

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

**FINANCIAL STATEMENTS
June 30, 2012
(with Independent Auditors'
Reports thereon)**

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**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
OFFICIAL ROSTER
June 30, 2012**

Commission Members

Tony Strati (Albuquerque), Chair
Lieutenant Governor Sanchez, Member
Bill Burt (Alamogordo), Member
Colonel Michael Connolly, USAF (Ret) (Clovis), Member
Bill Connor (Las Cruces), Member
John Garcia (Albuquerque), Member
Lance Grace (Alamogordo), Member
Kiel Hoffman (Las Cruces), Member
Lee Malloy (Clovis), Member
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Sherman McCorkle (Albuquerque), Member
Secretary Greg Myers, Member
Tom Phelps (Clovis), Member
Rube Render (Clovis), Member
Jim Tegnalia (Albuquerque), Member

Administrative Services

Jon Barela, Cabinet Secretary
Hanson Scott, Director
Jennifer Moseley, ASD Director, CFO

Independent Auditors' 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 (OMBP) as of and for the year ended June 30, 2012, which collectively comprise the OMBP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OMBP'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 OMBP 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 OMBP. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012, 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 OMBP as of and for the year ended June 30, 2012, 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 17, 2012 on our consideration of OMBP'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statement and the budgetary comparison. The additional schedules listed as "supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 17, 2012

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

The New Mexico Military Base Planning and Support's (OMBP) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of OMBP's financial activity, identify changes in OMBP'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 OMBP, we offer readers this narrative overview and analysis of the financial activities of OMBP for the year ended June 30, 2012.

Authority Overview

OMBP is administratively attached to one of 28 cabinet level departments within the executive branch of the New Mexico State Government (New Mexico Economic Development Department). OMBP'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. OMBP began its operations on July 1, 2003.

Financial Highlights

- In the fiscal year ended June 30, 2012, the total liabilities of OMBP exceeded total assets by \$14,596.
- OMBP acquired no capital assets greater than \$5,000.
- The total cost of OMBP programs was \$3,283,051, whereas the total Authority revenue was \$3,299,149.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OMBP's basic financial statements. OMBP'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 supplemental 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 OMBP's financial statements, in a manner similar to a private-sector business.

The statement of net assets presents information on all of OMBP'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 OMBP is improving or deteriorating.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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 OMBP 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 OMBP include economic development, program support, technology commercialization and community development. Within OMBP, 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. OMBP uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of OMBP 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.

OMBP 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).

OMBP 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 OMBP, liabilities exceeded assets by \$14,596 at the close of the 2012 fiscal year.

At the end of the 2012 fiscal year, OMBP reports a deficit balance in the category of net assets.

Governmental activities increased OMBP' net assets by \$3,902.

Financial Analysis of Governmental Funds

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

As of the end of the 2012 fiscal year, OMBP's governmental fund reported an ending fund balance surplus of \$3,864. 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, 2012**

The general fund is the chief operating fund of OMBP. At the end of the 2012 fiscal year, unrestricted fund balance of the general fund was a surplus of \$3,864.

Financial Analysis of OMBP as a Whole

Net Assets

OMBP's net assets changed from fiscal year 2011, increasing from a deficit of \$10,694 to a deficit of \$14,596. The table below illustrates the statement of net assets.

Detail of OMBP's Net Assets as of June 30, 2012 and 2011

Governmental Activities:

Assets:

Current and other assets	\$ 73,991	\$ 178,773
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Total assets	<u>\$ 73,991</u>	<u>\$ 178,773</u>
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Liabilities:

Current liabilities	\$ 88,587	\$ 189,467
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Total liabilities	<u>88,587</u>	<u>189,467</u>
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Net assets (deficit):

Unrestricted	<u>(14,596)</u>	<u>(10,694)</u>
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Total net assets	<u>(14,596)</u>	<u>(10,694)</u>
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Total liabilities and net assets	<u>\$ 73,991</u>	<u>\$ 178,773</u>
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**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Statement of Activities

OMBP's change in net assets for fiscal year 2012 was an increase of \$3,902 (Statement of Activities). Four percent of OMBP's revenue comes from State General Fund Appropriations, ninety-six percent comes from Severance Tax Bonds.

