

**NEW MEXICO MILITARY BASE
PLANNING AND SUPPORT
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2011**

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**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
OFFICIAL ROSTER
June 30, 2011**

Board Members

Governor Susanna Martinez, 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

Jon Barela, Cabinet Secretary

Hanson Scott, Director

Kurt Saenz, ASD Director

Independent Auditor's Report

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

We have audited the accompanying 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, 2011, which collectively comprise the NMMBPS's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of NMMBPS's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 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, 2011, 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.

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 of NMMBPS as of and for the year ended June 30, 2011, 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 30, 2011, on our consideration of NMMBPS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 4 through 9 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as supplemental information in the table of contents (Schedules 1 through 3) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Albuquerque, New Mexico
December 30, 2011

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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's financial position and identify any financial issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities and financial changes.

As management of NMMBPS, we offer readers this narrative overview and analysis of the financial activities of NMMBPS for the year ended June 30, 2011.

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's 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, 2011, the total liabilities of NMMBPS exceeded total assets by \$10,694.
- NMMBPS acquired no capital assets greater than \$5,000.
- The total cost of NMMBPS programs was \$310,685, whereas the total Authority revenue was \$310,989.

Overview of the Financial Statements

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

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

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

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 12 and 14 of this report.

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 \$10,694 at the close of the 2011 fiscal year.

At the end of the 2011 fiscal year, NMMBPS is unable to report positive balances in the category of net assets.

Governmental activities increased NMMBPS' net assets by \$304.

Financial Analysis of Governmental Funds

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

As of the end of the 2011 fiscal year, NMMBPS's governmental fund reported an ending fund balance deficit of \$178,965. 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.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

The general fund is the chief operating fund of NMMBPS. At the end of the 2011 fiscal year, Restricted Fund Balance of the general fund was a deficit of \$178,965.

Financial Analysis of NMMBPS as a Whole

Net Assets

Table A-1 summarizes NMMBPS's net assets as of June 30, 2011. Net assets for Governmental Activities were \$(10,694).

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

AS OF JUNE 30,	<u>2011</u>	<u>2010</u>
Governmental Activities:		
Assets:		
Current and other assets	<u>\$ 178,733</u>	<u>\$ 22,595</u>
Total assets	<u>\$ 178,733</u>	<u>\$ 22,595</u>
Liabilities:		
Current liabilities	<u>\$ 189,467</u>	<u>\$ 33,593</u>
Total liabilities	189,467	33,593
Net assets (deficit):		
Unrestricted	<u>(10,694)</u>	<u>(10,998)</u>
Total net assets	<u>(10,694)</u>	<u>(10,998)</u>
Total liabilities and net assets	<u>\$ 178,773</u>	<u>\$ 22,595</u>

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Changes in Net Asset

NMMBPS's change in net assets for fiscal year 2011 was a decrease of \$304 (Statement of Activities). One hundred percent of NMMBPS's revenue comes from State General Fund Appropriations.

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

YEARS ENDED JUNE 30,	2011	2010
Governmental Activities:		
General revenues:		
State General Fund appropriations, net	\$ 132,200	\$ 135,400
Other revenue	<u>16</u>	<u>-</u>
Total general revenues	<u>132,216</u>	<u>135,400</u>
Severance Tax Bond Proceeds	<u>178,773</u>	<u>-</u>
Expenses:		
NMMBPS development	<u>310,685</u>	<u>136,428</u>
Total expenses	<u>310,685</u>	<u>136,428</u>
Increase (Decrease) in net assets	304	(1,028)
Net assets, beginning of year	<u>(10,998)</u>	<u>(9,970)</u>
Net assets, end of year	<u>\$ (10,694)</u>	<u>\$ (10,998)</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, 2011.

NMMBPS did not have any long-term debt for the year ended June 30, 2011.

Original and Final Budget

There was a change of approximately \$5 million between the original and final budget due to other state funds anticipated but not received during the current year.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Fiscal Year 2011 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, 2012. The Governor and the Commissioner of Public Lands have directed that the Expansion occur with a lease of State Trust Lands—the Proffer letter to the United States Air Force is ready for signature; the Lease is prepared in Final Draft, and a signing ceremony will be scheduled in the next several weeks.
- **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. The Office will continue to work with the Delegation and the community in concluding this bed-down action.
- **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.
- **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,

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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. The Director has turned over the position of Chair of the Steering Committee to the Director of Institutional and State Trust Lands, State of Utah.

