



**NEW MEXICO MILITARY BASE  
PLANNING AND SUPPORT**

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

**June 30, 2013**

atkinson

PRECISE. PERSONAL. PROACTIVE.

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New Mexico Military Base Planning and Support

**OFFICIAL ROSTER**

June 30, 2013

**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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Tom Phelps (Clovis), Member

Jim Tegnalia (Albuquerque), Member

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Jon Barela, Cabinet Secretary

Hanson Scott, Director

Barbara Brazil, Deputy Cabinet Secretary

Georgette Chavez, Audit/Accounting Bureau Chief



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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

### Report on the Financial Statements

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 (MBPS) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the MBPS's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the MBPS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MBPS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the New Mexico Military Base Planning and Support as of June 30, 2013, and the respective changes in financial position and respective budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note B2, the financial statements of the MBPS are intended to present the financial position and changes in financial position of only that portion of the governmental activities, major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the MBPS. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2013, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

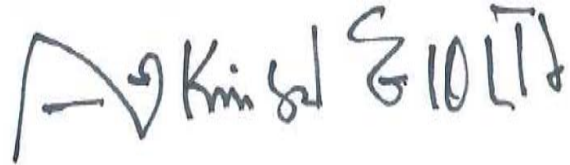
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying schedules of Multi-Year Capital Projects Funded by Special and Severance Tax Capital Outlay Appropriations from the State, Schedule of Individual Deposit Accounts and Schedule of Pledged Collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the MBPS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MBPS's internal control over financial reporting and compliance.

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

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 13, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

June 30, 2013

The New Mexico Military Base Planning and Support's (MBPS) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of MBPS's financial activity, identify changes in MBPS'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 MBPS, we offer readers this narrative overview and analysis of the financial activities of MBPS for the year ended June 30, 2013.

**MBPS Overview**

MBPS 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). MBPS'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. MBPS began its operations on July 1, 2007.

**Financial Highlights**

- In the fiscal year ended June 30, 2013, the total assets of MBPS exceeded total liabilities by \$41,046.
- MBPS acquired no capital assets greater than \$5,000.
- The total cost of MBPS programs was \$305,461, whereas the total MBPS revenue was \$361,103.

**Overview of the Financial Statements**

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

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

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

Both of the government-wide financial statements distinguish functions of MBPS 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 MBPS include economic development, program support, technology commercialization and community development. Within MBPS, 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. MBPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of MBPS 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.

MBPS 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).

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

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of MBPS, liabilities exceeded assets by \$8,712 at the close of the 2013 fiscal year.

At the end of the 2013 fiscal year, MBPS reports a deficit balance in the category of net position.

Governmental activities increased MBPS' net position by \$55,642.

**Financial Analysis of Government's Funds**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

As of the end of the 2013 fiscal year, MBPS's governmental fund reported an ending fund balance surplus of \$19,444. The majority of this amount is derived from New Mexico State General Fund appropriations, which revert to the general fund at the end of the fiscal year.

The general fund is the chief operating fund of MBPS. At the end of the 2013 fiscal year, unrestricted fund balance of the general fund was a surplus of \$19,444.

**Financial Analysis of MBPS as a Whole**

**Net Position**

MBPS's net position changed from fiscal year 2012, increasing from a deficit of \$14,596 to a surplus of \$41,046. The table below illustrates the statement of net position.

**Detail of MBPS's Net position as of June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Governmental Activities:		
Assets:		
Current and other assets	<u>\$ 97,333</u>	<u>\$ 73,991</u>
Total assets	<u><u>\$ 97,333</u></u>	<u><u>\$ 73,991</u></u>
Liabilities:		
Current liabilities	<u>\$ 56,287</u>	<u>\$ 88,587</u>
Total liabilities	<u>56,287</u>	<u>88,587</u>
Net position (deficit):		
Unrestricted	<u>41,046</u>	<u>(14,596)</u>
Total net position	<u>41,046</u>	<u>(14,596)</u>
Total liabilities and net position	<u><u>\$ 97,333</u></u>	<u><u>\$ 73,991</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**Statement of Activities**

MBPS's change in net position for fiscal year 2013 was an increase of \$55,642 (Statement of Activities). For 2013, approximately 50% of MBPS's revenue comes from State General Fund Appropriations, and 50% comes from Severance Tax Bonds.

