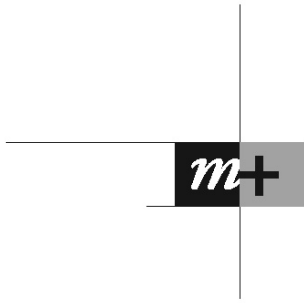


**NEW MEXICO
MILITARY BASE PLANNING
AND SUPPORT
Financial Statements
for the Year Ended
June 30, 2010,
and Independent
Auditors' Report**



**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Official Roster

Year Ended June 30, 2010

Board Members

Title

| | |
|--|-----------|
| Lt. Governor Diane Denish | Chair |
| John Wheeler, Homeland Security | Secretary |
| Senator Richard Romero (Albuquerque) | Member |
| Sherman McCorkle (Albuquerque) | Member |
| Lt. Gen. Leo Marquez (Albuquerque) | Member |
| Tony Strati (Albuquerque) | Member |
| Congressman Manuel Lujan (Albuquerque) | Member |
| Lt. Gen. Ed Baca (Albuquerque) | Member |
| Randy Burroughs (Alamogordo) | Member |
| Bill Burt (Alamogordo) | Member |
| Ed Brabson (Alamogordo) | Member |
| Marshall Stinnett (Portales) | Member |
| Randy Harris (Clovis) | Member |
| Robert Chad Lydick (Clovis) | Member |
| Terry Moberly (Clovis) | Member |
| Bill Connor (Las Cruces) | Member |
| Kiel Hoffman (Las Cruces) | Member |

Administrative Services

| | |
|----------------|-------------------|
| Fred Mondragon | Cabinet Secretary |
| Hanson Scott | Director |
| Lisa Ortiz | ASD Director |

INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico Military Base Planning and Support
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, and the major fund (general fund), and the budgetary comparison for the general fund of New Mexico Military Base Planning and Support (NMMBPS) as of and for the year ended June 30, 2010, which collectively comprise the NMMBPS' basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of NMMBPS' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NMMBPS' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of NMMBPS are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the major fund (general fund) of the State of New Mexico that is attributable to the transactions of NMMBPS. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2010, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
New Mexico Military Base Planning and Support
and
Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (general fund) of NMMBPS as of and for the year ended June 30, 2010, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of NMMBPS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 4 through 10 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Meyner + Company, LLC".

December 10, 2010

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT

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

The New Mexico Military Base Planning and Support's (NMMBPS) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of NMMBPS' financial activity, identify changes in NMMBPS' financial position and identify any financial issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities and financial changes.

As management of NMMBPS, we offer readers this narrative overview and analysis of the financial activities of NMMBPS for the year ended June 30, 2010.

Authority Overview

NMMBPS is administratively attached to one of 16 cabinet level departments within the executive branch of the New Mexico State Government (New Mexico Economic Development Department). NMMBPS' mission is to provide advice to the governor and lieutenant governor on New Mexico's four military installations, to work with community support groups, to ensure that state initiatives are complementary of community actions, and to identify and address appropriate state-level issues that will contribute to the long-term viability of New Mexico military installations. NMMBPS began its operations on July 1, 2007.

Financial Highlights

- In the fiscal year ended June 30, 2010, the total liabilities of NMMBPS exceeded total assets by \$10,998.
- NMMBPS acquired no capital assets greater than \$5,000.
- The total cost of NMMBPS programs was \$136,428, whereas the total Authority revenue was \$135,400.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to NMMBPS' basic financial statements. NMMBPS' basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budget and actual comparisons, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of NMMBPS' assets and liabilities, with the difference between the two reported as total net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of NMMBPS is improving or deteriorating.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

Overview of the Financial Statements - continued

Government-wide Financial Statements - continued. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of NMMBPS that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of NMMBPS include economic development, program support, technology commercialization and community development. Within NMMBPS, there are no business-type activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NMMBPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of NMMBPS is the general fund.

Governmental Funds

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

NMMBPS currently maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (General Fund 74800).

