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**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT
DEPARTMENT**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2019

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

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**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT**

*Official Roster
June 30, 2019*

OFFICE OF THE SECRETARY

| | |
|--------------|----------------------------|
| Alicia Keys | Cabinet Secretary |
| Jon Clark | Deputy Cabinet Secretary |
| Bruce Kranow | Public Information Officer |

ADMINISTRATIVE SERVICES

| | |
|-----------------|--------------------------------|
| Marilu Casillas | ASD Director, CFO |
| Chris Romero | Financial Coordinator, CPO |
| Mary Armijo | Accountant |
| Ramona Gonzales | Business Operations Specialist |



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Albuquerque, NM 87104
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Independent Auditors' Report

State of New Mexico Economic Development Department
and
Mr. Brian S. Colón, Esq., New Mexico State Auditor

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, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' 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 auditors' 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, 2019, and the respective changes in financial position and respective budgetary comparisons of the general fund and major 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 above present fairly, in all material respects, the budgetary comparison schedules for the components of the general fund and special revenue funds for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, 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, 2019, 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The budgetary comparison schedules for components of the general fund, and major special revenue funds and schedule of individual deposit accounts required by Section 2.2.2 NMAC as listed in the table of contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 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 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 State of New Mexico Economic Development Department's control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
October 25, 2019

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2019**

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Investment in state general fund investment pool | \$ 104,673,623 |
| Other investments | 4,403,380 |
| Due from federal government | 88,907 |
| Due from other funds | - |
| Other | 2,248 |
| Capital assets, net | 6,977 |
| Total asset | \$ 109,175,135 |
| LIABILITIES | |
| Accounts payable | \$ 5,162,231 |
| Accrued payroll | 138,445 |
| Other liabilities | 28,612 |
| Due to other funds | 8,498 |
| Overdrafts | 2,733,215 |
| Due to state general fund | 23,602 |
| Comensated absences payable: | |
| Expected to be paid within one year | 161,464 |
| Total liabilities | 8,256,067 |
| NET POSITION | |
| Net investment in capital assets | 6,977 |
| Restricted | 104,366,457 |
| Unrestricted (deficit) | (3,454,366) |
| Total net position | 100,919,068 |
| Total liabilities and net position | \$ 109,175,135 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF ACTIVITIES
Year ended June 30, 2019**

PROGRAM REVENUE

| Functions/ Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenue and Changes in Net Assets Governmental Activities |
|---|----------------------|-------------------------------------|---|---|---|
| Governmental Activities | | | | | |
| Economic Development | \$ 6,956,998 | - | - | - | \$ (6,956,998) |
| Film | 664,806 | - | - | - | (664,806) |
| Program Support | 1,636,948 | - | - | - | (1,636,948) |
| Other initiatives | 24,024,317 | - | 214,635 | - | (23,809,682) |
| Total governmental activities | \$ 33,283,069 | - | 214,635 | - | (33,068,434) |
| General revenues (expenses) | | | | | |
| Other revenue: | | | | | |
| State general fund appropriations | | | | | 81,585,600 |
| Severance tax bond proceeds | | | | | 18,714,311 |
| Other Revenue | | | | | 135,500 |
| Other financing sources | | | | | 462,402 |
| Transfers out - reversions to state general fund FY18 | | | | | (243,553) |
| Investment losses | | | | | (484,609) |
| Total general revenues and transfers | | | | | 100,169,651 |
| Change in net position | | | | | 67,101,217 |
| Net position, beginning of year, as previously stated | | | | | 34,059,033 |
| Prior period adjustment | | | | | (241,182) |
| Net position, beginning of year, as restated | | | | | 33,817,851 |
| Net position, end of year | | | | | \$ 100,919,068 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

| | General Fund (18900 & 38400) | LEDA Speical Revenue Fund (43180) | JTIP Fund (63800) | Capital Projects Fund (02800) | STB Capital Projects Fund (89200, 93100) | Federal Programs (29500) | Revolving Loan Community Development Fund (02300) | ISO 9000 Fund (20530) | Total Governmental Funds |
|--|---|--|----------------------------------|--|---|---|--|--------------------------------------|---|
| ASSETS | | | | | | | | | |
| Investment in state general fund investment pool | \$ 51,641 | 71,728,987 | ##### | - | 5,594,319 | 117,759 | 3,907,639 | 2,708 | \$ 104,673,623 |
| Other investments | - | - | - | - | - | 3,941,280 | 462,100 | - | 4,403,380 |
| Due from federal government | - | - | - | - | - | 88,907 | - | - | 88,907 |
| Due from other state agencies | - | - | - | - | - | - | - | - | - |
| Other | 2,248 | - | - | - | - | - | - | - | 2,248 |
| Total assets | \$ 53,889 | 71,728,987 | ##### | - | 5,594,319 | 4,147,946 | 4,369,739 | 2,708 | \$ 109,168,158 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ 443,031 | 5,543 | 3,889,660 | - | 755,824 | 10,917 | 57,256 | - | \$ 5,162,231 |
| Accrued payroll | 138,445 | - | - | - | - | - | - | - | 138,445 |
| Other liabilities | - | - | 28,612 | - | - | - | - | - | 28,612 |
| Due to other state agencies | - | - | - | 8,498 | - | - | - | - | 8,498 |
| Overdrafts | 2,654,807 | - | - | 78,408 | - | - | - | - | 2,733,215 |
| Due to state general fund | 23,602 | - | - | - | - | - | - | - | 23,602 |
| Total liabilities | 3,259,885 | 5,543 | 3,918,272 | 86,906 | 755,824 | 10,917 | 57,256 | - | 8,094,603 |
| FUND BALANCES | | | | | | | | | |
| Restricted | - | 71,723,444 | ##### | - | 4,838,495 | 4,123,253 | 4,326,259 | 2,708 | 104,366,457 |
| Unassigned (deficit) | (3,205,996) | - | - | (86,906) | - | 13,776 | (13,776) | - | (3,292,902) |
| Total fund balances (deficit) | (3,205,996) | 71,723,444 | ##### | (86,906) | 4,838,495 | 4,137,029 | 4,312,483 | 2,708 | 101,073,555 |
| Total liabilities and fund balances | \$ 53,889 | 71,728,987 | ##### | - | 5,594,319 | 4,147,946 | 4,369,739 | 2,708 | \$ 109,168,158 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 101,073,555

Amounts reported for governmental activities in the statement of net position are different as follows:

Capital assets and compensated absences payable used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | |
|--|------------------|
| Capital assets total acquisition value | \$ 115,009 |
| Total accumulated depreciation | <u>(108,032)</u> |