**Statement of Activities**

	<u>2013</u>	<u>2012</u>
Governmental Activities:		
General revenues:		
State General Fund appropriations, net	\$ 181,193	\$ 119,300
Reversions	(724)	-
Other revenue	<u>49</u>	<u>2</u>
Total general revenues	180,518	119,302
Severance Tax Bond proceeds	180,585	3,159,847
Expenses:		
MBPS development	<u>305,461</u>	<u>3,283,051</u>
Total expenses	<u>305,461</u>	<u>3,283,051</u>
Increase (decrease) in net position	55,642	(3,902)
Net position, beginning of year	<u>(14,596)</u>	<u>(10,694)</u>
Net position, end of year	<u><u>\$ 41,046</u></u>	<u><u>\$ (14,596)</u></u>

**Financial Analysis of MBPS's Funds**

**Capital Assets and Debt Administration**

MBPS did not have any capital assets for the year ended June 30, 2013.

MBPS did not have any long-term debt for the year ended June 30, 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**Original and Final Budget**

Military Base Planning and Support had an approved budget of \$125,600 for FY13 allocated to Personal Services (\$109,400), Contractual Services (\$3,100) and Other Costs (\$13,100). A category transfer was posted in the amount of \$3,100 from Contractual Services to Other Costs. Thus, the adjusted balance for the current fiscal year is as follows: Personal Services, \$109,400; Contractual Services \$0; Other Costs \$16,200.

**Fiscal Year 2013 Highlights**

The Office of Military Base Planning and Support (OMBPS) and the Military Base Planning Commission (MBPC) had a very active year. The Commission is required to have quarterly meetings, but due to financial constraints, only three meetings were scheduled.

**OMBPS and MBPC Actions**

- **Holloman Transition:** The Commission has continued to emphasize the Holloman Transition as the number one issue facing the State. Accordingly, the Director and several Commissioners have participated in several strategic planning sessions focused on addressing this issue. This program appears to be on track, with the first squadron of F-16s scheduled to arrive at Holloman April 2014.
- **Military Value:** The Commission emphasized Military Value as a primary focus of the Military Base Planning Program during FY 2013. Military Value pertains to airspace, training, test and evaluation ranges, and other capabilities required to support military missions. Military Value is clearly defined in the Proposed Base Realignment and Closure Legislation and is briefed at every Commission meeting.
- **Airspace:** At the Director's urgent suggestion, WSMR brought onto their staff, under contract, the retired Airspace Manager from Holloman AFB to assist in airspace planning and coordination. Further, the Director has scheduled sessions with FAA/Albuquerque Center: 49<sup>th</sup> Wing Commander, Holloman AFB and members of his staff; Commander, 27<sup>th</sup> SOW, Cannon AFB and members of his staff; Commanding General, WSMR, and her Chief of Staff. Also, Commissioners Strati and McCorkle visited FAA/Albuquerque Center. The Commission's relationship with FAA/Albuquerque Center is critical to their support for New Mexico's flying missions.
- **Cannon Land Acquisition:** The Director and the Chairman of the Commission continue to participate in frequent conference calls with the Air Force and meetings with the New Mexico Contractor Team, including several sessions with attorneys and the Environmental Baseline Survey contractor. This is a very complicated project, and the Chair's continuing involvement has been critical to the State's progress to date. During FY 2013, the Environmental Baseline Survey Draft report was complete; initial surveys were complete; and the initial appraisal of the proposed parcels of land was complete. The Air Force established four priority areas for potential purchase, and they have revised these priority areas four times. Further, the Office concluded a Memorandum of Understanding with HQ USAF, Deputy Assistant Secretary of the Air Force regarding purchase of the parcels of land according to priority.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**Fiscal Year 2013 Highlights - Continued**