NMMBPS adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

Overview of the Financial Statements - continued

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of NMMBPS, liabilities exceeded assets by \$10,998 at the close of the 2010 fiscal year.

At the end of the 2010 fiscal year, NMMBPS is unable to report positive balances in the category of net assets.

Governmental activities decreased NMMBPS' net assets by \$1,028.

Financial Analysis of Governmental Funds

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

As of the end of the 2010 fiscal year, NMMBPS' governmental fund reported an ending fund balance deficit of \$266. The majority of this amount is derived from New Mexico State General Fund appropriations, which revert to the general fund at the end of the fiscal year.

The general fund is the chief operating fund of NMMBPS. At the end of the 2010 fiscal year, unreserved fund balance of the general fund was a deficit of \$266.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

Financial Analysis of NMMBPS as a Whole

Net Assets

Table A-1 summarizes NMMBPS' net assets as of June 30, 2010. Net assets for Governmental Activities were \$(10,998).

**Table A-1
NMMBPS' Net Assets**

| YEARS ENDED JUNE 30, | 2010 | 2009 |
|---|------------------|----------------|
| Governmental Activities: | | |
| Assets: | | |
| Current and other assets | \$ <u>22,595</u> | <u>10,866</u> |
| Total Assets | \$ <u>22,595</u> | <u>10,866</u> |
| Liabilities: | | |
| Current Liabilities | \$ <u>33,593</u> | <u>20,836</u> |
| Total Liabilities | 33,593 | 20,836 |
| Net Assets: | | |
| Unrestricted – subsequent years' expenditures | <u>(10,998)</u> | <u>(9,970)</u> |
| Total Liabilities and Net Assets | \$ <u>22,595</u> | <u>10,866</u> |

Changes in Net Asset

NMMBPS' change in assets for fiscal year 2010 was a decrease of \$1,028 (Statement of Activities). One hundred percent of NMMBPS' revenue comes from State General Fund Appropriations.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

Financial Analysis of NMMBPS as a Whole - continued

Changes in Net Asset - continued

**Table A-2
Changes in NMMBPS' Net Assets**

| YEARS ENDED JUNE 30, | 2010 | 2009 |
|--|----------------------------------|-----------------------|
| Governmental Activities: | | |
| General Revenues: | | |
| State General Fund appropriations, net of reversions | \$ 135,400 | 152,790 |
| Other revenue | <u> -</u> | <u> -</u> |
| Total General Revenues | 135,400 | 152,790 |
| Expenses: | | |
| NMMBPS development | <u>136,428</u> | <u>152,086</u> |
| Total Expenses | <u>136,428</u> | <u>152,086</u> |
| Decrease in Net Assets | (1,028) | 704 |
| Net Assets, Beginning of Year | <u>(9,970)</u> | <u>(10,674)</u> |
| Net Assets, End of Year | \$ <u><u>(10,998)</u></u> | <u><u>(9,970)</u></u> |

Financial Analysis of the Department's Funds

Capital Assets and Debt Administration

NMMBPS did not have any capital assets for the year ended June 30, 2010.

NMMBPS did not have any long-term debt for the year ended June 30, 2010.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

Financial Analysis of the Department's Funds - continued

Original and Final Budget

There were no significant variations between the original and final budget.