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.

Requests for Information

This financial report is designed to provide a general overview of NMMBPS's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, New Mexico Economic Development Department, Joseph M. Montoya Building, 1100 Saint Francis Drive, Santa Fe, New Mexico 87505-4147.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
STATEMENT OF NET ASSETS
June 30, 2011**

	<u>PRIMARY GOVERNMENT Governmental Activities</u>
ASSETS	
Due From Other State Agencies	<u>178,773</u>
TOTAL ASSETS	<u>\$ 178,773</u>
LIABILITIES	
Bank Overdraft	170,998
Accounts payable	\$ 3,917
Accrued payroll and other liabilities	4,050
Compensated absences payable: Expected to be paid within one year	<u>10,502</u>
Total liabilities	<u>189,467</u>
NET ASSETS (DEFICIT)	
Unrestricted	<u>(10,694)</u>
Total net assets	<u>(10,694)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 178,773</u>

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	<u>PRIMARY GOVERNMENT Governmental Activities</u>
EXPENSES	
Military base planning and support	\$ <u>310,685</u>
Total expenses	<u>310,685</u>
PROGRAM REVENUE	
Charges for services	-
Operating grants and contributions	16
Capital grant and contributions	<u>-</u>
Total revenue	<u>16</u>
Net expense and changes in net assets	(310,669)
GENERAL REVENUES AND TRANSFERS	
Transfers in - State General Fund appropriation	132,200
Severance Tax Bonds proceeds	<u>178,773</u>
Total general revenues and transfers	<u>310,973</u>
CHANGE IN NET ASSETS	304
NET ASSETS, BEGINNING OF YEAR	<u>(10,998)</u>
NET ASSETS, END OF YEAR	<u>\$ (10,694)</u>

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2011**

	General Fund 74800
ASSETS	
Due from other State Agencies	178,773
TOTAL ASSETS	\$ 178,773
LIABILITIES	
Bank overdraft	170,998
Accounts payable	\$ 3,917
Accrued payroll	4,050
Deferred revenue	178,773
Total liabilities	357,738
FUND BALANCES (DEFICIT)	
Unassigned	(178,965)
Total fund balances	(178,965)
TOTAL LIABILITIES AND FUND BALANCES	\$ 178,773

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total Fund Balance (Deficit) - Governmental Fund (Governmental Fund Balance Sheet)	\$ (178,965)
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Amount recorded as deferred revenue at fund level due to the restrictions placed by the period of availability, recognized as revenue on the Statement of Activities	178,773
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Compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(10,502)</u>
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Net assets (deficit) of governmental activities (Statement of Net Assets)	<u>\$ (10,694)</u>
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The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended June 30, 2011**

	General Fund 74800
REVENUES	
Miscellaneous revenue	\$ 16
Total revenues	16
 EXPENDITURES	
Current:	
Personal services and benefits	110,242
Contractual services	187,785
Other	12,888
Total expenditures	310,915
 (DEFICIENCY) EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (310,899)
 OTHER FINANCING SOURCES (USES)	
State General Fund Appropriations	132,200
Total of other financing sources (uses)	132,200
 NET CHANGE IN FUND BALANCE	 (178,699)
 BEGINNING FUND BALANCE	 (266)
 ENDING FUND BALANCE	 \$ (178,965)

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2011

Net Changes in Fund Balances - Total Governmental Fund (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (178,699)
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Amount of change in deferred revenue, recorded at the fund level due to the restrictions placed by the period of availability, recognized as revenue on the Statement of Activities	178,773
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Change in compensated absence balance not recorded in governmental funds	<u>230</u>
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Change in net assets of governmental activities (Statement of Activities)	<u>\$ 304</u>
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The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUND -
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2011**