**OMBPS and MBPC Actions - Continued**

- **Renewable Energy Impacts:** Primary among this set of issues is addressing the impact of the SunZia transmission project on WSMR. The Commission has been very engaged in working with senior elected officials in support of the Army/WSMR position on the SunZia project. Additionally, landowners in eastern New Mexico have asked for meetings with the Chair and the Director to express their concerns regarding communication with the Air Force. The Director scheduled a State-wide conference call with Land Agency representatives and military representatives to address regional renewable energy impacts. One of the difficulties the State has in supporting this troublesome issue is that the Army and the Air Force have not established firm policy on addressing renewable energy impacts.
- **Melrose Air Force Range Expansion:** This Project was finally complete on November 30, 2012 as the State provided gift “bills of sale” to the Air Force on tenant improvements. The State was required to purchase “tenant improvements” from the past tenants of the parcels of State Trust Land, and a formal judicial review process was established by the State Land Office. Eventually, the State was able to settle with two tenants, which allowed development of the gift “bills of sale.” Final status: the United States Air Force is a tenant of the New Mexico State Land Office, approximately 10,000 additional acres, for 74 years, thereby providing additional training spaces for joint special operations forces in eastern New Mexico.
- **Western Regional Partnership (WRP):** New Mexico has continued to play a key role in the Western Regional Partnership (state, military, and other federal organizations in the five state regions): California, Utah, Nevada, Arizona, and New Mexico. This included Steering Committee sessions in Phoenix and the Principals’ meeting in Sacramento (Commissioner Connor and the Director).
- **Southern New Mexico/El Paso Joint Land Use Study:** This is the largest Joint Land Use Study the DOD Office of Economic Adjustment has sponsored: five New Mexico Counties (Lincoln, Otero, Doña Ana, Sierra, and Socorro); El Paso County; the three southern NM military installations—Ft. Bliss; Holloman; and WSMR; and the three cities (Alamogordo, El Paso, and Las Cruces). The Director drafted the Memorandum of Agreement which established the Regional Planning Organization for the purpose of taking on this ambitious project. Further, the Director appeared before the following legislative bodies to gain their support for the project: Lincoln County Commission (twice); Otero County Commission; Sierra County Commission; and the El Paso County Court. Doña Ana County volunteered to serve as the fiscal agent: grant application; RFP process; contract negotiation; and project management. Two Military Base Planning Commissioners are members of the Policy Committee. The Policy Committee has had two meetings during FY 2013: December 17 and May 1. The Technical Committee and a sub-set of the Technical Committee (the Project Management Team) are exercising more detailed involvement with the Contractor. The Director sits as an ex-officio member of the Policy Committee; as a member of the Technical Committee and the Project Management Team. During the past few months, the Contractor organized

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**Fiscal Year 2013 Highlights - Continued**

**OMBPS and MBPC Actions - Continued**

several public meetings in the six counties for the purpose of soliciting community inputs and comments: Ruidoso, June 3; El Paso, June 5; Las Cruces, June 6; San Antonio, June 11; Alamogordo, June 12; and T or C, June 13. The Director attended the Ruidoso, San Antonio, and T or C meetings.

- **Educational Facilities Review:** This is primarily a local Kirtland Partnership Committee action, though the Director has been called upon by the Office of Economic Adjustment for support. The focus of this project is to evaluate Wherry Elementary School, which is adjacent to Kirtland AFB, as a candidate for a grant from the Department of Defense for improvement of facilities.
- **Regional Commanders' Summit:** The Commanding General, WSMR, organized the first-ever regional Summit—New Mexico Commanders—at WSMR in September, 2012. The Director co-hosted the session. The second session was at Kirtland AFB in April, 2012, and the Director drafted a Charter for the Summit organization which described the vision, mission, and organization of the Summit. Also, the Director secured original signature on the Charter—this also includes Ft. Bliss, Texas. The Summit is an invaluable opportunity for the installation commanders in New Mexico to establish a mutually agreed upon set of priorities in support of their varied missions: Commander, 27<sup>th</sup> Special Operations Wing, Cannon AFB; Commander, 49<sup>th</sup> Wing, Holloman AFB; Commander, 377<sup>th</sup> Air Base Wing, Kirtland AFB; Commander, 58<sup>th</sup> Special Operations Wing, Kirtland AFB; Commanding General, WSMR; and Commanding General, 1<sup>st</sup> Armored Division, Ft. Bliss.

**Summary:** The Office of Military Base Planning and Support and the Military Base Planning Commission have addressed a wide-variety of issues in support of New Mexico's military installations. The focus is to improve "military value" and to ensure that the State is well positioned in the event a Base Realignment and Closure Round is scheduled as well as advertise New Mexico's capability to support high priority national security activities.