Total capital assets, net 6,977

Compensated absences payable (161,464)

Net position of governmental activities -
Statement of Net Position \$ 100,919,068

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2019**

| | General Fund (18900 & 38400) | LEDA Speical Revenue Fund (43180) | JTIP Fund (63800) | Capital Projects Fund (02800) |
|---|---|--|----------------------------------|--|
| REVENUES | | | | |
| Federal | \$ - | - | - | \$ - |
| Other revenue | 135,500 | - | - | - |
| Total revenues | 135,500 | - | - | - |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services & benefits | 3,534,473 | - | - | - |
| Contractual services | 2,675,712 | 31,816 | 71,877 | - |
| Other | 728,675 | - | 6,292,001 | - |
| Total expenditures | 6,938,860 | 31,816 | 6,363,878 | - |
| Excess (deficiency) of revenues over expenditures | (6,803,360) | (31,816) | (6,363,878) | - |
| OTHER FINANCING SOURCES AND (USES) | | | | |
| State general fund appropriations | 7,189,600 | 60,207,000 | 9,000,000 | - |
| Severence tax bond proceeds | - | - | - | - |
| Other financing sources | 64,400 | - | - | - |
| Transfers to/from other funds | - | - | - | - |
| Transfers out - reversions to state general fund | (243,553) | - | - | - |
| Investment losses | - | - | - | - |
| Total other financing sources (uses) | 7,010,447 | 60,207,000 | 9,000,000 | - |
| Net change in fund balances | 207,087 | 60,175,184 | 2,636,122 | - |
| Beginning fund balance | (3,413,083) | 11,548,260 | 16,716,176 | (86,906) |
| Fund balances, end of year | <u>\$ (3,205,996)</u> | <u>71,723,444</u> | <u>19,352,298</u> | <u>\$ (86,906)</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
Year ended June 30, 2019**

| Capital Projects Funds (89200 & 93100) | Federal Programs (29500) | Revolving Loan Community Development Fund (02300) | ISO 9000 Fund (20530) | Total Governmental Funds |
|---|---|--|----------------------------------|---|
| \$ - | 214,635 | - | - | \$ 214,635 |
| - | - | - | - | 135,500 |
| - | 214,635 | - | - | 350,135 |
| - | - | - | - | 3,534,473 |
| 18,703,659 | - | - | - | 21,483,064 |
| 560,652 | 127,741 | 538,325 | - | 8,247,394 |
| 19,264,311 | 127,741 | 538,325 | - | 33,264,931 |
| (19,264,311) | 86,894 | (538,325) | - | (32,914,796) |
| 5,189,000 | - | - | - | 81,585,600 |
| 18,714,311 | - | - | - | 18,714,311 |
| - | (13,776) | 411,778 | - | 462,402 |
| - | - | - | - | - |
| - | - | - | - | (243,553) |
| - | (484,609) | - | - | (484,609) |
| 23,903,311 | (498,385) | 411,778 | - | 100,034,151 |
| 4,639,000 | (411,491) | (126,547) | - | 67,119,355 |
| | 13,776 | (13,776) | | |
| 199,495 | 4,534,744 | 4,452,806 | 2,708 | 33,954,200 |
| \$ 4,838,495 | 4,137,029 | 4,312,483 | 2,708 | \$ 101,073,555 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2019**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

| | | |
|--|----|--------------------------|
| Change in fund balance | | |
| Statement of revenues, expenditures, and changes in fund balances | \$ | 67,119,355 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Depreciation expense | | (13,380) |
| Net increase in compensated absences | | <u>(4,758)</u> |
| Change in net position - statement of activities | \$ | <u><u>67,101,217</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
GENERAL FUND – FUND 18900
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|--------------------------------------|-------------------|---|
| Revenues | | | | |
| General fund appropriation | \$ 7,189,600 | 7,189,600 | 7,189,600 | \$ - |
| Other appropriations | - | - | - | - |
| Federal | - | - | - | - |
| Other financing sources | 64,400 | 64,400 | 64,400 | - |
| Other revenue | - | - | 135,500 | (135,500) |
| Total revenues | <u>\$ 7,254,000</u> | <u>7,254,000</u> | <u>7,389,500</u> | <u>\$ (135,500)</u> |
| Expenditures | | | | |
| Current | | | | |
| Personal services and benefits | 3,633,600 | 3,574,049 | 3,534,473 | 39,576 |
| Contractual services | 2,661,100 | 2,815,615 | 2,675,712 | 139,903 |
| Other costs | 959,300 | 864,336 | 972,228 | (107,892) |
| Total expenditures | <u>\$ 7,254,000</u> | <u>7,254,000</u> | <u>7,182,413</u> | <u>\$ 71,587</u> |
| Excess (deficiency) of revenue over expenditures | | | \$ 207,087 | |
| Reconciliation of budgetary basis to GAAP basis financial statements: | | | | |
| Net change in fund balance | | | <u>\$ 207,087</u> | |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET TO ACTUAL
LOCAL ECONOMIC DEVELOPMENT ACT FUND - 43180
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------------|----------------------------|----------------------------------|-------------------|---|
| Revenues | | | | |
| General fund appropriation | \$ 60,207,000 | 60,207,000 | 60,207,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>\$ 60,207,000</u> | <u>60,207,000</u> | <u>60,207,000</u> | <u>\$ -</u> |
| Expenditures | | | | |
| Current | | | | |
| Personal services and benefits | \$ - | - | - | \$ - |
| Contractual services | 60,207,000 | 60,207,000 | 31,816 | 60,175,184 |
| Other costs | - | - | - | - |
| Total expenditures | <u>\$ 60,207,000</u> | <u>60,207,000</u> | <u>31,816</u> | <u>\$ 60,175,184</u> |

Excess (deficiency) of revenue over expenditures \$ 60,175,184

Reconciliation of budgetary basis to GAAP basis financial statements:

Net change in fund balance \$ 60,175,184

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES –
BUDGET TO ACTUAL
JOB INCENTIVE TRAINING PROGRAM – FUND 63800
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|--------------------------------------|--------------------------------|---|
| Revenues | | | | |
| General fund appropriation | \$ 9,000,000 | 9,000,000 | 9,000,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| | <u>9,000,000</u> | <u>9,000,000</u> | <u>9,000,000</u> | <u>-</u> |
| Budgeted Fund Balance | - | 12,876,862 | 12,876,862 | - |
| Total revenues | <u><u>\$ 9,000,000</u></u> | <u><u>21,876,862</u></u> | <u><u>21,876,862</u></u> | <u><u>\$ -</u></u> |
| Expenditures | | | | |
| Current | | | | |
| Personal services and benefits | - | - | - | - |
| Contractual services | - | 133,137 | 71,877 | 61,260 |
| Other costs | 9,000,000 | 21,743,725 | 6,292,001 | 15,451,724 |
| | <u>9,000,000</u> | <u>21,743,725</u> | <u>6,292,001</u> | <u>15,451,724</u> |
| Total expenditures | <u><u>\$ 9,000,000</u></u> | <u><u>21,876,862</u></u> | <u><u>6,363,878</u></u> | <u><u>\$ 15,512,984</u></u> |
| Excess (deficiency) of revenue over expenditures | | | \$ 15,512,984 | |
| Reconciliation of budgetary basis to GAAP basis financial statements: | | | | |
| Adjustment to Revenue: | | | | |
| Budgeted Fund Balance | | | (12,876,862) | |
| Net change in fund balance | | | <u><u>\$ 2,636,122</u></u> | |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES –
BUDGET TO ACTUAL
CAPITAL OUTLAY - FUND 93100
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|----------------------------------|-------------------------|---|
| Revenues | | | | |
| General fund appropriation | \$ | | | \$ |
| Other appropriations | - | - | - | - |
| Federal grants | - | - | - | - |
| Other financing sources | 5,200,000 | 5,189,000 | 5,189,000 | - |
| Other revenue | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u>\$ 5,200,000</u> | <u>5,189,000</u> | <u>5,189,000</u> | <u>\$ -</u> |
| Expenditures | | | | |
| Current | | | | |
| Personal services and benefits | \$ | - | - | \$ |
| Contractual services | 1,200,000 | 1,189,000 | - | 1,189,000 |
| Other costs | 4,000,000 | 4,000,000 | - | 4,000,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>\$ 5,200,000</u> | <u>5,189,000</u> | <u>-</u> | <u>\$ 5,189,000</u> |
| Excess (deficiency) of revenue over expenditures | | | \$ 5,189,000 | |
| Reconciliation of budgetary basis to GAAP basis financial statements: | | | | |
| Net change in fund balance | | | <u>\$ 5,189,000</u> | |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES –
BUDGET TO ACTUAL
STB CAPITAL OUTLAY - FUND 89200
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------------|-----------------------------|----------------------------------|-----------------------------|---|
| Revenues | | | | |
| General fund appropriation | \$ | | | \$ |
| Other appropriations | - | - | - | - |
| Federal grants | - | - | - | - |
| Other financing sources | 18,714,311 | 18,714,311 | 18,714,311 | - |
| Other revenue | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u>\$ 18,714,311</u> | <u>18,714,311</u> | <u>18,714,311</u> | <u>\$ -</u> |
| Expenditures | | | | |
| Current | | | | |
| Personal services and benefits | \$ - | - | - | \$ - |
| Contractual services | 18,153,659 | 18,153,659 | 18,703,659 | (550,000) |
| Other costs | 560,652 | 560,652 | 560,652 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>\$ 18,714,311</u> | <u>18,714,311</u> | <u>19,264,311</u> | <u>\$ (550,000)</u> |

Excess (deficiency) of revenue over expenditures \$ (550,000)

Reconciliation of budgetary basis to GAAP basis financial statements:

Net change in fund balance \$ (550,000)

* The overage is the result of multiyear appropriations received in prior years and expended in the current year.

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. 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.
- 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. DEFINITION OF REPORTING ENTITY (CONTINUED)

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.

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.

Office of the Secretary/ASD Division

Provides services for the Department and is involved directly in state recruitment, expansion and retention efforts of private businesses. The public information office provides media relations, web support and printing services to the department. The marketing and research group provides website research, economic analysis, graphic design, content for brochures and other collateral materials, strategic planning and performance tracking for each of the programs within the Department. The administrative services division provides information technology management and financial support for the Department, the New Mexico Border Authority and Office of Military Base Planning. The Office of Business Advocacy helps companies navigate state government by providing assistance with regulatory, intergovernmental and public policy issues adversely affecting business in New Mexico. Human Resource services are also housed in the Office of the Secretary/ASD. Primary services include budget and financial support for the agency in addition to HR, payroll, insurance, management of contracts and leases, IT, marketing and public information services, etc. In addition, ASD provides this support to the administratively attached agencies: the New Mexico Border Authority and the Office of Military Base Planning and Support.

New Mexico Film Division

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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 only those 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 14, 39 and 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's significant accounting policies are described below.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources; the residual is net position. Funds fiduciary in nature are excluded from the government-wide statements and fund statements. Any internal activity is eliminated in the preparation of government-wide financial statements.

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.

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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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 the following funds as major funds: General Fund (SHARE Fund 18900), Job Training Incentive Program (JTIP) (SHARE Fund 63800), Local Economic Development Act (SHARE Fund 43180), Capital Outlay Fund (SHARE Fund 93100), STB Capital Project Fund (SHARE Fund 89200) and Revolving Loan Community Development Fund (SHARE Fund 02300) based on the financial activity in these funds. ISO 9000 Fund (SHARE Fund 20530), Revolving Loan Community Development Fund (SHARE 02300), Capital Projects Fund (SHARE 02800) and Federal Programs (SHARE 02800) are the remaining fund for the Department.

The following fund types are used by the Department:

Governmental Funds

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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

Governmental Funds (Continued)

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 Technology Enterprise Fund and LEDA included in the General Fund are non-reverting and restricted by enabling legislation.

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).

ISO 9000 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 ISO 9000 course. 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

Special Revenue Funds (Continued)

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 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 \$86,906 as of June 30, 2019. 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).

Capital Outlay – was established at the beginning of FY19 to track capital projects funded by the General Fund Appropriation. The spent funds will revert upon completion of individual projects (SHARE 93100).

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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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

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 implemented Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurements and Application* (GASB 72) in FY16, which establishes fair value standards for certain investments held by governmental entities. GASB 72 requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. Fair value is defined 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. The Department had no assets or liabilities to separately measure or disclose at fair value at June 30, 2019.

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 the 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.

Budgets and Budgetary Accounting

The Department prepares budgets for its governmental funds, which are subject to approval by the New Mexico Department of Finance and Administration (DFA), based upon the appropriations made by the State Legislature. Budgets are controlled at the appropriation program level (personal

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

services, employee benefits, etc.), and amendments affecting a category are approved by DFA and the Legislative Finance Committee (LFC). Expenditures may not exceed appropriations at this level.

