	<u>\$ 37,500,000</u>	<u>\$ 37,500,000</u>	-	<u>\$ 37,500,000</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget				
			27,000,000	
GAAP basis reconciliation				
Reversion to State General Fund			<u> </u>	
			-	
Net change in fund balance			<u>\$ 27,000,000</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION - TECHNOLOGY AND RESEARCH
ENDS JUNE 30, 2016 - FUND 18900 Z50522
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	300,000	300,000	300,000	-
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 300,000</u>	<u>\$ 300,000</u>	300,000	<u>\$ -</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	300,000	300,000	-	300,000
Other	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total budgeted expenditures	<u>\$ 300,000</u>	<u>\$ 300,000</u>	-	<u>\$ 300,000</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget				
			300,000	
GAAP basis reconciliation				
Reversion to State General Fund			<u> </u>	
			-	
Net change in fund balance			<u>\$ 300,000</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION - MAINSTREET PROGRAM
ENDS JUNE 30, 2016 - FUND 18900 Z50523
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	350,000	350,000	350,000	-
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Total revenues	<u>\$ 350,000</u>	<u>\$ 350,000</u>	350,000	<u>\$ -</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	335,000	335,000	-	335,000
Other	15,000	15,000	-	15,000
Total budgeted expenditures	<u>\$ 350,000</u>	<u>\$ 350,000</u>	-	<u>\$ 350,000</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			350,000	
GAAP basis reconciliation				
Reversion to State General Fund			-	
Net change in fund balance			<u>\$ 350,000</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL MULTI-YEAR APPROPRIATION
ENDS JUNE 30, 2016 - FUND 63800 Z50525
MAJOR GOVERNMENTAL FUND - GENERAL FUND**

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	5,500,000	5,500,000	-	(5,500,000)
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Total revenues	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	-	<u>\$ (5,500,000)</u>
Expenditures				
Personal services and benefits	-	-	-	-
Contract services	-	-	-	-
Other	5,500,000	5,500,000	-	5,500,000
Total budgeted expenditures	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	-	<u>\$ 5,500,000</u>
Excess (deficiency) of revenue over expenditures (prior year cash balance required to balance budget			-	
GAAP basis reconciliation				
Reversion to State General Fund			-	
Net change in fund balance			<u>\$ -</u>	

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES - MAJOR CAPITAL PROJECTS FUND
BUDGET AND ACTUAL
SEVERANCE TAX BOND CAPITAL PROJECTS FUND - FUND 02800**

Year Ended June 30, 2015

	Life to Date Budgeted Amount	FY 2015 Amount Budgetary Basis	Life to Date Actual Amount (Budgetary Basis)	Variance Over (Under)
Revenues				
Capital outlay appropriations	\$ 2,000,000	\$ -	\$ 1,980,000	\$ 20,000
Severance tax bonds proceeds	-	-	-	-
Total revenues	2,000,000	-	1,980,000	20,000
Expenditures				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	2,000,000	-	1,980,000	20,000
Total expenditures	2,000,000	-	1,980,000	20,000
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP basis reconciliation				
Reversions		<u>(20,000)</u>		
Net change in fund balance		<u>\$ (20,000)</u>		

State of New Mexico Economic Development Department

**SCHEDULE OF REVENUES AND EXPENDITURES - MAJOR CAPITAL PROJECTS FUND
BUDGET AND ACTUAL
SEVERANCE TAX BOND CAPITAL PROJECTS FUND - FUND 89200**

Year Ended June 30, 2015

	Life to Date Budgeted Amount	FY 2015 Amount Budgetary Basis	Life to Date Actual Amount (Budgetary Basis)	Variance Over (Under)
Revenues				
Federal funds	\$ -	\$ -	\$ -	\$ -
Severance Tax Bonds	6,500,000	662,970	6,385,416	(114,584)
Interest	-	-	-	-
Total revenues	6,500,000	662,970	6,385,416	(114,584)
Expenditures				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	6,500,000	617,318	6,385,416	(114,584)
Total expenditures	6,500,000	617,318	6,385,416	(114,584)
Excess (deficiency) of revenue over expenditures	\$ -	45,652	\$ -	\$ -
GAAP basis reconciliation				
Due from other state agencies		-		
Reversions		-		
Net change in fund balance		\$ 45,652		

State of New Mexico Economic Development Department

**SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY SPECIAL
AND SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE**