Statement of Activities

As of June 30,	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General revenues:		
State General Fund appropriations, net	\$ 119,300	\$ 132,200
Other revenue	<u>2</u>	<u>16</u>
Total general revenues	<u>119,302</u>	<u>132,216</u>
Severance Tax Bond proceeds	<u>3,159,847</u>	<u>178,773</u>
Expenses:		
NMMBPS development	<u>3,283,051</u>	<u>310,685</u>
Total expenses	<u>3,283,051</u>	<u>310,685</u>
Increase (decrease) in net assets	(3,902)	304
Net assets, beginning of year	<u>(10,694)</u>	<u>(10,998)</u>
Net assets, end of year	<u>\$ (14,596)</u>	<u>\$ (10,694)</u>

Financial Analysis of OMBP's Funds

Capital Assets and Debt Administration

OMBP did not have any capital assets for the year ended June 30, 2012.

OMBP did not have any long-term debt for the year ended June 30, 2012.

Original and Final Budget

There was a large change between the original and final budget due to a special appropriation received during the year related to Canon Air Force Base.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

Fiscal Year 2012 Highlights

- **Encroachment:** Continued interface with Ft. Bliss, Holloman AFB, White Sands Missile Range (WSMR), Spaceport America, NASA, Dona Ana County, Otero County, City of Las Cruces on land-use planning efforts through the semi-annual "military coordination" meetings which are facilitated by the OMBPS. This forum is not replicated in any other state.

- **Southern New Mexico/El Paso Joint Land Use Study:** The three military installations requested a regional Joint Land Use Study (JLUS) sponsored by the Department of Defense Office of Economic Adjustment (OEA). All OEA projects are sponsored by a local government activity. The Director drafted a Memorandum of Agreement between five New Mexico counties (Lincoln, Otero, Dona Ana, Sierra, and Socorro); El Paso County; the cities of Alamogordo, El Paso, and Las Cruces; and the three military installations (Ft. Bliss, Holloman AFB, and WSMR) for the purpose of organizing a Regional Planning Organization (RPO) for the purpose of sponsoring the JLUS. This required personal appearances before several of the government entities: Lincoln County, Otero County, Sierra County, and El Paso County to secure their support. Further, the Director asked Dona Ana County to serve as the fiscal agent for the project and they readily agreed. Dona Ana County has received the grant, issued the Request for Proposals, and a consultant team selection is imminent. This will be the largest Joint Land Use Study DOD has sponsored. It will ensure the government entities and the military installations have coordinated their land-use planning, transportation, government entities to ensure they are addressing land-use planning issues, airspace corridors, and transportation requirements in support of military missions as well as local government requirements.

- **Expansion of Melrose Air Force Range (MAFR):** OMBP facilitated the Expansion of MAFR with a 74-year lease agreement (January 2012) between the United States Air Force, the State of New Mexico, and the New Mexico State Land Office (NMSLO) wherein the Air Force becomes a tenant of the NMSLO. This provides over 10,000 additional acres of land for the purpose of supporting joint military training at MAFR. There were two tenant appraisal issues associated with this lease which have been resolved to the satisfaction of all parties.

- The Director was tasked to purchase additional land adjacent to Cannon AFB with the remaining resources from the original appropriation and give the land to the Air Force. The purpose of this land action will be to allow the Air Force to address force protection (security), flight safety, and transportation issues. This land purchase action is ongoing.

- **Renewable Energy Impacts:** Continued advocacy for New Mexico's military missions. All New Mexico military installations are engaged with transmission companies and/or developers, to varying degrees, in support of their missions.