The unexpended balances of the State General Fund appropriation to the Department are to be reverted to the State General Fund at the end of each fiscal year. The Department also receives funding from various special and supplemental appropriations. The language of a particular appropriation determines when it lapses and whether or not unexpended balances revert to the State General Fund. The capital projects funds are multi-year appropriations that do not lapse at year-end and have not been budgeted for on an annual basis.

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. Legal budgetary control for expenditures and encumbrances is by category of the appropriation unit.

Interest in State General Fund Investment Pool

The Authority has an interest in the State General Fund Investment Pool (SGFIP) to include internal pooled investments measured at amortized cost on deposit with the State Treasurer.

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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Grants Receivable

Various reimbursement procedures are used for federal awards received. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Generally, receivable balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed. During fiscal year 2019, there were no estimated unallowable costs allowed for or charged to any federal grants.

Unearned Revenue

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

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.

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$101,940,408 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.

Inter-fund 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Other Revenues and Transfers

Other revenues consist primarily of the State's portion of reimbursements for previous overpayments of benefits.

Transfers in from (out to) other state agencies and governmental units are recorded as other financing sources (uses).

Reverting Funds

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

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 sources, such as federal or state, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. Instead, any overdrawn grant funds must be reverted to the granting agency

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. Amounts due to the State General Fund for the year ending June 30, 2019, were paid before September 30, 2019. Reversions are not budgeted.

Revenues and Expenses

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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

be used to pay liabilities of the current period, typically 60 days), regardless of when the related cash flows take place.

An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

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

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 marketplace. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

Capital Assets

Capital assets consist of tangible personal property having a value equal to or greater than \$5,000 and an estimated useful life greater than one year, 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 |

Accrued Compensated Absences

The Department's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences (Continued)

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the above maximums.

Accrued Sick Leave. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours, on July 1 and January 1 of each year. However, the sick leave will be paid at 50% of the employee's regular hourly wage.

At retirement, employees may receive 50% payment for up to 400 hours for the hours over 600 of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2019, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

Fund Balances and Net Position

Reservations and Designations. In the governmental fund financial statements, fund balances are classified as non-spendable, 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.

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 or committed. The fund balances of the Department for the current year are represented only as Restricted and Unrestricted. A summary of the nature and purpose of these reserves by fund type at June 30, 2019, follows:

- Spendable-Restricted. This reserve consists of liquid assets (generated from fee revenues and bond proceeds), which have third-party (statutory or granting agency) limitation on their use.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances and Net Position (Continued)

- 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 the political subdivision.
- Net Position. The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.
- Net Investment in Capital Assets. Is intended to reflect the portion of net position, which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Department does not have any related debt.
- Restricted Net Position. Are liquid assets (generated from fee revenues and bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Such restrictions are legally enforceable.

Severance 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.

Cost Allocation

The Department does not employ indirect cost allocation in the financial statements.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Method Investment

The Department accounts for its investment in the New Mexico Catalyst Fund L.P. by the equity method. The Department reports its share of such earnings (loss) in the Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, and in the government-wide Statement of Activities as investment gains or (losses). The carrying value of the investment is reported in the Statements of Net Position and the Balance Sheet – Governmental Funds as other investments.

At June 30, 2019, the Department held a 26% ownership position as a Class B Limited Partner that has elected to make its total capital commitment of \$5,000,000 in full. This amount is reported as capital and prepaid capital accordingly in the fund's financial statement at June 30, 2019.

The purpose of the partnership is to invest solely in private funds that make seed, venture capital and growth stage equity and structured debt investments in business enterprises with their headquarters domiciled in the state of New Mexico and which investments are compliant with State Small Business Credit Initiative (SSBCI) guidelines.

At June 30, 2019, the Department's carrying amount of its investment is \$3,941,280 and reported losses for the initial period ending on December 31, 2018, are \$(484,609).

Subsequent Events

Management evaluated subsequent events through October 25, 2019, the date the financial statements were available to be issued. No matters were identified that would require accrual or disclosure as of the date of these accompanying financial statements.

NOTE 3. STATE GENERAL FUND INVESTMENT POOL

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 SGFIP. In accordance with Sections 6-10-10 I through O, NMSA 1978 as amended, the State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government. See the State Treasurer's annual audit report for the GASB 40 disclosure of the investments, which may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Investment pool balances at June 30, 2019, consisted of the following:

| | |
|--|-----------------------|
| Deposits with State General Fund Investment Pool - Governmental activities | \$ 104,673,623 |
| Overdrafts | <u>(2,733,215)</u> |
| | <u>\$ 101,940,408</u> |

NOTE 4. DUE TO/FROM OTHER STATE AGENCIES

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements which make up the amounts due from other state agencies. The amount due to Department of Finance and Administration Fund 39401 was \$8,498 at June 30, 2019.

NOTE 5. DUE TO/FROM STATE GENERAL FUND

| <u>Agency Transferring</u> | <u>From Agency #</u> | <u>From Fund #</u> | <u>To Agency #</u> | <u>To Fund #</u> | <u>Amount</u> |
|---|--------------------------|------------------------|------------------------|----------------------|------------------|
| NMEDD Fund Purpose: Reversion of unreserved undesignated balance fund other at 6/30/2019 | 18900 | 18900 | 34101 | 85300 | \$ 21,659 |
| NMEDD Fund Purpose: Stale dated drafts | 18900 | 18900 | 34101 | 85300 | <u>1,943</u> |
| Total Due to State General Fund | | | | | <u>\$ 23,602</u> |

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. OTHER FINANCING SOURCES AND OPERATING TRANSFERS

Transfers In/Out: During the fiscal year, the Department received and transferred funds. The following is a breakdown of these transactions by fund:

| <u>Fund</u> | <u>Agency Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|--------------------|----------------------|----------------------|
| State General Fund | | | |
| Appropriation | | | |
| 18900 | 34101-85300 | \$ 7,189,600 | \$ - |
| 43180 | 34101-85300 | 60,207,000 | - |
| 63800 | 34101-85300 | 9,000,000 | - |
| 93100 | 34101-85300 | 5,189,000 | - |
| | | <u>\$ 81,585,600</u> | <u>\$ -</u> |
| Severance Tax Bond | | | |
| 98200 | 34101-85300 | <u>\$ 18,714,311</u> | <u>\$ -</u> |
| State General Fund Reversion | | | |
| 18900 | 34101-85300 | <u>\$ -</u> | <u>\$ 243,553</u> |