Year Ended June 30, 2015

<u>Project Description</u>	<u>Expiration</u>	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Current Year Reversions</u>	<u>Prior Year Incurred Balance</u>	<u>Balance as of June 30, 2015</u>
<u>Special Capital Outlay Appropriations</u>						
Albuquerque Eclipse Aviation	6/30/2012	\$ 2,000,000	\$ -	\$ 20,000	\$ 1,980,000	\$ -
Total Capital Appropriations		2,000,000	-	20,000	1,980,000	-
<u>Severance Tax Bond Proceeds</u>						
Economic Development MainStreet Projects	6/30/2016	1,000,000	268,074	-	680,902	51,024
Economic Development MainStreet Projects	6/30/2017	500,000	349,244	-	51,000	99,756
Economic Development LEDA Projects	6/30/2018	5,000,000	-	-	-	5,000,000
Total Severance Tax Bonds		6,500,000	617,318	-	731,902	5,150,780
Total Capital Projects		<u>\$ 8,500,000</u>	<u>\$ 617,318</u>	<u>\$ 20,000</u>	<u>\$ 2,711,902</u>	<u>\$ 5,150,780</u>

State of New Mexico Economic Development Department

SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS

Year Ended June 30, 2015

<u>Fund Name</u>	<u>Fund Number</u>	<u>Fund Type</u>	<u>Depository</u>	<u>Unadjusted Balances</u>	<u>Adjustments/ Reconciling Items</u>	<u>Reconciled Balance per Books</u>
Cash with State General Fund Investment Pool (with SHARE fund numbers):						
General Fund	18900	Operating	State Treasury	\$ 29,679,056	\$ -	\$ 29,679,056
In-Plant Training Fund	63800	Special revenue	State Treasury	15,342,187	-	15,342,187
Capital Projects Fund	89200	Capital project	State Treasury	82,174	-	82,174
Revolving Loan Community Development	02300	Special revenue	State Treasury	81,068	-	81,068
Technology Enterprise Fund	38400 *	Special revenue	State Treasury	51,641	-	51,641
ISO 9000	20530	Special revenue	State Treasury	2,708	-	2,708
Federal Programs	29500	Special revenue	State Treasury	(36,797)	-	(36,797)
Capital Projects Fund	02800	Capital project	State Treasury	(78,407)	-	(78,407)
Total Governmental Cash with State General Fund				<u>\$ 45,123,630</u>	<u>\$ -</u>	<u>\$ 45,123,630</u>
State of net position balance						\$ 45,238,834
Less overdrafts						<u>(115,204)</u>
						<u>\$ 45,123,630</u>

*Reported in General Fund 18900

State of New Mexico Economic Development Department

MEMORANDA OF UNDERSTANDING

Year Ended June 30, 2015

<u>Participant</u>	<u>Party Responsible for Operations</u>	<u>Description of Services</u>
Artesia MainStreet/City of Artesia	Artesia MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Belen MainStreet/City of Belen	Belen MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Carlsbad MainStreety/City of Carlsbad	Carlsbad MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Clovis MainStreet/City of Clovis	Clovis MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Corrales MainStreet/Village of Corrales	Corrales MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Deming MainStreet/City of Deming	Deming MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Grants MainStreet/City of Grants	Grants MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Los Alamos MainStreet/County of Los Alamos	Los Alamos MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Lovington MainStreet/City of Lovington	Lovington MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Nob Hill MainStreet/City of Albuquerque	Nob Hill MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Portales MainStreet/City of Portales	Portales MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Roswell MainStreet/City of Roswell	Roswell MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
MainStreet de Las Vegas/City of Las Vegas	Las Vegas MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Silver City MainStreet/Town of Silver City	Silver City MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Truth or Consequences MainStreet/City of Truth or Consequences	Truth or Consequences MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Tucumcari MainStreet/City of Tucumcari	Tucumcari MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Indian Affairs Department	Indian Affairs Department	Shared ASD Director/CFO between IAD and EDD
Artesia MainStreet/City of Artesia	Artesia MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
DowntownABQ MainStreet/City of ABQ	DowntownABQ MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Belen MainStreet/City of Belen	Belen MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Carlsbad MainStreety/City of Carlsbad	Carlsbad MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Clayton MainStreet/Town of Clayton	Clayton MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Clovis MainStreet/City of Clovis	Clovis MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Corrales MainStreet/Village of Corrales	Corrales MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Deming MainStreet/City of Deming	Deming MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Farmington MainStreet/City of Farmington	Farmington MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Grants MainStreet/City of Grants	Grants MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Harding County MainStreet/Harding County	Harding County MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Historic Bridge South Valley MainStreet/Bernalillo County	Historic Bridge South Valley MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Las Cruces MainStreet/City of Las Cruces	Las Cruces MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Los Alamos MainStreet/County of Los Alamos	Los Alamos MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Lovington MainStreet/City of Lovington	Lovington MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Nob Hill MainStreet/City of ABQ	Nob Hill MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Portales MainStreet/City of Portales	Portales MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Raton MainStreet/City of Raton	Raton MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Roswell MainStreet/City of Roswell	Roswell MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
MainStreet de Las Vegas/City of Las Vegas	Las Vegas MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Silver City MainStreet/Town of Silver City	Silver City MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Truth or Consequences MainStreet/City of Truth or Consequences	T or C MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Tucumcari MainStreet/City of Tucumcari	Tucumcari MainStreet	Participation Agreement between municipality/local MainStreet program/EDD
Zuni Pueblo MainStreet/Zuni Pueblo	Zuni Pueblo MainStreet	Participation Agreement between municipality/local MainStreet program/EDD