Fiscal Year 2010 Highlights

- **Encroachment:** Continued interface with Ft. Bliss, Holloman AFB, WSMR, NM Spaceport Authority, NASA, Dona Ana County/City of Las Cruces on land-use planning efforts. This forum is not replicated in any other state.
- **Education:** At the request of the Secretary of Defense to the Governor and the Air Force Chief of Staff to the Director, the Education Compact Bill was made a high priority within the Military Base Planning Program. HB 24 passed in the 2010 Legislative Session.
- **Expansion of Melrose Air Force Range:** Continuing interface with Headquarters USAF, Air Force Special Operations Command, Cannon AFB, the Air Force Real Property Agency, the Army Corps of Engineers and the New Mexico State Land Office. This action was transferred from the Department of Finance and Administration to the Office of Military Base Planning and Support during the 2010 Special Session. Consequently, the State has been able to make substantive progress, with a view toward completing this complicated action by June 30, 2011.
- **F-35 Bed down, Holloman AFB:** Developed a State/community strategy for engagement in support of Air Force selection of Holloman AFB; focused visit to the Pentagon. Though the Air Force has decided to reconfigure the F-22 force and base the F-35 at other bases, New Mexico's coordinated advocacy efforts resulted in the assignment of two squadrons of F-16s to Holloman in the outyears. Director worked with the Alamogordo community on a follow-on strategy, including visits to Luke AFB in Arizona.
- **National Mission Growth Working Group:** New Mexico continued to be involved in this effort, with the report completed in fall of 2009.
- **Kirtland Joint Land Use Study:** Office participation; Study complete. Next step, recommendations.
- **Renewable Energy Impacts:** Continued advocacy for New Mexico's military missions – testing and training. All installations are engaged with developers and/or transmission companies.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

Fiscal Year 2010 Highlights - continued

- **Las Cruces Military Affairs Committee:** Continued support of this important community-military partnering organization.
- **Western Regional Partnership:** Director requested by Principal Deputy Director, Department of Defense Test and Evaluation, to chair an Interim Steering Committee (ISC) for the Western Regional Partnership (WRP) (five states: California, Utah, Nevada, Arizona and New Mexico). The purpose of the ISC was to develop a vision, mission and charter for WRP. These elements were validated, and the ISC established as a permanent Steering Committee. New Mexico is playing key roles in several committees: Steering, Border and Energy.

Summary

New Mexico's Military Base Planning Program, consisting of the Commission and the Office of Military Base Planning and Support, has been an outstanding State initiative which has effectively strengthened individual community efforts. First, the Commission brought together a highly experienced group of community leaders who have directed their efforts toward supporting all installations in the State. Second, the Program provided the organizational infrastructure to enable the State and the communities of eastern New Mexico to successfully overturn the Department of Defense and Air Force recommendation to close Cannon AFB. Third, Commission members and the Director, following the Governor's lead, were able to successfully influence Air Force selection of a new mission for Cannon and to provide outstanding assistance to Air Force Special Operations Command in the transition. Further, all of New Mexico's military installations are experiencing significant growth, and the cumulative State-wide economic impact is extremely positive. This is even more significant considering the economic stress New Mexico is currently experiencing. The very positive impact of the Military Base Planning Program has been accomplished with a very small budget and staff.

FINANCIAL STATEMENTS

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Statement of Net Assets

AS OF JUNE 30, 2010

| | PRIMARY GOVERNMENT |
|--|--|
| | Governmental Activities Total |
| | <u> </u> |
| ASSETS: | |
| Investment in State General Fund Investment Pool | \$ <u> 22,595</u> |
| TOTAL ASSETS | \$ <u> 22,595</u> |
| LIABILITIES: | |
| Accounts payable | \$ 2,317 |
| Accrued payroll and other liabilities | 7,244 |
| Compensated absences payable: | |
| Expected to be paid within one year | 10,732 |
| Due to New Mexico State General Fund | <u> 13,300</u> |
| TOTAL LIABILITIES | 33,593 |
| NET ASSETS: | |
| Unrestricted | <u> (10,998)</u> |
| TOTAL NET ASSETS | <u> (10,998)</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u> 22,595</u> |