NOTE 7. 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. CAPITAL ASSETS

| Governmental Activities | Balance 30-Jun-18 | Additions | Deletions | Balance 30-Jun-19 |
|---------------------------------------|------------------------------|------------------|------------------|------------------------------|
| Capital assets: | | | | |
| Equipment and machinery | \$ 88,937 | - | - | \$ 88,937 |
| Buildings and structures | <u>26,072</u> | <u>-</u> | <u>-</u> | <u>26,072</u> |
| Total capital assets | 115,009 | - | - | 115,009 |
| Accumulated Depreciation: | | | | |
| Equipment and machinery | 78,164 | 10,773 | - | 88,937 |
| Buildings and structures | <u>16,488</u> | <u>2,607</u> | <u>-</u> | <u>19,095</u> |
| Total accumulated depreciation | <u>94,652</u> | <u>13,380</u> | <u>-</u> | <u>108,032</u> |
| Net capital assets | <u>\$ 20,357</u> | <u>(13,380)</u> | <u>-</u> | <u>\$ 6,977</u> |

Current year depreciation expense of \$13,380 was allocated entirely to the Department's function in the government-wide statement of activities.

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 | \$ 5,753 |
| Film | 401 |
| Program support | 803 |
| Other initiatives | <u>6,423</u> |
| Total | <u>\$ 13,380</u> |

NOTE 9. 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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. COMPENSATED ABSENCES (CONTINUED)

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.

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 the 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.

| | <u>Balance</u> <u>30-Jun-18</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>30-Jun-19</u> | <u>Amount Due</u> <u>in One Year</u> |
|----------------------|------------------------------------|-----------------|-----------------|------------------------------------|---|
| Compensated absences | \$ 156,706 | 170,255 | 165,497 | 161,464 | \$ 161,464 |

The Department's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. The general fund liquidates all compensated absence balances. The Department considers the compensated absences to be a current liability.

NOTE 10. GENERAL FUND REVERSIONS

Current year reversions for the Department's General Fund as of June 30, 2019, were as follows:

| <u>Appropriation Year</u> | <u>Fund Type</u> | <u>SHARE</u> <u>System Fund</u> | <u>Reversion</u> |
|---------------------------|------------------|------------------------------------|-------------------|
| Laws of 2016 | General Fund | 18900 | \$ 243,553 |
| Total | | | <u>\$ 243,553</u> |

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, 2019 shall revert. The current year balance of \$243,553 is payable at June 30, 2019, and due by September 30, 2019. 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 paid the reversions payable during fiscal year 2019.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

GASB 75 - 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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(CONTINUED)**

Plan Description (Continued)

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.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 16.99% 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, 2019, 2018, and 2017 were \$405,744, \$405,446, and \$414,969, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 12. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE
PLAN**

Plan Description

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Plan Description (Continued)

report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2019, 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.

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> |
|--------------------|-----------------------------------|-----------------------------------|
| FY 19 | 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, 2019, 2018, and 2017 were \$47,763, \$47,728, and \$48,851, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13. OPERATING LEASE COMMITMENT

The Department is committed under lease for some of the Department’s office equipment and office space in several locations throughout 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, which include event and exhibition costs in addition to operating leases, for the year ended June 30, 2019, amounted to \$111,817.

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, 2019.

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2020 | \$ 8,125 |
| 2021 | 7,309 |
| 2022 | 7,309 |
| 2023 | 7,309 |
| 2024 | - |
| Thereafter | - |
| Total | <u>\$ 30,052</u> |

NOTE 14. 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:

- 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.

There are no pending or threatened legal proceedings involving material matters to which the Department is a party.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14. RISK MANAGEMENT (CONTINUED)

The Department had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2019, 2018, and 2017, there were no settlements that exceeded insurance coverage.

NOTE 15. CONTINGENCIES – GRANTOR AGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which have been disallowed by the grantor agencies cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

NOTE 16. SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS

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

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17. RESTRICTED FUND BALANCES

| | <u>General Fund</u> | <u>Major Special Revenue Funds</u> | <u>Major Capital Project Funds</u> | <u>Federal Programs</u> |
|---|-------------------------|--|--|-----------------------------|
| Fund Balances: | | | | |
| Restricted for: | | | | |
| In-Plant Training (Section 12-19-11 NMSA 1978) | \$ - | 19,352,298 | - | \$ - |
| Revolving loan community development (Laws of 1983, Ch 299) | - | 4,326,259 | - | - |
| Assigned: | | | | |
| ISO 9000 | - | 2,708 | - | - |
| Non-reverting by enabling legislation (see enabling law citation at Notes A and B5) | (3,205,996) | - | - | - |
| STB Capital Projects | - | 4,838,495 | - | - |
| Federal grants and state small business program | - | - | - | 4,123,253 |
| Unassigned (deficit) | - | - | (86,906) | - |
| Total fund balances | <u>\$ (3,205,996)</u> | <u>28,519,760</u> | <u>(86,906)</u> | <u>\$ 4,123,253</u> |

The amount of net position restricted by enabling legislation is \$101,427,423 as reported above. The Department expects to eliminate the negative fund balance in major capital funds through future funding or fund transfer.

NOTE 18. FUND BALANCE DEFICIT

Share Fund # 02800 Fund Deficit Explanation:

Fund 02800 is in a deficit fund balance of \$86,906 as of June 30, 2019. 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.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 19. INVESTMENT IN APPROVED STATE SMALL BUSINESS PROGRAM

During September 2015, the State of New Mexico proposed to re-allocate the remaining SSBCI funding of \$5,000,000 to a new venture capital micro fund-of-funds program to provide vital support to New Mexico's growing number of seed-and early-stage technology startups. During February 2016, the Department received notice from the US Secretary for Small Business, Community Development and Housing that the U.S. Treasury amended the Allocation Agreement to: (1) add one new venture capital program, the New Mexico Micro Fund-of-Funds (MFOF); (2) reapportion Allocated Funds among the Approved State Programs as follows: \$8,956,240 to the New Mexico Loan Participation Program (LPP) and \$4,212,110 to the MFOF; and (3) add Sun Mountain Capital Advisors, LLC (SMC) as the entity that administers specific aspects of the MFOF.

The definition of an "Approved State Program" means the New Mexico SSBCI Loan Participation Program (LPP) and the New Mexico Micro Fund-of-Funds (MFOF), approved by the U.S. Treasury as eligible for Federal contributions to, or for the account of, the State of New Mexico program.

During May 2016, the Department executed an agreement as a Class B Limited Partner Investor in New Mexico Catalyst Fund LP, a Delaware limited partnership (the Partnership) pursuant to the Amended and Restated Limited Partnership Agreement of the Partnership (Partnership Agreement).