GENERAL FUND - MBP OPERATING FUND (74800)				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES				
State General Fund Appropriation	\$ 137,400	\$ 132,200	\$ 132,200	\$ -
Federal Fund Appropriation	-	-	-	-
Other State Funds	-	5,000,000	16	(4,999,984)
Inter-Agency Transfers	-	-	-	-
TOTAL REVENUES	\$ 137,400	\$ 5,132,200	132,216	\$ (4,999,984)
EXPENDITURES				
Current:				
Personal services and benefits	\$ 110,400	\$ 106,800	110,242	\$ (3,442)
Contractual services	8,500	408,800	187,785	221,015
Other	18,500	4,616,600	12,888	4,603,712
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 137,400	\$ 5,132,200	310,915	\$ 4,821,285
DEFICIT OF REVENUE UNDER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			(178,699)	
OTHER UNBUDGETED ACTIVITY				
2011 reversion			-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ (178,699)	

The accompanying notes are an integral part of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – DEFINITION OF REPORTING ENTITY

The reporting entity is New Mexico Military Base Planning and Support (NMMBPS). NMMBPS's 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's 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, 2011.

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.

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – DEFINITION OF REPORTING ENTITY (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.

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.

Financial Reporting Entity

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.

Government-wide and Fund 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.

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 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, taxes, intergovernmental revenues, interest income, etc.). 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.

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'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.

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 2011.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting

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.

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

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 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.

It is NMMBPS's 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, 2011.

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 expensed as incurred.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2011, NMMBPS did not have any capitalized assets or current capital outlay expenditures.

Interfund Receivables/Payables

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

Due to State General Fund/Reversions

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

Reverting Funds

Reverting funds are all funds that are not identified by law as non-reverting. Such funds are in excess of budgeted expenditures and budgeted and actual revenues.

Non-Reverting Funds

All funds which are either appropriated to or earned by the Department and, by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project are non-reverting funds.

- (i) Non-General Fund sources must be reverted to the State General Fund upon completion of the Project. (Section 6-5-10 NMSA 1978)
- (ii) Grant funds from any governmental source, such as federal or state, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. Instead, any overdrawn grant funds must be reverted to the granting agency.

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. Amounts due to the State General Fund for the year ended June 30, 2011 were paid on or before September 30, 2011. Reversions are not budgeted for. There were no reversions for FY 11.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for (1) amounts received from federal grants prior to expenditures occurring, or (2) amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year, and are accounted for on the modified accrual basis in the fund financial statements. No Federal funds were available to the Department in FY2011.

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.

Fund Balances and 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.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (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. See Note 10 for additional information about fund balances.

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

Severance Tax Bond Proceeds

Severance tax bond proceeds were allocated by the State Legislature to NMMBPS to administer disbursements to the project recipients, and NMMBPS is not obligated in any manner for the related indebtedness. NMMBPS recognizes severance tax bond proceeds as revenue when draw requests are issued for reimbursement from severance tax bond proceeds of project expenditures made by NMMBPS. Furthermore, the capital assets associated with the project funded by the severance tax bonds are excluded from NMMBPS's capital assets list, upon project completion. NMMBPS does not retain titles to these assets, but rather passes them through to the beneficiaries, other New Mexico State agencies, local governments, etc. of these projects.

New Accounting Standard

In February of 2009, the Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for periods beginning after June 15, 2010. This standard was issued to provide increased clarity for fund balance type definitions and for classification rules for fund balances. NMMBPS implemented this standard in fiscal year 2011.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through December 30, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to December 30, 2011, that provided additional evidence about conditions that existed at June 30, 2011 have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

NOTE 3 - CASH AND INVESTMENTS IN STATE GENERAL FUND INVESTMENT POOL

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 \$(170,998) at June 30, 2011. The cash deficit is attributable to the increase in expenditures related to the severance tax bond activity, as discussed in Note 5.

Cash balances at June 30, 2011 consisted of cash invested with the New Mexico State Treasurer, known as the State General Fund Investment Pool, as defined in the Schedule of Individual Deposit Accounts on page 33. 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. Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts. Refer to the Schedule of Pledged Collateral on page 34.

For a detailed listing of all agency bank accounts and State Treasurer SHARE accounts, refer to the Schedule of Individual Deposit Accounts on page 33.