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Statement of Activities

YEAR ENDED JUNE 30, 2010

| | | PRIMARY GOVERNMENT |
|--|----|--|
| | | <u>Governmental Activities Total</u> |
| EXPENSES: | | |
| Military base planning and support | \$ | <u>136,428</u> |
| TOTAL EXPENSES | | 136,428 |
| PROGRAM REVENUE: | | |
| Charges for Services | | - |
| Operating grants and contributions | | - |
| Capital grant and contributions | | <u>-</u> |
| TOTAL REVENUE | | <u>-</u> |
| NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | (136,428) |
| GENERAL REVENUES AND TRANSFERS: | | |
| Transfers in - State General Fund appropriation | | 148,700 |
| Transfers out - Reversion to State General Fund - FY10 | | <u>(13,300)</u> |
| TOTAL GENERAL REVENUES AND TRANSFERS | | <u>135,400</u> |
| CHANGE IN NET ASSETS | | (1,028) |
| BEGINNING NET ASSETS | | <u>(9,970)</u> |
| ENDING NET ASSETS | \$ | <u><u>(10,998)</u></u> |

NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT

Balance Sheet - Governmental Fund

AS OF JUNE 30, 2010

| | General Fund 74800 |
|--|-----------------------------------|
| ASSETS: | |
| Investment in State General Fund Investment Pool | \$ <u>22,595</u> |
| TOTAL ASSETS | \$ <u><u>22,595</u></u> |
| LIABILITIES: | |
| Accounts payable | \$ 2,317 |
| Accrued payroll | 7,244 |
| Due to State General Fund | <u>13,300</u> |
| TOTAL LIABILITIES | 22,861 |
| FUND BALANCES: | |
| Unreserved | <u>(266)</u> |
| TOTAL FUND BALANCES | <u>(266)</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u><u>22,595</u></u> |

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

AS OF JUNE 30, 2010

| | |
|---|----------|
| Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet) | \$ (266) |
|---|----------|

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

| | |
|--|-----------------|
| Compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | <u>(10,732)</u> |
|--|-----------------|

| | |
|--|---------------------------|
| Net assets of governmental activities (Statement of Net Assets) | \$ <u><u>(10,998)</u></u> |
|--|---------------------------|

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

YEAR ENDED JUNE 30, 2010

| | General Fund <u>74800</u> |
|--|--|
| EXPENDITURES: | |
| Current: | |
| Personal services and benefits | \$ 108,269 |
| Contractual services | 5,000 |
| Other | <u>22,397</u> |
| TOTAL EXPENDITURES: | <u>135,666</u> |
| (DEFICIENCY) EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (135,666) |
| OTHER FINANCING SOURCES (USES): | |
| Reversions to State General Fund: | |
| Fiscal year 2010 | (13,300) |
| Transfers - State General Fund appropriation | <u>148,700</u> |
| TOTAL OF OTHER FINANCING SOURCES (USES) | <u>135,400</u> |
| NET CHANGE IN FUND BALANCE | (266) |
| BEGINNING FUND BALANCE | <u>-</u> |
| ENDING FUND BALANCE | <u>\$ (266)</u> |

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

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

YEAR ENDED JUNE 30, 2010

| GENERAL FUND - MBP OPERATING FUND 74800 | | | | |
|--|--------------------------|-----------------------|------------------------------|-------------------------------------|
| | Budgeted Amounts | | Actual | Variance From |
| | Original | Final | Amounts (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES: | | | | |
| State General Fund appropriation | \$ 148,800 | 148,700 | 148,700 | - |
| Other revenue | - | - | - | - |
| TOTAL REVENUES | \$ <u>148,800</u> | <u>148,700</u> | 148,700 | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Personal services and benefits | \$ 110,500 | 110,400 | 108,269 | 2,131 |
| Contractual services | 19,800 | 10,000 | 5,000 | 5,000 |
| Other | <u>18,500</u> | <u>28,300</u> | <u>22,397</u> | <u>5,903</u> |
| TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES) | \$ <u>148,800</u> | <u>148,700</u> | <u>135,666</u> | <u>13,034</u> |
| NET BUDGETARY ACTIVITY | | | 13,034 | |
| OTHER UNBUDGETED ACTIVITY: | | | | |
| 2010 reversion | | | <u>(13,300)</u> | |
| NET CHANGE IN FUND BALANCE | | | \$ <u>(266)</u> | |

NATURE OF ORGANIZATION

Reporting Entity

The reporting entity is New Mexico Military Base Planning and Support (NMMBPS). NMMBPS' mission is to provide advice to the governor on New Mexico's four military installations, to work with community support groups, to ensure that state initiatives are complementary of community actions, and to identify and address appropriate state-level issues that will contribute to the long-term viability of New Mexico military installations. NMMBPS was created by the Laws of 2006, Section 9-15-46 and began operations on July 1, 2007.