The balance in this investment is carried under the equity method of investment as the Department investment balance represents a significant influence to the Partnership. At June 30, 2019, the investment in the Partnership is classified as other investments, and has a balance of \$3,941,280. The portion of investment losses allocated to the department's share of the capital in the Partnership were \$484,609 for the year ended June 30, 2019.

NOTE 20. RECENT PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Department.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the Department.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the Department.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 20. RECENT PRONOUNCEMENTS (CONTINUED)

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Department.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Department.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Department.

NOTE 21. PRIOR PERIOD ADJUSTMENT

In the prior year, an error was made on the reconciliation of the Balance Sheet – Governmental Funds to the Statements of Net Position. The prior period adjustment corrects this error and correctly stated ending fund balance as of June 30, 2019.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
BALANCE SHEET – COMBINING SCHEDULE - GENERAL FUND
June 30, 2019**

| | Operating Fund 18900 | Technology Enterprise Fund 38400 | Total General Funds |
|---|-------------------------------------|---|------------------------------------|
| ASSETS | | | |
| Investment in state general fund investment pool | \$ - | 51,641 | \$ 51,641 |
| Other investments | - | - | - |
| Due from federal government | - | - | - |
| Due from other state agencies | - | - | - |
| Due from other funds | - | - | - |
| Other | 2,248 | - | 2,248 |
| Total assets | \$ 2,248 | 51,641 | \$ 53,889 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 443,031 | - | \$ 443,031 |
| Accrued payroll | 138,445 | - | 138,445 |
| Other liabilities | - | - | - |
| Unearned revenue | - | - | - |
| Due to other state agencies | - | - | - |
| Overdrafts | 2,654,807 | - | 2,654,807 |
| Due to state general fund | 23,602 | - | 23,602 |
| Total liabilities | 3,259,885 | - | 3,259,885 |
| FUND BALANCES | | | |
| Restricted | (3,257,637) | 51,641 | (3,205,996) |
| Unassigned (deficit) | - | - | - |
| Total fund balances (deficit) | (3,257,637) | 51,641 | (3,205,996) |
| Total liabilities and fund balances | \$ 2,248 | 51,641 | \$ 53,889 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMBINING SCHEDULE – GENERAL FUND
Year ended June 30, 2019**

| | Operating Fund 18900 | Technology Enterprise 38400 | Total General Funds |
|--|-------------------------------------|--|------------------------------------|
| REVENUES | | | |
| Federal | \$ - | - | \$ - |
| Other revenue | 135,500 | - | 135,500 |
| Total revenues | <u>135,500</u> | <u>-</u> | <u>135,500</u> |
| EXPENDITURES | | | |
| Current | | | |
| Personal services and benefits | 3,534,473 | - | 3,534,473 |
| Contractual services | 2,675,712 | - | 2,675,712 |
| Other | 728,675 | - | 728,675 |
| Total expenditures | <u>6,938,860</u> | <u>-</u> | <u>6,938,860</u> |
| Excess (deficiency) of revenues over expenditures | (6,803,360) | - | (6,803,360) |
| OTHER FINANCING SOURCES AND (USES) | | | |
| State general fund appropriations | 7,189,600 | - | 7,189,600 |
| Severance tax bond proceeds | - | - | - |
| Other financing sources | 64,400 | - | 64,400 |
| Transfers to/from other funds | - | - | - |
| Transfers out - reversions to state fund | (243,553) | - | (243,553) |
| Investment losses | - | - | - |
| Total other financing sources (uses) | <u>7,010,447</u> | <u>-</u> | <u>7,010,447</u> |
| Net change in fund balances | 207,087 | - | 207,087 |
| Beginning fund balance | (3,464,724) | 51,641 | (3,413,083) |
| Fund balances, end of year | <u>\$ (3,257,637)</u> | <u>51,641</u> | <u>\$ (3,205,996)</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
ECONOMIC DEVELOPMENT - FUND 18900 P512
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | Original Budget | Approved Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|-----------------------------|----------------------------------|--------------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 84,278,900 | 8,428,900 | 8,428,900 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | 200,000 | 483,410 | 483,410 | - |
| Other financing sources | 64,400 | 64,400 | 64,400 | - |
| Other revenue | 105,400 | 308,394 | 308,394 | - |
| | <u>84,648,700</u> | <u>9,285,104</u> | <u>9,285,104</u> | <u>-</u> |
| Budgeted Fund Balance | - | 13,424,513 | 13,424,513 | - |
| Total revenues | <u>\$ 84,648,700</u> | <u>22,709,617</u> | <u>22,709,617</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ 1,684,300 | 1,783,560 | 1,680,321 | 103,239 |
| Contract services | 2,245,600 | 2,526,915 | 2,435,902 | 91,013 |
| Other | 4,868,800 | 18,399,142 | 6,950,443 | 11,448,699 |
| Total expenditures | <u>\$ 8,798,700</u> | <u>22,709,617</u> | <u>11,066,666</u> | <u>\$ 11,642,951</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
FILM DIVISION – FUND 18900 P514
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | Original Budget | Approved Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------------------|--------------------------------------|-----------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 686,000 | 686,000 | 686,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>\$ 686,000</u> | <u>686,000</u> | <u>686,000</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ 524,300 | 509,749 | 497,195 | \$ 12,554 |
| Contract services | 82,800 | 97,351 | 96,866 | 485 |
| Other | 78,900 | 78,900 | 70,745 | 8,155 |
| Total expenditures | <u>\$ 686,000</u> | <u>686,000</u> | <u>664,806</u> | <u>\$ 21,194</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
PROGRAM SUPPORT – FUND 8900 P526
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------------------|----------------------------|--------------------------------------|------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 1,689,700 | 1,689,700 | 1,689,700 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>\$ 1,689,700</u> | <u>1,689,700</u> | <u>1,689,700</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ 1,425,000 | 1,380,000 | 1,356,956 | \$ 23,044 |
| Contract services | 92,700 | 117,700 | 98,255 | 19,445 |
| Other | 172,000 | 192,000 | 181,954 | 10,046 |
| Total expenditures | <u>\$ 1,689,700</u> | <u>1,689,700</u> | <u>1,637,165</u> | <u>\$ 52,535</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
LOCAL ECONOMIC DEVELOPMENT ACT –ZD9425
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019