- **Western Regional Partnership (WRP):** The Director was asked by the Principal Deputy for the Department of Defense, Testing and Evaluation to Chair the Interim Steering Committee, later established as a Steering Committee, to chart a path forward (vision, mission, charter) for the Western Regional Partnership. WRP includes five

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2012

states, all federal, state, and military installations (California, Utah, Nevada, Arizona, and New Mexico). The Partnership is well established, and New Mexico is continuing to play an active role. The Director turned over the Chair position to the Utah member. Further, the Western Regional Partnership established the Award for Outstanding Leadership which "will be presented annually to a Western Regional Partnership individual who makes significant contributions to activities that have an impact beyond their agency or organization and provides efficiencies and effectiveness in an outstanding manner." The Governor of Utah and the Assistant Deputy Under Secretary of Defense were the Co-chairs that designated the Award.

- **Airspace:** One of the critical issues facing New Mexico is the beddown of two squadrons of F-16s at Holloman AFB. The Director has been working closely with the FAA, WSMR, and Holloman AFB is developing a plan which would result in expanded airspace in southern New Mexico which is readily accessible to wide variety of military users.

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 one staff member.

Requests for Information

This financial report is designed to provide a general overview of OMBP'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, 2012

	<u>PRIMARY GOVERNMENT Governmental Activities</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 24,168
Due from other state agencies	<u>49,823</u>
TOTAL ASSETS	<u>\$ 73,991</u>
LIABILITIES	
Accounts payable	\$ 54,024
Accrued payroll and other liabilities	3,831
Due to State General Fund	20,000
Compensated absences payable:	
Expected to be paid within one year	<u>10,732</u>
Total liabilities	<u>88,587</u>
NET ASSETS	
Unrestricted	<u>(14,596)</u>
Total net assets	<u>(14,596)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,991</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, 2012**

	<u>PRIMARY GOVERNMENT Governmental Activities</u>
EXPENSES	
Military base planning and support	\$ 3,283,051
Total expenses	<u>3,283,051</u>
 GENERAL REVENUES AND TRANSFERS	
Transfers in - State General Fund appropriation	139,300
Severance Tax Bonds proceeds	3,159,847
Transfers out - Reversions	(20,000)
Other	<u>2</u>
Total general revenues and transfers	<u>3,279,149</u>
 CHANGE IN NET ASSETS	 (3,902)
NET ASSETS, BEGINNING OF YEAR	<u>(10,694)</u>
 NET ASSETS, END OF YEAR	 \$ <u>(14,596)</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, 2012**

	General Fund 74800
ASSETS	
Investment in State General Fund Investment Pool	24,168
Due from other state agencies	49,823
	49,823
TOTAL ASSETS	\$ 73,991
LIABILITIES	
Accounts payable	54,024
Due to State General Fund	20,000
Accrued payroll	3,831
	3,831
Total liabilities	77,855
FUND BALANCE	
Unassigned	(3,864)
	(3,864)
Total fund balances	(3,864)
TOTAL LIABILITIES AND FUND BALANCES	\$ 73,991

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, 2012**

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$ (3,864)
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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.

(10,732)

Net assets of governmental activities (Statement of Net Assets)	<u>\$ (14,596)</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, 2012**

	General Fund 74800
REVENUES	
Miscellaneous revenue	\$ 2
Total revenues	2
 EXPENDITURES	
Current:	
Personal services and benefits	108,398
Contractual services	84,637
Other	3,089,786
Total expenditures	3,282,821
 DEFICIENCY OF REVENUES UNDER EXPENDITURES	 (3,282,819)
 OTHER FINANCING SOURCES	
State General Fund Appropriations	139,300
Transfers out - Reversions	(20,000)
Severance Tax Bond Proceeds	3,338,620
Total of other financing sources (uses)	3,457,920
 NET CHANGE IN FUND BALANCE	 175,101
 BEGINNING FUND BALANCE (DEFICIT)	 (178,965)
 ENDING FUND BALANCE	 \$ (3,864)

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, 2012

Net Changes in Fund Balances - Total Governmental Fund	
(Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 175,101
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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</p>	(178,773)
<p>Change in compensated absence balance not recorded in governmental funds</p>	<u>(230)</u>
Change in net assets of governmental activities	
(Statement of Activities)	<u>\$ (3,902)</u>