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, 2011.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – DUE TO/FROM OTHER STATE AGENCIES

NMMBP Fund	Purpose	Affiliate Name	Affiliate Fund	Due To	Due From
48000	To fund Capital projects through Severance Tax Bonds	Dept. of Finance & Administration	81500	\$ -	\$ 178,773
Total				<u>\$ -</u>	<u>\$ 178,773</u>

NOTE 5 – DEFERRED REVENUE

The following receivable from the State General Fund represents the amount of expenditures initially incurred by NMMBPS for the Cannon Air Force Base Land Project funded by series STB06SA Severance Tax Bond. NMMBPS filed for reimbursements for the expenditures incurred in FY 2011 in the second quarter of FY 2012. The revenue recognition was deferred due to the timing restriction of 60 days placed on all governmental funds. The amount recorded as deferred revenue at the fund level at June 30, 2011 is as follows:

Law	Severance Tax Bond	Expiration Date	Amount Deferred
Laws of 2006	Cannon Air Force Base Land	6/30/2014	\$ 178,773

NOTE 6 - COMPENSATED ABSENCES

The current portion of compensated absences payable expected to be paid within one year is \$10,502.

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

	Balance June 30, 2010	Increase	(Decrease)	Balance June 30, 2011	Amounts Due Within One Year
Compensated absences	\$ 10,732	\$ 12,223	\$(12,453)	\$ 10,502	\$ 10,502

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

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 7 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

NMMBPS's 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, 2011, 2010 and 2009 were \$13,088, \$12,877 and \$14,534, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8 - 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 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.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 8 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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

Funding Policy

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

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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 and were \$1,436, \$1,106 and \$1,139, respectively, which equal the required contributions for each year.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9 - 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.

The Department had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2011, 2010 and 2009, there were no settlements that exceeded insurance coverage.

NOTE 10 - DEFICIT FUND BALANCE

The General Fund (74800) had a deficit fund balance of \$178,965 at June 30, 2011. The deficit is attributable to untimely cash draws on the Severance Tax Bond appropriated for the Cannon Air Force Base Land Project. The draw of FY2012 for expenditures incurred in FY 2011 will reverse the deficit.

NOTE 11 - NEW PRONOUNCEMENTS

A summary of the nature and purpose of fund balances by fund type at June 30, 2011 is as follows:

	<u>General Fund</u>
Fund Balances:	
Unassigned	\$ (178,965)
Total fund balances	<u>\$ (178,965)</u>

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE 1 - MULTI-YEAR CAPITAL PROJECTS FUNDED BY SPECIAL AND
SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE
Year Ended June 30, 2011**

<u>Project Description</u>	<u>Expiration</u>	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Current Year Reversions</u>	<u>Prior Year Incurred Balace</u>	<u>Receivable Balance as of June 30, 2011</u>	<u>Remaining Appropriation</u>
<u>Severance Tax Bond Proceeds</u>							
Cannon Air Force Base Land	6/30/2014	\$ 5,000,000	\$ 178,773	\$ -	\$ -	\$ 178,773	\$ 4,821,227
Total Severance Tax Bonds		<u>5,000,000</u>	<u>178,773</u>	<u>-</u>	<u>-</u>	<u>178,773</u>	<u>4,821,227</u>
Total Capital Projects		<u>\$ 5,000,000</u>	<u>\$ 178,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,773</u>	<u>\$ 4,821,227</u>

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE 2 - SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS**

June 30, 2011

<u>Fund Name</u>	<u>Fund Number</u>	<u>Fund Type</u>	<u>Depository</u>	<u>Balance per Bank</u>	<u>Adjustments/ Reconciling Items</u>	<u>Reconciled Balance per Books</u>
Cash with State General Fund (with SHARE fund numbers):						
General Fund	74800	Operating	State General Fund	\$ (168,560)	\$ (2,438)	\$ (170,998)
Total Governmental with State General Fund				<u>\$ (168,560)</u>	<u>\$ (2,438)</u>	<u>\$ (170,998)</u>

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE 3 - SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2011**

	Accounts at State General Investment Fund	Total
Total amount of deposit	\$ (170,998)	\$ (170,998)
Less FDIC	-	-
Total uninsured public money	(170,998)	(170,998)
50% collateral	-	-
State Agency Collateral Listing	A	A
Total pledged	-	-
Over (under) pledged	A	A

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

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

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
New Mexico Military Base Planning and Support
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, 2011, and have issued our report thereon dated December 30, 2011. 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's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NMMBPS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NMMBPS's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2011-1 and 2011-2 to be material weaknesses in internal control over financial reporting.