| | Original Budget | Approved Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|----------------------------|--------------------------------------|----------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 207,000 | 207,000 | 207,000 | - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | \$ 207,000 | 207,000 | 207,000 | \$ - |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | 207,000 | 207,000 | - | 207,000 |
| Other | - | - | - | - |
| Total expenditures | \$ 207,000 | 207,000 | - | \$ 207,000 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
LOCAL ECONOMIC DEVELOPMENT ACT --ZD5057
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|------------------------------------|----------------------------|--------------------------------------|-------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 60,000,000 | 60,000,000 | 60,000,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>\$ 60,000,000</u> | <u>60,000,000</u> | <u>60,000,000</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | 60,000,000 | 60,000,000 | - | 60,000,000 |
| Other | - | - | - | - |
| Total expenditures | <u>\$ 60,000,000</u> | <u>60,000,000</u> | <u>-</u> | <u>\$ 60,000,000</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
JOB INCENTIVE TRAINING PROGRAM FUND –ZC5552
MAJOR GOVERNMENTAL FUND
Year ended June 30, 2019**

| | Original Budget | Approved Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------------------|--------------------------------------|-------------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 5,000,000 | 5,000,000 | 5,000,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>\$ 5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | - | - | - | - |
| Other | <u>5,000,000</u> | <u>5,000,000</u> | <u>2,897,304</u> | <u>2,102,696</u> |
| Total expenditures | <u>\$ 5,000,000</u> | <u>5,000,000</u> | <u>2,897,304</u> | <u>\$ 2,102,696</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL OPERATIONS - ZD9051
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|--------------------------------------|-----------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 190,000 | 190,000 | 190,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u><u>\$ 190,000</u></u> | <u><u>190,000</u></u> | <u><u>190,000</u></u> | <u><u>\$ -</u></u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | 190,000 | 190,000 | - | 190,000 |
| Other | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u><u>\$ 190,000</u></u> | <u><u>190,000</u></u> | <u><u>-</u></u> | <u><u>\$ 190,000</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL OPERATIONS - ZD9052
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|-----------------------------|--------------------------------------|-----------------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 75,000 | 75,000 | 75,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u><u>\$ 75,000</u></u> | <u><u>75,000</u></u> | <u><u>75,000</u></u> | <u><u>\$ -</u></u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | - | - | - | - |
| Other | 75,000 | 75,000 | - | 75,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u><u>\$ 75,000</u></u> | <u><u>75,000</u></u> | <u><u>-</u></u> | <u><u>\$ 75,000</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL OPERATIONS - ZD9053
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | <u>Original Budget</u> | <u>Approved Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|--------------------------------------|----------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 25,000 | 25,000 | 25,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenues | <u><u>\$ 25,000</u></u> | <u><u>25,000</u></u> | <u><u>25,000</u></u> | <u><u>\$ -</u></u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | - | - | - | - |
| Other | 25,000 | 25,000 | - | 25,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u><u>\$ 25,000</u></u> | <u><u>25,000</u></u> | <u><u>-</u></u> | <u><u>\$ 25,000</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL OPERATIONS - ZD9054
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019

| | Original Budget | Approved Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------------------|--------------------------------------|----------------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 50,000 | 50,000 | 50,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>\$ 50,000</u> | <u>50,000</u> | <u>50,000</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | 50,000 | 50,000 | - | 50,000 |
| Other | - | - | - | - |
| Total expenditures | <u>\$ 50,000</u> | <u>50,000</u> | <u>-</u> | <u>\$ 50,000</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL OPERATIONS – ZD9426
MAJOR GOVERNMENTAL FUND – GENERAL FUND
Year ended June 30, 2019**

| | Original Budget | Approved Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|----------------------------|--------------------------------------|---------------|---|
| REVENUES | | | | |
| General fund appropriation | \$ 45,000 | 45,000 | 45,000 | \$ - |
| Other appropriations | - | - | - | - |
| Federal funds | - | - | - | - |
| Other financing sources | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | \$ 45,000 | 45,000 | 45,000 | \$ - |
| EXPENDITURES | | | | |
| Personnel services and benefits | \$ - | - | - | \$ - |
| Contract services | - | - | - | - |
| Other | 45,000 | 45,000 | - | 45,000 |
| Total expenditures | \$ 45,000 | 45,000 | - | \$ 45,000 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY LOCAL
ECONOMIC DEVELOPMENT ACT
AND SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE
Year ended June 30, 2019**

| Project Description | Appropriation ID | Expiration | Amount Appropriated |
|--|-------------------------|-------------------|--------------------------------|
| Local Economic Development Act (LEDA) | | | |
| Local Economic Development Act Proceeds | A151058 | 6/30/2019 | \$ 400,000 |
| Economic Development LEDA Projects | A15-1070 | 6/30/2019 | 500,000 |
| Total LEDA Appropriations | | | <u>\$ 900,000</u> |
| Severance Tax Bond Proceeds | | | |
| Economic Development LEDA Projects | STB15SA 15-0230 | 6/30/2019 | \$ 10,000,000 |
| Economic Development MainStreet Projects | STB15SA 15-0231 | 6/30/2019 | 500,000 |
| Economic Development LEDA Projects | STB16CA2038 | 6/30/2020 | 210,000 |
| Economic Development LEDA Projects | STBA16A2039 | 6/30/2020 | 6,000,000 |
| Economic Development MainStreet Projects | STBA16A2040 | 6/30/2020 | 500,000 |
| Economic Development LEDA Projects | STBA16A2654 | 6/30/2020 | 21,550,000 |
| Economic Development MainStreet Projects | STB18A C2058 | 6/30/2022 | 500,000 |
| Total Severance Tax Bonds | | | <u>39,260,000</u> |
| Total Capital Projects | | | <u>\$ 40,160,000</u> |

Unexpended balances will be recorded as income when all eligibility requirements have been met.