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, 2012

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	\$ 139,300	\$ 139,300	\$ 139,300	\$ -
Federal Fund Appropriation	-	-	-	-
Other State Funds	-	5,000,000	3,338,620	(1,661,380)
Other	-	-	2	(2)
	<u>\$ 139,300</u>	<u>\$ 5,139,300</u>	<u>3,477,922</u>	<u>\$ (1,661,382)</u>
TOTAL REVENUES				
EXPENDITURES				
Current:				
Personal services and benefits	\$ 103,500	\$ 103,500	108,398	\$ (4,898)
Contractual services	20,000	420,000	84,637	335,363
Other	15,800	4,615,800	3,089,786	1,526,014
	<u>139,300</u>	<u>5,139,300</u>	<u>3,282,821</u>	<u>\$ 1,856,479</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES				
			<u>195,101</u>	
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES				
			<u>(20,000)</u>	
UNBUDGETED ITEMS				
			<u>175,101</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)				

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

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 – DEFINITION OF REPORTING ENTITY

The reporting entity is New Mexico Military Base Planning and Support (OMBP). OMBP'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. OMBP was created by the Laws of 2006, Section 9-15-46 and began operations on July 1, 2007.

OMBP 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 OMBP 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 OMBP.

OMBP is a component unit of the State of New Mexico in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and 39. OMBP is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of OMBP'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." OMBP did not have any component units at June 30, 2012.

Office of the Executive Director

The chief executive of OMBP is the Director, who is appointed by the OMBP Commission. OMBP, 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 OMBP Director has oversight responsibility. Even though OMBP 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, 2012

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

The Executive Director is empowered to organize OMBP 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 OMBP.

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 OMBP 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 OMBP as a whole) and fund financial statements. The reporting model focus is on either OMBP 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, 2012

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 OMBP 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 OMBP 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.). OMBP does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of OMBP 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. OMBP'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 OMBP'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.

OMBP 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 2012.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting

The financial transactions of OMBP 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.

OMBP 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 OMBP 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

OMBP 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, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

pay liabilities of the current period. OMBP 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 OMBP. 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.

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

- No later than September 1, OMBP 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, 2012**

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, OMBP 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 OMBP'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, 2012.

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, 2012**

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
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During fiscal year 2012, OMBP did not have any capitalized assets or current capital outlay expenditures.

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 OMBP 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, 2012 were paid on or before September 30, 2012. Reversions are not budgeted for. There were no reversions for FY 12.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

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 OMBP in FY2012.

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) of 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 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, 2012**

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 OMBP's policy to spend committed resources first.

Severance Tax Bond Proceeds

Severance tax bond proceeds were allocated by the State Legislature to OMBP to administer disbursements to the project recipients, and OMBP is not obligated in any manner for the related indebtedness. OMBP recognizes severance tax bond proceeds as revenue when draw requests are issued for reimbursement from severance tax bond proceeds of project expenditures made by OMBP. Furthermore, the capital assets associated with the project funded by the severance tax bonds are excluded from OMBP's capital assets list, upon project completion. OMBP 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.

Subsequent Events

Management evaluated subsequent events through December 17, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to December 17, 2012, that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, 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, 2012.

NOTE 3 – GENERAL FUND INVESTMENT POOL NOT RECONCILED

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – GENERAL FUND INVESTMENT POOL NOT RECONCILED (CONTINUED)

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the OMBP's balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. DFA is responsible for performing the book to bank reconciliation. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

OMBP reconciles its deposits and other activity with the State Treasurer to the General Ledger on a periodic basis to ensure proper posting.

NOTE 4 – INTEREST IN THE GENERAL FUND INVESTMENT POOL

All funds allotted to OMBP are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited by OMBP with the State Treasurer is pooled and invested by the State Treasurer.