<u>Beginning Date</u>	<u>Ending Date</u>	<u>Total estimated amount</u>	<u>Amount Department Contributed During FY15</u>	<u>Audit Responsibility</u>	<u>Agency Reporting Revenue & Expense</u>
7/1/13	6/30/15	-	-	City of Artesia	City of Artesia
7/1/13	6/30/15	-	-	City of Belen	City of Belen
7/1/13	6/30/15	-	-	City of Carlsbad	City of Carlsbad
7/1/13	6/30/15	-	-	City of Clovis	City of Clovis
7/1/13	6/30/15	-	-	Village of Corrales	Village of Corrales
7/1/13	6/30/15	-	-	City of Deming	City of Deming
7/1/13	6/30/15	-	-	City of Grants	City of Grants
7/1/13	6/30/15	-	-	City of Los Alamos	City of Los Alamos
7/1/13	6/30/15	-	-	City of Lovington	City of Lovington
7/1/13	6/30/15	-	-	City of Albuquerque	City of Albuquerque
7/1/13	6/30/15	-	-	City of Portales	City of Portales
7/1/13	6/30/15	-	-	City of Roswell	City of Roswell
7/1/13	6/30/15	-	-	City of Las Vegas	City of Las Vegas
7/1/13	6/30/15	-	-	Town of Silver City	Town of Silver City
7/1/13	6/30/15	-	-	City of Truth or Consequences	City of Truth or Consequences
7/1/13	6/30/15	-	-	City of Tucumcari	City of Tucumcari
2/23/15	6/30/15	-	-	Indian Affairs Department	Indian Affairs Department
7/1/15	7/1/17	-	-	City of Artesia	City of Artesia
7/1/15	7/1/17	-	-	City of Albuquerque	City of Albuquerque
7/1/15	7/1/17	-	-	City of Belen	City of Belen
7/1/15	7/1/17	-	-	City of Carlsbad	City of Carlsbad
7/1/15	7/1/17	-	-	Town of Clayton	Town of Clayton
7/1/15	7/1/17	-	-	City of Clovis	City of Clovis
7/1/15	7/1/17	-	-	Village of Corrales	Village of Corrales
7/1/15	7/1/17	-	-	City of Deming	City of Deming
7/1/15	7/1/17	-	-	City of Farmington	City of Farmington
7/1/15	7/1/17	-	-	City of Grants	City of Grants
7/1/15	7/1/17	-	-	Harding County	Harding County
7/1/15	7/1/17	-	-	Bernalillo County	Bernalillo County
7/1/15	7/1/17	-	-	City of Las Cruces	City of Las Cruces
7/1/15	7/1/17	-	-	County of Los Alamos	County of Los Alamos
7/1/15	7/1/17	-	-	City of Lovington	City of Lovington
7/1/15	7/1/17	-	-	City of Albuquerque	City of Albuquerque
7/1/15	7/1/17	-	-	City of Portales	City of Portales
7/1/15	7/1/17	-	-	City of Raton	City of Raton
7/1/15	7/1/17	-	-	City of Roswell	City of Roswell
7/1/15	7/1/17	-	-	City of Las Vegas	City of Las Vegas
7/1/15	7/1/17	-	-	Town of Silver City	Town of Silver City
7/1/15	7/1/17	-	-	City of Truth or Consequences	City of Truth or Consequences
7/1/15	7/1/17	-	-	City of Tucumcari	City of Tucumcari
7/1/15	7/1/17	-	-	Zuni Pueblo	Zuni Pueblo

STATE OF NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
(EXCLUDING GRT) (UNAUDITED)**

As of June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
N/A	Sole Source Procurement	New Mexico Development Corporation	*\$930,000	\$0.00	New Mexico Development Corporation, 1720 Louisiana Blvd NE Ste. 312, Albuquerque, NM 87110	Y	N	FY15 Strategic Plan and Sales Marketing Plan for EDD.