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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2011-4 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

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

We also noted certain 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, which are described in the accompanying schedule of findings and responses as findings 2011-3 and 2011-5.

NMMBPS's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit NMMBPS's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Office of the State Auditor, the New Mexico Legislature, and 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.

Clifton Gunderson LLP

Albuquerque, New Mexico
December 30, 2011

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the basic financial statements of New Mexico Military Base Planning and Support (NMMBPS).
2. One significant deficiency and two material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of NMMBPS were disclosed during the audit.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

Section II – Financial Statement Findings

Finding 2011-1 Lack of Payroll Accrual Reconciliation (Material Weakness)

Condition: During our audit testwork over payroll accrual, we noted a large balance being carried over from prior years. Upon closer review, we determined that the payroll accrual was not reversed out for the past two years, which resulted in an adjustment to cash of approximately \$2,400. NMMBPS was responsible for reviewing all payroll entries and preparing and submitting any necessary correcting entries to FCD by August 19, 2011. NMMBPS did not prepare a reconciliation of payroll accrual balance, and did not adjust the account in a timely manner.

Criteria: Chapters 6-5-1 through 6-5-6, NMSA 1978, require all state agencies to implement internal accounting controls designed to prevent accounting errors related to financial matters. Chapter 6-5-2-1(J) 2.20.5 & 6 NMAC requires implementation of a monthly reconciliation process with the balances and accounts kept by the state treasurer, and Chapter 2.20.5.8C(10), NMAC requires all reporting of financial information to the state agency's management and to the oversight agencies and entities to be complete, timely and accurate.

Cause: Lack or failure of internal controls surrounding General Ledger (GL) payroll accrual account reconciliation; and management oversight.

Effect: Management cannot rely on the accuracy of General Ledger reports generated straight out of SHARE, as the account was not reconciled and adjusted, and therefore does not present the information regarding payroll liability accurately.

Recommendation: We recommend management implements monthly reconciliation procedures to ensure that the balances in the payroll accrual accounts are accurate. Additionally, we recommend a review and approval process of all reconciliations, before any adjustments to GL accounts are posted, to ensure that only correct information is presented on the GL and management can rely on general ledger reports for financial decision making purposes.

Management's Response: In reviewing this weakness, we found that the agency had tried to enter into SHARE the adjustment but was not able to complete the transaction for whatever reason. This issue was brought up to DFA, requesting they override and complete this action. We have since corrected the problem and issue in the SHARE system.

Finding 2011-2 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding (Material Weakness)

Condition: During our audit testwork, we noted that NMMBPS did not have an effective reconciliation process in place that would ensure that the severance tax bonds that are given to NMMBPS to fund certain specific projects are reconciled to the activity in those projects. In addition, we noted that the draws on the severance tax bonds (STB) were not done timely, therefore creating a negative fund balance at year end, and a deficit in the cash account of NMMBPS. The applicable receivable from the State General Fund was not reflected on the general ledger and the account had to be adjusted.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

Section II – Financial Statement Findings (continued)

Finding 2011-2 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding (Material Weakness) (continued)

Criteria: Chapters 6-5-1 through 6-5-6, NMSA 1978 require all state agencies to implement internal accounting controls designed to prevent accounting errors related to financial matters. Chapter 6-5-2-1(J) 2.20.5 & 6 NMAC requires implementation of monthly reconciliation process with the balances and accounts kept by the state treasurer, and chapter 2.20.5.8C(10), NMAC required all reporting of financial information to the state agency's management and to the oversight agencies and entities to be complete, timely and accurate.

Cause: Lack or failure of controls surrounding proper monitoring and timely reconciliations of the STB funding. The reconciliation that is being utilized does not supply the reader with accurate information; therefore it is impossible to make any financial decisions based on that information.

Effect: NMMBPS is not in compliance with the New Mexico code stated above. In addition, untimely draws and lack of the reconciliation process resulted in STB not being fully utilized before period end, creating a deficit in the fund balance and cash account.

Recommendation: We recommend NMMBPS establishes policies and procedures to ensure that the funding for the capital project fund is being reconciled and the draw requests on STB are being submitted timely. We also recommend NMMBPS establishes a documented monthly review and approval process of the reconciliations to ensure proper monitoring.