**Requests for Information**

This financial report is designed to provide a general overview of MBPS'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 POSITION**

June 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 55,864
Due from State General Fund	-
Due from other state agencies	<u>41,469</u>
 Total assets	 <u><u>\$ 97,333</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 42,741
Accrued payroll and other liabilities	2,090
Due to State General Fund	724
Compensated absences payable:	
Expected to be paid within one year	<u>10,732</u>
 Total liabilities	 56,287
 <b>NET POSITION</b>	
Unrestricted	<u>41,046</u>
 Total net position	 <u>41,046</u>
 Total liabilities and net position	 <u><u>\$ 97,333</u></u>

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

New Mexico Military Base Planning and Support

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2013

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
Military base planning and support	<u>\$ 305,461</u>
Total expenses	305,461
 <b>GENERAL REVENUES AND TRANSFERS</b>	
State General Fund appropriation	181,193
Severance Tax Bonds proceeds	180,585
Transfers out - reversions	(724)
Other	49
Total general revenues and transfers	<u>361,103</u>
 <b>CHANGE IN NET POSITION</b>	55,642
 <b>NET POSITION (DEFICIT) , BEGINNING OF YEAR</b>	<u>(14,596)</u>
 <b>NET POSITION, END OF YEAR</b>	<u><u>\$ 41,046</u></u>

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



New Mexico Military Base Planning and Support

**BALANCE SHEET - GOVERNMENTAL FUND**

June 30, 2013

	General Fund 74800
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 55,864
Due from state general fund	-
Due from other state agencies	41,469
	<hr/>
Total assets	\$ 97,333
	<hr/> <hr/>
<b>LIABILITIES</b>	
Accounts payable	\$ 42,741
Accrued liabilities	2,090
Deferred revenue	32,334
Due to State General Fund	724
	<hr/>
Total liabilities	77,889
<b>FUND BALANCE</b>	
Unassigned	19,444
	<hr/>
Total fund balance	19,444
	<hr/>
Total liabilities and fund balance	\$ 97,333
	<hr/> <hr/>

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

New Mexico Military Base Planning and Support

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

June 30, 2013

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$ 19,444
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Amount of 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	32,334
Compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(10,732)</u>
Net assets of governmental activities (Statement of Net Position)	<u>\$ 41,046</u>

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

New Mexico Military Base Planning and Support

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

Year Ended June 30, 2013

	General Fund 74800
REVENUES	
Miscellaneous revenue	\$ 49
Total revenues	49
EXPENDITURES	
Current:	
Personal services and benefits	109,855
Contractual services	180,585
Other	15,021
Total expenditures	305,461
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(305,412)
OTHER FINANCING SOURCES	
State General Fund Appropriations	181,193
Transfers out - reversions	(724)
Severance Tax Bond Proceeds	148,251
Total of other financing sources (uses)	328,720
NET CHANGE IN FUND BALANCE	23,308
BEGINNING FUND BALANCE (DEFICIT)	(3,864)
ENDING FUND BALANCE	\$ 19,444

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

New Mexico Military Base Planning and Support

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

Year Ended June 30, 2013

Net Changes in Fund Balances - Total Governmental Fund (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 23,308
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	32,334
Change in compensated absence balance not recorded in governmental funds	<u>-</u>
Change in net position of governmental activities (Statement of Activities)	<u><u>\$ 55,642</u></u>

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

New Mexico Military Base Planning and Support

**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUND -  
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Year Ended June 30, 2013

GENERAL FUND - MBPS OPERATING FUND (74800)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Fund Appropriation	\$ -	\$ -	\$ -	\$ -
State General Fund Appropriation	125,600	125,600	181,193	55,593
Other State Funds	-	-	-	-
Severance Tax Bond Proceeds	-	-	148,251	148,251
Other	-	-	49	49
<b>Total revenues</b>	<b>\$ 125,600</b>	<b>\$ 125,600</b>	<b>329,493</b>	<b>\$ 203,893</b>
<b>EXPENDITURES</b>				
Current:				
Personal services and benefits	\$ 109,400	\$ 109,400	109,855	\$ (455)
Contractual services	3,100	-	-	-
Other	13,100	16,200	15,021	1,179
<b>Total expenditures</b>	<b>\$ 125,600</b>	<b>\$ 125,600</b>	<b>124,876</b>	<b>\$ 724</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>			204,617	
<b>BOND EXPENDITURES AND REVERSIONS</b>				
Contractual services			(180,585)	
Reversions			(724)	
			(181,309)	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<b>\$ 23,308</b>	