State law (Section 8-6-3 NMSA 1978) requires OMBP's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of OMBP consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 – INTEREST IN THE GENERAL FUND INVESTMENT POOL (CONTINUED)

At June 30, 2012 OMBP had the following invested in the General Fund Investment Pool:
General Fund Investment Pool \$24,168

Interest Rate Risk

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

Credit Risk

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

NOTE 5 – DUE TO/FROM OTHER STATE AGENCIES

OMB Fund	Purpose	Affiliate Name	Affiliate Fund	Due To	Due From
48000	To fund Capital projects through Severance Tax Bonds	Dept. of Finance & Administration	81500	\$ -	\$ 49,823
48000	Reversion of State General Fund Appropriation	Dept. of Finance & Administration	39401	<u>20,000</u>	<u>-</u>
Total				<u>\$ 20,000</u>	<u>\$ 49,823</u>

NOTE 6 - COMPENSATED ABSENCES

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

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

	Balance June 30, 2011	Increase	(Decrease)	Balance June 30, 2012	Amounts Due Within One Year
Compensated absences	<u>\$ 10,502</u>	<u>\$ 4,772</u>	<u>\$ (4,542)</u>	<u>\$ 10,732</u>	<u>\$ 10,732</u>

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 6 - COMPENSATED ABSENCES (CONTINUED)

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

NOTE 7 - REVERSIONS

Current year reversions to the State General Fund as of June 30, 2012 were as follows:

Appropriation Year	Fund Type	SHARE System Fund	Reversion
Laws of 2012	General Fund	74800	\$ <u>20,000</u>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. The balance of \$20,000 is payable at June 30, 2012 and due by September 30, 2012. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor. The Department will pay the remainder of the reversions payable during fiscal year 2013.

NOTE 8 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

OMBP'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. OMBP is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and OMBP are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. OMBP' contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$11,518, \$13,088 and \$12,877, respectively, which equal the amount of the required contributions for each fiscal year.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 9 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

OMBP 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.

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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
June 30, 2012**

**NOTE 9 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(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>
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.

OMBP's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$1,570, \$1,436 and \$1,106, respectively, which equal the required contributions for each year.

NOTE 10 - RISK MANAGEMENT

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

OMBP had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2012, 2011 and 2010, there were no settlements that exceeded insurance coverage.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 11 – FUND BALANCE CLASSIFICATIONS

A summary of the nature and purpose of fund balances by fund type at June 30, 2012 is as follows:

	<u>General Fund</u>
Fund Balances:	
Unassigned	\$ (3,864)
Total fund balances	<u>\$ (3,864)</u>

The OMBP plans to reduce negative fund balances through future appropriations.

NOTE 12 – NEW PRONOUNCEMENTS

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"), improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. GASB 60 will be effective in fiscal year 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* ("GASB 61"), improves reporting for a governmental financial reporting entity by better defining the reporting entity and by addressing reporting issues that have arisen since the issuance of GASB 14 and 34.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"), does not change any current accounting or reporting standards, but makes them easier to find and understand. GASB 62 will be effective for fiscal year 2013.

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

SUPPLEMENTAL 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, 2012**

<u>Project Description</u>	<u>Expiration</u>	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Current Year Reversions</u>	<u>Prior Year Incurred Balance</u>	<u>Receivable Balance as of June 30, 2012</u>	<u>Remaining Appropriation</u>
<u>Severance Tax Bond Proceeds</u>							
Cannon Air Force Base Land	6/30/2014	\$ 5,000,000	\$ 3,159,848	\$ -	\$ 178,772	\$ 49,823	\$ 1,661,380
Total Severance Tax Bonds		<u>5,000,000</u>	<u>3,159,848</u>	<u>-</u>	<u>178,772</u>	<u>49,823</u>	<u>1,661,380</u>
Total Capital Projects		<u>\$ 5,000,000</u>	<u>\$ 3,159,848</u>	<u>\$ -</u>	<u>\$ 178,772</u>	<u>\$ 49,823</u>	<u>\$ 1,661,380</u>

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
 SCHEDULE 2 - SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
 June 30, 2012**

<u>Fund Name</u>	<u>Fund Number</u>	<u>Fund Type</u>	<u>Depository</u>	<u>Balance per Bank</u>
Cash with State General Fund (with SHARE fund numbers):				
General Fund	74800	Operating	State General Fund	\$ <u>24,168</u>
Total Governmental with State General Fund				\$ <u>24,168</u>

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE 3 - SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2012**

	Accounts at State General Investment Fund		Total
Total amount of deposit	\$ 24,168	\$	24,168
Less FDIC	-	-	-
Total uninsured public money	24,168		24,168
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 Auditors' 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 (OMBP) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. 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

Management of OMBP is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the OMBP'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 OMBP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OMBP's internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OMBP'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, 2011-4 and 2012-01.