* Contract is specifically stated current year appropriations



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

State of New Mexico Economic Development Department
and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and special revenue funds of the State of New Mexico Economic Development Department (the Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. We have also audited the budgetary comparison schedules of the component funds of the general fund and capital projects funds, presented as supplementary information and have issued our report thereon dated November 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying schedule of findings and responses as items 2014-001.

Compliance and Other Matters

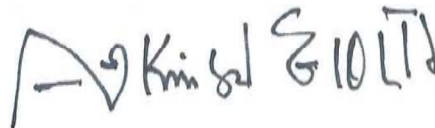
As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co. Ltd.", with a stylized flourish on the left side.

Atkinson & Co. Ltd.

Albuquerque, New Mexico
November 25, 2015

SUMMARY OF AUDIT FINDINGS

June 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? No

Significant deficiencies identified not considered
to be material weaknesses? Yes

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? No

STATUS OF PRIOR YEAR FINDINGS

2014-001 Lack of Effective Year-End Accrual Procedures (Significant Deficiency) - Repeated
and Modified

2014-002 Use of State Issued Gas Cards (Control and Compliance Deficiency) - Resolved

2014-003 Misclassification of Employees as Independent Contractors
(Control and Compliance Deficiency) - Resolved

CURRENT YEAR FINDINGS

Financial Statement Findings Required by *Government Auditing Standards*

None

State Audit Rule Compliance Findings

None

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

June 30, 2015

CURRENT YEAR AUDIT FINDINGS

Financial Statement Findings Required by *Government Auditing Standards*

2014-001 Lack of Effective Year-End Accrual Procedures (Significant Deficiency)

CONDITION

Eight vouchers totaling \$543,052 relating to the JTIP program were not properly accrued as of June, 30, 2015, although the invoices were paid within two months after year-end. Progress was noted with respect to severance tax bond expenditure and related lost-reimbursement billing accrual procedures.

CRITERIA

Chapters 6-5-1 through 6-5-6, NMSA 1978, require all state agencies to implement internal accounting controls designed to prevent accounting errors related to financial statement matters.

CAUSE

Lack of failure of controls surrounding proper monitoring and timely accrual of accounts payable. Program managers did not submit approved reimbursement requests received from subrecipients to the Administrative Service Department in a timely manner to have voucher packages submitted to DFA before year-end cut off.

EFFECT

Accounts payable and expense related to JTIP were understated as of June 30, 2015.

RECOMMENDATION

We continue to recommend that the Department create a written policy requiring all program managers to submit all invoices received from vendors and subcontractors relating to the current fiscal year-end in a timely manner each month-end which would allow the Administrative Service Department to have adequate time to submit accounts payable invoices to DFA and create draw down requests before year-end to ensure proper accrual.

MANAGEMENT'S RESPONSE

Management agrees with this finding. Last year ASD worked with Department Divisions to devise a plan requiring all program managers to follow the year-end policy and submit billings and expenses relating to the current fiscal year end in a timely manner. While the plan worked for the majority of the General Funds, the language in the larger programs will need to be more restrictive.

CORRECTIVE ACTION PLAN

Plan is to modify the current language in the contracts, agreements, and memorandum of understanding to the recipients to reflect a definite timeline for receipt of invoices; and an internal written policy requiring all program managers to submit billing and expenses relating to the current fiscal year, especially at year-end.

CONTACT

Chief Financial Officer, 505-476-2192

State of New Mexico Economic Development Department

EXIT CONFERENCE

June 30, 2015

An exit conference was held with the Department on November 23, 2015, at the Department's offices in Santa Fe, New Mexico. In attendance were:

ECONOMIC DEVELOPMENT DEPARTMENT

Barbara Brazil
Marilu Casillas
Chris Romero
Mary Armijo
Florence Velarde

Deputy Cabinet Secretary
ASD Director/CFO
Financial Coordinator
Business Operations Specialist
Accountant/Auditor

ATKINSON & CO., LTD.

Martin Mathisen, CPA, CGFM
Clarke Cagle, CPA, CCIFP, CGFM
Gabriella Parra

Audit Director
Audit Director
Senior Auditor

PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Department's management. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. Management has reviewed and approved the financial statements.

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