Multi-Year Capital Projects

	Severance Tax Capital Outlay Appropriation - Budget and Actual			
	Original Budget	Final Budget	Actual Life-to-Date	Variance Positive (Negative)
Cannon Air Force Base Land Multi-year through 2015	\$ 5,000,000	\$ 5,000,000	\$ 3,519,205	\$ 1,480,795
Multi-year expenditures for fiscal year 2013 included in contractual services			\$ 180,585	

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

**NOTE A – DEFINITION OF REPORTING ENTITY**

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

MBPS 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 MBPS shall serve as a nonvoting member. The Chair may appoint a nonvoting advisory committee to provide advice and recommendations on MBPS 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 MBPS.

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

The financial reporting entity as defined by GASB No. 14/39/61 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." MBPS did not have any component units at June 30, 2013.

**Office of the Executive Director**

The chief executive of MBPS is the Director, who is appointed by the MBPS Commission. MBPS, 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 MBPS Director has oversight responsibility. Even though MBPS appoints the Director, that person has decision-making authority, power to designate management, responsibility to significantly influence operations and primary accountability for fiscal matters.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED**

**Office of the Executive Director - Continued**

The Executive Director is empowered to organize MBPS 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 MBPS.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Use of Estimates in Preparing Financial Statements

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

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

2. Financial Reporting Entity

The financial statements for MBPS 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on MBPS as a whole) and fund financial statements. The reporting model focus is on either MBPS 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 Position, 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. The net position of the MBPS consist of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the residual is net position. There were no deferred outflows of resources or deferred inflows of resources for the year ending June 30, 2013. See Note L for more information on deferred outflows and inflows of resources. Funds that are fiduciary in nature are excluded from the government-wide statements and the fund statements.

The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation, if any) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The primary function of MBPS 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 MBPS 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.). MBPS does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of MBPS 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. MBPS's funds are classified in the accompanying fund statements in accordance with the GASB No. 34 requirements.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Government-Wide and Fund Financial Statements – Continued

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 MBPS'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.

MBPS 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 2013.

4. Basis of Presentation – Fund Accounting

The financial transactions of MBPS 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.

MBPS uses the following fund type:

**Major Fund.** MBPS reports the General Fund as a major governmental fund.

**General Fund.** The General Fund (Statewide Human Resource, Accounting and Management Reporting System (SHARE) Fund 74800) is the general operating fund of MBPS 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.

5. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. 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.

7. Modified Accrual

On the fund level financial statements, the governmental fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. MBPS 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.

8. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to MBPS. 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 & Administration (DFA). The budgets presented have been 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

8. Budgets and Budgetary Accounting – Continued

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

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

- No later than September 1, MBPS submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance & Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, MBPS 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.
- For the year ended June 30, 2013, MBPS overspent its final budget amount for Personal Services and Benefits (Object) by \$455.

9. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

9. Cash and Investment in State General Fund Investment Pool - Continued

It is MBPS'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, 2013.

10. 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.

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 2013, MBPS did not have any capitalized assets or current capital outlay expenditures.

11. Due to State General Fund/Reversions

Reversions to the State General Fund by the MBPS 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.

12. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

13. Non-Reverting Funds

All funds which are either appropriated to or earned by MBPS 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, 2013 were paid on or before September 30, 2013. Reversions are not budgeted and there was a \$724 of reversion for FY 2013.

14. 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 MBPS in FY 2013.

15. 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 employees 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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

15. Compensated Absences - Continued

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.

16. Fund Balances and Net position

The government-wide fund financial statements utilize a net position presentation. Net position 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 position 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.

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 J 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 MBPS's policy to spend committed resources first.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

17. Severance Tax Bond Proceeds

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

18. Subsequent Events

Management evaluated subsequent events through December 13, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to December 13, 2013, that provided additional evidence about conditions that existed at June 30, 2013 have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, 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, 2013.