NMMBPS shall consist of at least seven voting and two nonvoting members, six of whom shall be appointed by the Governor with the consent of the senate; provided that one of the appointed members shall be a resident of Sierra County. No more than three appointed members shall belong to the same political party. The seventh member shall be the secretary of Economic Development or the Secretary's designee. The Lieutenant Governor shall serve as a nonvoting ex-officio member. The Executive Director of NMMBPS shall serve as a nonvoting member. The Chair may appoint a nonvoting advisory committee to provide advice and recommendations on Authority matters. The members appointed by the Governor shall be residents of the State and shall serve for terms of four years, except for the initial appointees who shall be appointed so that the terms are staggered after initial appointment. Initial appointees shall serve terms as follows: two members for two years, two members for three years and two members for four years. The Secretary of Economic Development or the Secretary's designee shall serve as the Chair of NMMBPS.

NMMBPS is a component unit of the State of New Mexico in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and 39. NMMBPS is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of NMMBPS' governing board; sources of tax revenue; and its ability to issue tax-exempt debt.

The financial reporting entity as defined by GASB No. 14/39 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." NMMBPS did not have any component units at June 30, 2010.

Office of the Executive Director

The chief executive of NMMBPS is the Director, who is appointed by the NMMBPS Commission. NMMBPS, by statute, is administratively attached to a component unit of the executive branch, New Mexico Economic Development Department, and these financial statements include all funds and activities over which NMMBPS Director has oversight responsibility. Even though NMMBPS appoints the Director, that person has decision-making authority, power to designate management, responsibility to significantly influence operations and primary accountability for fiscal matters.

NATURE OF ORGANIZATION - continued

Office of the Executive Director - continued

The Executive Director is empowered to organize NMMBPS and its divisions and may transfer or merge functions between divisions in the interest of efficiency and economy. The Administrative Services Division of the New Mexico Economic Development Department provides overall support.

Administrative Services Division

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for NMMBPS 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. The more significant of these accounting policies are described below.

• **Basic Financial Statements**

The basic financial statements include both government-wide (based on NMMBPS as a whole) and fund financial statements. The reporting model focus is on either NMMBPS as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources measurement focus basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Funds that are fiduciary in nature are excluded from the government-wide statements and the fund statements.

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

• **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. The Statement of Activities reduces gross expenses (including depreciation, if any) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The primary function of NMMBPS is to employ, under the authorization of the governor's homeland security advisor, the staff necessary to carry out the work of the Office of Military Base Planning and Support the Military Base Planning Commission.

Non-exchange transactions, in which NMMBPS gives (or receives) value without directly receiving (or giving) equal value in exchange, include severance tax bond proceeds, grants and appropriations. On an accrual basis, revenue from severance tax bond proceeds, if any, is recognized when the underlying transaction has occurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The net cost (by function) is normally covered by general revenues (appropriations). NMMBPS does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of NMMBPS as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

• **Fund Financial Statements**

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds. Major funds under GASB No. 34 are described as funds with balances exceeding 10 percent of the total assets, liabilities, revenues or expenditures for all funds of that category or type. An entity's general fund is always considered a major fund. The Department's funds are classified in the accompanying fund statements in accordance with the GASB No. 34 requirements.

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 NMMBPS' 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.

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

• **Fund Financial Statements - continued**

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

There was no short-term debt activity in fiscal year 2010.

• **Basis of Presentation**

The financial transactions of NMMBPS are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

NMMBPS uses the following fund type:

General Fund. The General Fund (Statewide Human Resource, Accounting and Management Reporting System (SHARE) Fund 74800) is the general operating fund of NMMBPS and is used to account for all financial resources. The General Fund is funded primarily through appropriations from the State of New Mexico General Fund. With minor exceptions, excess revenues revert to the New Mexico State General Fund at year-end.