OMBP's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit OMBP'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.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 17, 2012

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

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 (OMBP).
2. One significant deficiency was disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of OMBP were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the financial statements.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

Section II – Financial Statement Findings

Finding 2011-3 Budget Overages (Control Deficiency, Compliance)

Condition: During audit testwork performed on the legislatively approved budget, we noted that OMBP overexpended the budget in the Personal Services and Benefits category by \$4,898.

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: OMBP 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.

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

Management's Response: Military Base Planning understands the purpose of monitoring the budget. The Economic Development Department has hired a new CFO. This CFO is extremely cognizant of the importance of recording balances in the correct funds and accounts. The new CFO has initiated a monthly review of both the income statement and balance sheet. Errors like this should be caught in the future.

Finding 2011-4 Travel Authorization (Control Deficiency, Compliance)

Condition: During the Internal Controls Cash Disbursements testwork, in one out of eight tested, we noted an instance of missing authorization for the amount of \$115.

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.

Effect: OMBP 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.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

Section II – Financial Statement Findings (continued)

Finding 2011-4 Travel Authorization (Control Deficiency, Compliance) (continued)

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's Response: Military Base Planning has policies in place to support disbursements. All travel requests and reimbursements will have proper approvals and supporting documentation will be attached.

Finding 2012-1 Untimely Reversion to State General Fund (Significant Deficiency)

Condition: OMBP did not revert funds related to FY12.

Criteria: Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds, and unexpended funds in the lapsed appropriation to be reverted to the New Mexico State General Fund by September 30 of the next fiscal year. All reversions were due by September 30, 2012. During the FY12 audit, we noted they still had not been reverted.

Cause: Lack of proper controls over reversions payable and management oversight. It was noted that OMBP transferred 2012 reversions before the September 30 deadline.

Effect: OMBP is not in compliance with Section 6-5-10(A) NMSA 1978.

Recommendation: OMBP should establish procedures to ensure timely transfer of funds that are scheduled to be reverted to the New Mexico State General Fund by September 30th.

Management's Response: OMBP has hired a new ASD Director/CFO. She understands the importance of timely reversions. Starting immediately, timely reversions and deadlines will be adhered to going forward.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2012**

Section II – Financial Statement Findings

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

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. OMBP was responsible for reviewing all payroll entries and preparing and submitting any necessary correcting entries to FCD by August 19, 2011. OMBP did not prepare a reconciliation of payroll accrual balance, and did not adjust the account in a timely manner.

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

During our audit testwork, we noted that OMBP did not have an effective reconciliation process in place that would ensure that the severance tax bonds that are given to OMBP 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 OMBP. The applicable receivable from the State General Fund was not reflected on the general ledger and the account had to be adjusted.

Finding 2011-3 Budget Overages – Repeated and Modified

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

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

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.

Finding 2011-5 Late Filing of Audit Report – Cleared

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.

**NEW MEXICO MILITARY BASE PLANNING AND SUPPORT
EXIT CONFERENCE
June 30, 2012**

An exit conference was held with OMBP on December 13, 2012, at the New Mexico Economic Development Department's offices in Albuquerque, New Mexico. In attendance were:

NEW MEXICO MILITARY BASE PLANNING AND SUPPORT

Barbara Brazil, Deputy Cabinet Secretary, Economic Development Department
Jennifer Moseley, ASD Director/CFO, Economic Development Department

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner
Jennifer White, 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 OMBP. However, they are the responsibility of management, as addressed in the Independent Auditor's Report.