**NOTE C - GENERAL FUND INVESTMENT POOL NOT RECONCILED**

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

By state statute, the New Mexico Department of Finance & Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE C - GENERAL FUND INVESTMENT POOL NOT RECONCILED - CONTINUED**

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool; that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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

**NOTE D - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL**

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

1. 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 a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

2. 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, 2013.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE D - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL - CONTINUED**

2. Credit Risk - Continued

The MBPS has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$55,864 with the Office of the State Treasurer in the State General Fund Investment Pool.

For a detailed listing of all agency bank accounts and State Treasurer SHARE accounts, see the schedule referred to above on page 37.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the State Treasurer’s Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts. Refer to the Schedule of Pledged Collateral on page 38.

**NOTE E – DUE TO/FROM OTHER STATE AGENCIES**

OMB Fund	Purpose	Affiliate Name	Affiliate Fund	Due From	Due To
48000	To fund Capital projects through Severance Tax Bonds	Dept. of Finance & Administration	81500	\$ 41,469	\$ -
48000	Reversion of State General Fund Appropriation	Dept. of Finance & Administration	39401	-	724
Total				<u>\$ 41,469</u>	<u>\$ 724</u>

**NOTE F – 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, 2012	Increase	(Decrease)	Balance June 30, 2013	Amounts Due Within One Year
Compensated absences	<u>\$ 10,732</u>	<u>\$ 9,969</u>	<u>\$ (9,969)</u>	<u>\$ 10,732</u>	<u>\$ 10,732</u>

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE G – REVERSIONS**

Current year reversions to the State General Fund as of June 30, 2013 were as follows:

Appropriation Year	Fund Type	SHARE System Fund	Reversion
Laws of 2012	General	74800	<u>\$ 724</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 \$724 is payable at June 30, 2013 and due by September 30, 2013. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor. The MBPS will pay the remainder of the reversions payable during fiscal year 2014.

**NOTE H – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

1. Plan Description

MBPS'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](http://www.pera.state.nm.us).

2. Funding Policy

Plan members are required to contribute 8.92% of their gross salary. MBPS is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and MBPS are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. MBPS' contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$13,009, \$11,539, and \$13,088, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE I – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

1. Plan Description

MBPS 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.

2. Funding Policy

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE I – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN –  
CONTINUED**

2. Funding Policy - Continued

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, 2013, the statute required each participating employer to contribute 2.000% of each participating employee's annual salary; each participating employee was required to contribute 1.000% of their salary.

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.

MBPS's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$1,725, \$1,578, and \$1,436, respectively, which equal the required contributions for each year.

**NOTE J – RISK MANAGEMENT**

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

MBPS had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2013, 2012 and 2011, there were no settlements that exceeded insurance coverage.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE K – FUND BALANCE CLASSIFICATIONS**

A summary of the nature and purpose of fund balances by fund type at June 30, 2013 is as follows:

	General Fund
	<hr/>
Fund balances:	
Unassigned	\$ 19,444
	<hr/>
Total fund balances	<u>\$ 19,444</u>

**NOTE L - NEW ACCOUNTING STANDARDS**

GASB 63

The MBPS implemented Governmental Accounting Standards Board Statement No. 63 "Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position" (GASB 63) for the year ending June 30, 2013. GASB 63 introduces a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term **net position** for reporting the residual of all elements in a statement of financial position. The Statement of Financial Position of the MBPS at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

GASB 65

Governmental Accounting Standard Board Statement No. 65 "Items Previously Reported as Assets and Liabilities" (GASB 65) changes the classification of various financial statement balance sheet items including several more common type transactions from presentation as assets and liabilities to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012. The MBPS will implement this standard next year. Bond issuance costs will be treated differently for fiscal year 2014 under this standard.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE L - NEW ACCOUNTING STANDARDS - CONTINUED**

GASB 68

Governmental Accounting Standard Board Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB 68) revises existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record a government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements for multiemployer cost sharing plan. The MBPS is a participating member of the Public Employees Retirement Association (PERA), a multiemployer cost sharing plan. Information to implement this standard will be developed by PERA and the State of New Mexico. The implementation date for GASB 68 is fiscal year 2015. The current status of the unfunded liability for PERA is \$6.18 billion based on the most recently issued audited financial statement at June 30, 2012. Legislation was passed in the last year changing PERA's plan benefits design and contribution requirements to fully fund UAAL within 30 years.