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY LOCAL
ECONOMIC DEVELOPMENT ACT AND SEVERANCE TAX
CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE (CONTINUED)
Year ended June 30, 2019**

| <u>Current Year Expenditures</u> | <u>Current Year Reversions</u> | <u>Prior Year Incurred Balance</u> | <u>Balance as of June 30, 2019</u> |
|--------------------------------------|------------------------------------|--|--|
| 75,000 | - | 325,000 | \$ - |
| <u>100,000</u> | <u>-</u> | <u>400,000</u> | <u>-</u> |
| <u>175,000</u> | <u>-</u> | <u>725,000</u> | <u>\$ -</u> |
| 6,284,233 | - | 3,558,333 | \$ 157,434 |
| 180,795 | 63 | 319,142 | - |
| 53,096 | - | - | - |
| 2,839,473 | - | - | 3,160,527 |
| 379,857 | - | 96,322 | 23,821 |
| 9,326,588 | - | - | 12,223,412 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>500,000</u> |
| <u>19,064,042</u> | <u>63</u> | <u>3,973,797</u> | <u>16,065,194</u> |
| <u>19,239,042</u> | <u>63</u> | <u>4,698,797</u> | <u>\$ 16,065,194</u> |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
June 30, 2019**

| <u>Fund Name</u> | <u>Fund Number</u> | <u>Fund Type</u> | <u>Depository</u> | <u>Unadjusted Balances</u> | <u>Reconciling & Reconciling Items</u> | <u>Reconciled Balance per Books</u> |
|--|--------------------|------------------|-------------------|----------------------------|--|-------------------------------------|
| Cash with state general fund investment pool (with SHARE fund numbers) : | | | | | | |
| General fund | 18900 | Operating | Treasury | \$ (2,483,791) | (171,016) | \$ (2,654,807) |
| Technology enterprise | 38400 | General fund | Treasury | 51,641 | - | 51,641 |
| LEDA | 43180 | General fund | Treasury | 71,728,987 | - | 71,728,987 |
| In-plant training fund | 63800 | Special revenue | Treasury | 23,270,570 | - | 23,270,570 |
| Capital projects fund | 89200 | Capital project | Treasury | 405,319 | - | 405,319 |
| Revolving loan community development | 02300 | Special revenue | Treasury | 3,907,639 | - | 3,907,639 |
| ISO 9000 | 20530 | Special revenue | Treasury | 2,708 | - | 2,708 |
| Federal programs | 29500 | Special revenue | Treasury | 117,759 | - | 117,759 |
| Capital projects fund | 02800 | Capital project | Treasury | (78,408) | - | (78,408) |
| Total governmental cash with state general fund | | | | <u>\$ 96,922,424</u> | <u>(171,016)</u> | <u>\$ 96,751,408</u> |
| Statement of net position balance | | | | | | \$ 104,673,623 |
| Less: due to State General Fund | | | | | | <u>(2,733,215)</u> |
| | | | | | | <u>\$ 101,940,408</u> |

The Notes to the Financial Statements are an integral part of this statement.

OTHER REPORTS



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**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***

Independent Auditors' Report

State of New Mexico Economic Development Department
and
Mr. Brian S. Colón, Esq., New Mexico State Auditor

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, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents, and have issued our report thereon dated October 25, 2019.

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 Department'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 one deficiency in internal control that we consider to be a significant deficiency which is identified as finding 2019-001 in the schedule of findings and responses.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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.

Ricci & Company LLC

Albuquerque, New Mexico
October 25, 2019

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SECTION 1 – SUMMARY OF AUDITOR RESULTS

| | |
|---|------------|
| Type of report issued: | Unmodified |
| Internal Controls over financial Reporting: | |
| Material weaknesses reported? | No |
| Significant deficiencies reported? | 1 |
| Noncompliance material to the financial statements noted? | No |

SECTION 2 – SUMMARY STATUS OF PRIOR YEAR FINDINGS

Financial Statement Finding Required by *Government Auditing Standards*

None

SECTION 3 - CURRENT YEAR AUDIT FINDINGS

**2019-001 ENTITY LEVEL CONTROLS OVER FINANCIAL REPORTING
(SIGNIFICANT DEFICIENCY)**

CONDITION

We noted there was an absence of controls, including the effective monitoring of accounts that impacted the accuracy of financial reporting. During audit fieldwork it was identified that significant adjustments to various key transaction cycles were required subsequent to receiving the trial balance

- During our test work on fund balance, we noted an entry that should have been credited to accounts was incorrectly credited to fund balance an entry for \$3,031,648 was posted to correct the error.
- During our audit, we noted that a revenue account had a debit balance and a related deferred revenue account had not changed for the prior year. An entry for \$301,184 was posted to current the revenue account and clear the deferred revenue account.

CRITERIA

The Department’s management is responsible for establishing and maintaining internal controls that include controls for generally accepted accounting principles (GAAP) basis financial statement issued by the School. Per NMAC 2.20.5.8 Chief Financial Officer and Assignment of Responsibilities Part B states “It is the responsibility of the chief financial officer to ensure that: (1) an internal control structure exists at the state agency and is functioning properly. (2) all transactions are recorded daily in the agency’s accounting records. (3) all transactions are properly classified in the agency’s records. (4) cash account records are reconciled timely each month to the division’s reports and to the state

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SECTION 3 - CURRENT YEAR AUDIT FINDINGS (CONTINUED)

**2019-001 ENTITY LEVEL CONTROLS OVER FINANCIAL REPORTING
(SIGNIFICANT DEFICIENCY) (CONTINUED)**

EFFECT

The Department's internal controls over financial reporting at the financial statement level do not appear adequate to ensure that misstatement would be prevented and/or detected.

CAUSE

Lack of understanding of non-routine journal entries, and a lack of policies and procedures over year-end financial close and reporting.

RECOMMENDATION

We recommend that the Department evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure accurate, timely financial statements.

MANAGEMENT RESPONSE

Management acknowledges that additional training is necessary and will schedule training in FY20 for Co-CFO and financial staff. Staffing shortage has also contributed to inability to devote sufficient time for verification of entries. EDD management has requested additional funding to hire at least one of the vacant positions.

ESTIMATED TIMELINE TO CORRECT

Effective 1 July 2019, CFO implemented the written verification of the DFA month-end closing checklist by each financial staff member for their respective accounts; to include Fund and Payroll Reconciliations.

RESPONSIBLE OFFICIAL

Marilu Casillas, ASD Director/CFO and Mary Armijo, Co-CFO.

**STATE OF NEW MEXICO
ECONOMIC DEVELOPMENT DEPARTMENT
EXIT CONFERENCE
JUNE 30, 2019**

EXIT CONFERENCE

An exit conference was held with the Department on October 17, 2019 at the Department's offices in Santa Fe, New Mexico. In attendance were:

Representing the Economic Development Department:

| | |
|-----------------|--------------------------------|
| Jon Clark | Deputy Cabinet Secretary |
| Marilu Casillas | ASD Director/CFO |
| Chris Romero | Financial Coordinator/CPO |
| Mary Armijo | Accountant |
| Ramona Gonzales | Business Operations Specialist |

Representing the Independent Auditor:

| | |
|--------------------|----------------------|
| Mark Santiago, CPA | Senior Audit Manager |
| Mike Easley, CPA | Audit Supervisor |

AUDITOR PREPARED 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.