Management's Response: We are working on our internal processes to ensure draw requests are regular and MBP is meeting with ASD monthly. ASD and MBP are working with DoIT and DFA to establish better methods of monitoring.

Finding 2011-3 Budget Overages

Condition: During audit testwork performed on the legislatively approved budget, we noted that NMMBPS overexpended the budget in the Personal Services and Benefits category by \$3,442.

Criteria: The legislative session determines annual budgets for all state entities, and the legal level of compliance with the budget. Per Section 2.2.2.10 of the State Auditor Rule, budget deficits are not allowed.

Cause: Lack of effective controls over the budget monitoring process and management oversight.

Effect: NMMBPS violated the legal level of compliance established by the 2010 legislative session. In addition, the entity is not in compliance with the State Auditor Rule 2.2.2.10.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

Section II – Financial Statement Findings (continued)

Finding 2011-3 Budget Overages (continued)

Recommendation: We recommend the implementation of effective internal controls over budget monitoring so the budget is never overexpended. In addition, we recommend NMMBPS establishes a documented monthly review and approval process over the internal budget controls to ensure proper monitoring.

Management's Response: MBP and ASD have worked up a MAP which will be reviewed as part of our Monthly Budget/Drawdown meetings.

Finding 2011-4 Missing Documents and Travel Authorization (Significant Deficiency)

Condition: During the Internal Controls Cash Disbursements testwork, in one out of eighteen tested, we noted an instance of missing documentation for the amount of \$864.63. Additionally, when testing cash disbursements over per diem, we were unable to test three out of nine disbursements required due to missing documentation for the amount of \$578.42; and we were unable to determine whether a travel request was properly authorized for one of the per diem cash disbursement packets requested out of nine tested.

Criteria: Per the Manual of Model Accounting Practices (MAPs), FIN 5 requires the entity to have internal controls in place surrounding cash disbursements. All vouchers must be certified as true and correct by the officer or employee designated to make payments, as well as someone other than the individual seeking reimbursement, and all documentation should be properly maintained.

Cause: Lack or failure of controls over proper approval process and lack of proper segregation of duties. Additionally, the Authority did not keep the appropriate accounting records to support the disbursements.

Effect: NMMBPS is not in compliance with section FIN 5 of MAPs. In addition, lack of segregation of duties can lead to erroneous or fraudulent requests being submitted by the employees of the Department.

Recommendation: We recommend management implements proper procedures that would ensure that all travel requests and reimbursements are reviewed and approved by someone other than the preparer and all supporting documentation is properly maintained.

Management' Response: Authority agrees. We will keep supporting documentation for all transactions of the Authority.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

Section II – Financial Statement Findings (continued)

Finding 11-5 Late Filing of Audit Report

Condition: The audit report for the year ended June 30, 2011 was not submitted by the deadline of December 15, 2011 to the New Mexico State Auditor's Office. The report was submitted on January 10, 2012.

Criteria: SAO 2.2.2.9(A)(f) requires that State Agency's file their annual financial audit with the State Auditor's Office by December 15 each year.

Cause: The client did not provide the auditors with the MD&A in time to go through their quality control process.

Effect: Non-compliance with the State Audit Rule.

Auditors' Recommendation: Preparation of the MD&A should be completed with sufficient time to allow for auditor review and completion of quality control procedures.

Management's Response: Management concurs with the finding. In future years, management will prepare the MD&A and findings responses in a timely manner.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011**

Section I – Financial Statement Findings

There were no findings for the year ended June 30, 2010.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
EXIT CONFERENCE
June 30, 2011**

An exit conference was held with NMMBPS on November 29, 2011, at the New Mexico Economic Development Department's offices in Santa Fe, New Mexico. In attendance were:

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT

Barbara Brazil, Deputy Cabinet Secretary, Economic Development Department
Kurt Saenz, ASD Director, Economic Development Department
Danni Sutana, Finance Manager, Economic Development Department
Hanson Scott, Executive Director

CLIFTON GUNDERSON LLP

Janet Pacheco-Morton, CPA, CGFM, Partner
Darya Bochkova, CPA, Senior Associate

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 Auditor's Report.