**SUPPLEMENTAL INFORMATION**

## New Mexico Military Base Planning and Support

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

Year Ended June 30, 2013

<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, 2013</u>	<u>Remaining Appropriation</u>
<u>Severance Tax Bond Proceeds</u>							
Cannon Air Force Base Land	6/30/2015	\$ 5,000,000	\$ 180,585	\$ -	\$ 3,338,620	\$ 41,469	\$ 1,480,795
Total Severance Tax Bonds		5,000,000	180,585	-	3,338,620	41,469	1,480,795
Total Capital Projects		<u>\$ 5,000,000</u>	<u>\$ 180,585</u>	<u>\$ -</u>	<u>\$ 3,338,620</u>	<u>\$ 41,469</u>	<u>\$ 1,480,795</u>
<u>Special Appropriation</u>							
Senate Bill 565	6/30/2014						
MBPS's Value Case Statement		<u>\$ 50,000</u>	<u>\$ 12,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,019</u>



New Mexico Military Base Planning and Support

**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS**

June 30, 2013

<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>55,864</u>
Total Governmental with State General Fund				\$ <u><u>55,864</u></u>

## New Mexico Military Base Planning and Support

**SCHEDULE OF PLEDGED COLLATERAL**

June 30, 2013

	Accounts at State General Investment Fund	Total
Total amount of deposit	\$ 55,864	\$ 55,864
Less FDIC	-	-
Total uninsured public money	55,864	55,864
50% collateral	-	-
State Agency Collateral Listing	A	A
Total pledged	-	-
Over (under) pledged	A	A

**NOTE 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.



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**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund of the New Mexico Military Base Planning and Support (MBPS) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the MBPS's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our

audit we identified two deficiencies in internal control that we consider to be material weaknesses described in the accompanying schedule of findings and responses as 13-01 and 13-02. However, other material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

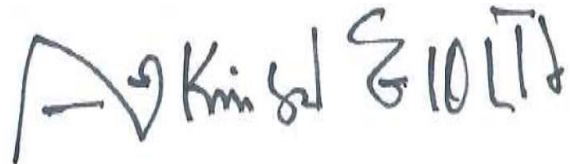
As part of obtaining reasonable assurance about whether the MBPS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 two instances of noncompliance on other matters that are required to be reported pursuant to *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as findings 11-3 and 13-3.

### **The MBPS's Response to Findings**

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

### **Purpose of This Report**

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

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

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 13, 2013

**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2013

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Material weaknesses identified? Yes

Significant deficiencies identified not considered  
to be material weaknesses? No

**COMPLIANCE AND OTHER MATTERS**

Noncompliance material to the financial statements noted? Yes

**CURRENT YEAR FINDINGS**

**Financial Statement Findings Required by *Government Auditing Standards***

13-1 Lack of Due from Other State Agencies Reconciliation (Material Weakness)

13-2 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding  
(Material Weakness)

**State Audit Rule Compliance Findings - Other**

13-3 Late Submission of Auditor Recommendation and Contract (Compliance)

**STATUS OF PRIOR YEAR FINDINGS**

11-3 Budget Overages (Other, Compliance) - Repeated

11-4 Travel Authorization - Cleared

12-1 Untimely reversion to State General Fund - Cleared

**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**

June 30, 2013

**CURRENT YEAR FINDINGS**

**Financial Statement Findings Required by *Government Auditing Standards***

**13-1 Lack of Due from Other State Agencies Reconciliation (Material Weakness)**

**Condition:** During our audit testwork over receivables due from the Department of Finance & Administration (DFA) related to Severance Tax Bonds (STB) accounting, we noted a large balance being carried from the prior year. Upon closer review, we determined that the cash receipt was recorded as revenue in FY13 instead of being applied against the receivable established in FY12, which resulted in an adjustment to reduce revenue and receivables by \$49,823, related to the FY12 receivable. MBPS was responsible for reviewing all receivables and preparing and submitting any necessary correcting entries to FCD by August 15, 2013. MBPS did not prepare a reconciliation of the due from State General Fund receivable 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) receivable 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 due from State General Fund accurately.