• **Major Fund**

The Department reports the following as a major governmental fund:

General Fund

• **Basis of Accounting**

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

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

• **Accrual Basis**

The accrual basis of accounting is utilized by the governmental fund in the government-wide financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

• **Modified Accrual**

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

Expenditures are recorded as liabilities when incurred. 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 at the government-wide level only.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange transactions), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

• **Budgets and Budgetary Accounting**

The State Legislature makes annual appropriations to the NMMBPS. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Fund. Expenditures may not legally exceed appropriations at the object expenditure classification level. Adjustments to the budget require approval by the State's Financial Control Division of the New Mexico Department of Finance and Administration (DFA). The budgets presented have been so adjusted during the fiscal year.

Per the General Appropriation Act, Laws of 2008, 28, Section 3, Subsection O, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.

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

• **Budgets and Budgetary Accounting - continued**

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

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

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

• **Cash and Cash Equivalents – Investment in State General Fund Investment Pool**

Investments held by the State Treasurer's Office consist of required deposits made to the State Treasurer's Office. The State Treasurer's Office monitors the accounts and the State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits. The State Treasurer invests all public monies held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Cash and Cash Equivalents – Investment in State General Fund Investment Pool - continued**

It is NMMBPS' position that all deposits at the State Treasurer's Office are reported at carrying value, which reasonably estimates fair value.

The investments are valued at fair value based on quoted market prices as of the valuation date.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer's State General Fund Investment Pool, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2010.

- **Capital Assets**

Capital assets are recorded as expenditures in the government funds and capitalized at cost in the government-wide statements. The valuation bases for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement. Items purchased or acquired with an original cost of \$5,000 or more are capitalized and reported at cost or estimated historical cost, per Section 12-6-10 NMSA 1978. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are also capitalized. Costs for repairs and maintenance are expenses as incurred.

Depreciation on assets is provided on a straight-line basis with no salvage value over the following estimated useful lives:

| | |
|---------------------------|---------|
| Data Processing Equipment | 5 years |
| Vehicles | 5 years |

During fiscal year 2010 NMMPBS did not have any capitalized assets or current capital outlay expenditures.

- **Due To/From Other Funds**

Internal balances due to/from in the governmental funds are netted as part of the reconciliation to the government-wide columnar presentation, as such eliminating internal activity in the Statement of Activities. There were no internal balances.

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

• **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's hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the general long-term debt group.

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 (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours in excess of 600 hour minimum limit can be paid. All sick leave balances from 600 to 720 hours have been recorded at 50% of the employee's current hourly rate in the general long-term debt account group, including those amounts paid in July because no expendable financial resources are available as of the balance sheet date to liquidate the liability.

• **Net Assets**

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use, or are legally restricted by enabling legislation.

Unrestricted Assets represent unrestricted liquid assets.

NMMBPS applies unrestricted resources first for payment of expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

All funds allotted to NMMBPS are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited by NMMBPS with the State Treasurer is pooled and invested by the State Treasurer. Funds on deposit with the State Treasurer totaled \$22,595 at June 30, 2010.

Cash balances at June 30, 2010 consisted of cash invested with the New Mexico State Treasurer, known as the State General Fund Investment Pool. In general, all deposits held by the New Mexico State Treasurer must be collateralized at a minimum level of 50%, in compliance with Section 6-10-17, NMSA 1978. The New Mexico State Treasurer is in compliance with this requirement. Separate financial statements of the New Mexico State Treasurer indicate collateral, categories of risk and market value of purchase investments, which may differ from the cash deposited by the Department.

• **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

NMMBPS does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

• **Credit Risk**

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

For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2010.