**Recommendation:** We recommend management implements monthly reconciliation procedures to ensure that the balances due from State General Fund 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 and Corrective Action Plan:**

Point of Contact: Barbara Brazil, Deputy Cabinet Secretary

In reviewing this weakness, we found that the agency was unaware of the timing and coding of the postings made by DFA when entered into SHARE. We have corrected the problem by implementing a monthly procedure to reconcile STB revenues and expenditures.

**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**

June 30, 2013

**CURRENT YEAR FINDINGS - CONTINUED**

**Financial Statement Findings Required by *Government Auditing Standards* - Continued**

**13-2 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding  
(Material Weakness)**

**Condition:** During our audit testwork, we noted that MBPS did not have an effective reconciliation process in place and would ensure that the severance tax bonds (STB) that are given to MBPS to fund certain specific projects are reconciled to the activity in those projects. In addition, year-end billings for the STB project in the amount of \$32,334 were not recorded timely, therefore causing revenue to be understated at year end. The applicable receivable in the amount of \$32,334 due from other state agencies was not reflected on the general ledger and the account had to be adjusted.

**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 STB funding. The reconciliation that is being utilized does not supply the reader with accurate information and recognition of receivables and revenues.

**Effect:** MBPS 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.

**Recommendation:** We recommend MBPS 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 MBPS establishes a documented monthly review and approval process of the reconciliations to ensure proper monitoring.

**Management's Response and Corrective Action Plan:**

Point of Contact: Barbara Brazil, Deputy Cabinet Secretary

In reviewing this weakness, we found that the agency was unaware of the timing and coding of the postings made by DFA when entered into SHARE. We have corrected the problem by implementing a monthly procedure to reconcile STB revenues and expenditures.

**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**

June 30, 2013

**CURRENT YEAR FINDINGS - CONTINUED**

**State Audit Rule Compliance Findings - Other**

**13-3 Late Submission of Auditor Recommendation and Contract (Compliance)**

**Condition:** MBPS submitted its audit contract and auditor recommendation to the State Auditor after the statutory deadline.

**Criteria:** 2.2.2.8(G)(6)(c) NMAC required that auditor recommendations and completed audit contracts for state agencies be submitted by June 1<sup>st</sup>.

**Cause:** Administrative issues, including turnover in the Administrative Services Division Director, caused the recommendation and contract to be submitted after the deadline.

**Effect:** MBPS was not in compliance with state regulations for contracting the annual audit.

**Recommendation:** We recommend that the MBPS begins preparing the required submissions well in advance of the deadline to ensure that the required information is submitted correctly and timely.

**Management's Response and Corrective Action Plan:**

Point of Contact: Barbara Brazil, Deputy Cabinet Secretary

MBPS accepts the finding and will work to ensure that required submissions to the State Auditor are performed timely.



**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**

June 30, 2013

**STATUS OF PRIOR YEAR FINDINGS**

**State Audit Rule Compliance Findings - Other - Continued**

**11-3 Budget Overages (Other, Compliance) - Repeated**

**Condition:** During audit testwork performed on the legislatively approved budget, we noted that MBPS overexpended the budget in the Personal Services and Benefits category by \$455.

**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:** One budget object expenditure category went over the budget monitoring process and management due to oversight.

**Effect:** The entity is not in compliance with the State Auditor Rule 2.2.2.10.

**Recommendation:** We recommend the implementation of a year-end monitoring procedure to ensure the budget is never overexpended. In addition, we recommend MBPS establishes a documented monthly review and approval process over the internal budget controls to ensure proper monitoring.

**Management's Response and Corrective Action Plan:**

Point of Contact: Hanson Scott, Director

MBPS understands the purpose of monitoring the budget. MBPS will establish a monthly review of the budget with MBPS Manager to review the budget, trial balance, and balance sheet in order to avoid this finding in future audits.

New Mexico Military Base Planning and Support

**EXIT CONFERENCE**

June 30, 2013

An exit conference was held with MBPS on December 5, 2013, 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  
Georgette Chavez, Audit/Accounting Bureau Chief

**ATKINSON & CO., LTD.**

Marty Mathisen, CPA, CGFM, Audit Director  
Clarke Cagle, CPA, CCIFP, CGFM, Audit Director

**PREPARATION OF FINANCIAL STATEMENTS**

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

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