3. COMPENSATED ABSENCES

The current portion of compensated absences payable expected to be paid within one year is \$10,732.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Notes to Financial Statements - continued

3. COMPENSATED ABSENCES - continued

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

| | <u>Balance, June 30, 2009</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance, June 30, 2010</u> | <u>Due Within One Year</u> |
|----------------------|-----------------------------------|-----------------|-----------------|-----------------------------------|--------------------------------|
| Compensated Absences | \$ <u>9,970</u> | <u>7,482</u> | <u>(6,720)</u> | <u>10,732</u> | <u>10,732</u> |

The General Fund will be used to liquidate compensated absences liabilities.

4. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

• **Plan Description**

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

• **Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. NMMBPS is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and NMMBPS are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. NMMBPS' contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$12,877, \$14,534 and \$14,368, respectively, which equal the amount of the required contributions for each fiscal year.

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

• **Plan Description**

NMMBPS contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter

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

• **Plan Description - continued**

10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

• **Funding Policy**

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

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

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Notes to Financial Statements - continued

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

• **Funding Policy – continued**

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

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

Also, 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.

NMMBPS' contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$1,106, \$1,139 and \$1,126, respectively, which equal the required contributions for each year.

7. RISK MANAGEMENT

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

NMMBPS paid the following amounts to Risk Management for the years ended June 30, 2010 and 2009 respectively \$1,958 and \$2,743. The Department's exposure is limited to \$1,000 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2008, 2009 and 2010, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department. NMMBPS had no significant contingencies at June 30, 2010.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Notes to Financial Statements - continued

8. OPERATING TRANSFERS

During the fiscal year, NMMBPS received funds that were recorded as “Other Financing Sources” in the financial records. These amounts include \$148,700 that was appropriated to Department of Finance and Administration (DFA) for distribution to NMMBPS for the State General Fund appropriation and reversions of \$13,300.

| | SHARE Agency/Fund | | Transfers In | | Transfers Out |
|-------------------------|------------------------------|----|---------------------|--|----------------------|
| General Fund: | | | | | |
| SHARE System Fund 74800 | 49100-74800 | \$ | 148,700 | | 13,300 |
| | | \$ | 148,700 | | 13,300 |

9. DEFICIT FUND BALANCE

The General Fund (74800) had a deficit fund balance of \$266 at June 30, 2010. NMMBPS will correct this deficit through reduction in expenditures in the next fiscal year.

10. REVERSIONS DUE TO NEW MEXICO STATE GENERAL FUND

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 SHARE system as of June 30 shall revert. NMMBPS did not have any additional reversions for FY10. \$13,300 is payable at June 30, 2010 and due by September 30, 2010. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

| | |
|--|----------|
| General Fund Executive Order 2009-044 Reversion, 2010 | \$13,300 |
|--|----------|

11. NEW PRONOUNCEMENTS

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

11. NEW PRONOUNCEMENTS - continued

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

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

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

SUPPLEMENTARY INFORMATION

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

Board of Directors
New Mexico Military Base Planning and Support
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund (general fund) and the budgetary comparison for the general fund of New Mexico Military Base Planning and Support (NMMBPS) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the NMMBPS' internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NMMBPS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NMMBPS' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting.



Board of Directors
New Mexico Military Base Planning and Support
and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance and Other Matters

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

We did not note any other matters that are required to be reported pursuant to *Government Auditing Standards*, paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978.

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

A handwritten signature in cursive script that reads "Meyner + Company, LLC".

December 10, 2010

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Schedule of Findings and Responses

YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of New Mexico Military Base Planning and Support (NMMBPS).
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of NMMBPS disclosed during the audit.

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Summary Schedule of Prior Year Audit Findings

07-01 Expenditures in Excess of Budgeted Amounts - Resolved

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT**

Exit Conference

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

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT

Alan Oliver, Acting Secretary, Economic Development Department
Lisa Ortiz, ASD Director

MEYNER + COMPANY, LLC

Janet Pacheco-Morton, CPA, CGFM, Assurance Director
Matthew Walker, CPA, Assurance Senior

PREPARATION OF FINANCIAL STATEMENTS

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