



**OFFICE OF MILITARY BASE  
PLANNING AND SUPPORT**

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

**June 30, 2014**

atkinson

PRECISE. PERSONAL. PROACTIVE.

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Office of Military Base Planning and Support

**OFFICIAL ROSTER**

June 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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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  
Office of Military Base Planning and Support

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparison for the general fund of the Office of Military Base Planning and Support (OMBPS) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the OMBPS's basic financial statements as listed in the table of contents. We have also audited the OMBPS's budgetary comparison for the major capital projects fund presented as supplementary information for the year ended June 30, 2014, 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 OMBPS'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 OMBPS'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 funds of the Office of Military Base Planning and Support as of June 30, 2014, 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. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the budgetary comparison schedule for the capital project fund for the year ended June 30, 2014 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 OMBPS 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 OMBPS. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2014, 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. Our report was not modified for this matter.

## **Other Matters**

### *Required Supplementary Information*

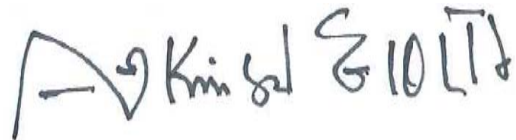
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 and the budgetary comparison schedule for the capital project fund presented as supplementary information. The accompanying schedules of Multiple-Year Capital Projects Funded by Special and Severance Tax Capital Outlay Appropriations from the State, and Schedule of Individual Deposit Accounts 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 November 25, 2014, on our consideration of the OMBPS'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 OMBPS's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 25, 2014



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

June 30, 2014

The Office of Military Base Planning and Support's (OMBPS) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of OMBPS's financial activity, identify changes in OMBPS'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 OMBPS, we offer readers this narrative overview and analysis of the financial activities of OMBPS for the year ended June 30, 2014.

**OMBPS Overview**

OMBPS 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). OMBPS'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. OMBPS began its operations on July 1, 2003.

**Financial Highlights**

- In the fiscal year ended June 30, 2014, the total liabilities of OMBPS exceeded total assets by \$12,085.
- OMBPS acquired no capital assets greater than \$5,000.
- The total cost of OMBPS programs was \$247,707, whereas the total OMBPS revenue was \$194,506.

**Overview of the Financial Statements**

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

The statement of net position presents information on all of OMBPS'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 OMBPS is improving or deteriorating.

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

June 30, 2014

**Overview of the Financial Statements - Continued**

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 OMBPS 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 OMBPS include military base planning and program support, and related program activities. Within OMBPS, 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. OMBPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only funds of OMBPS are the general fund and the capital projects 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.

OMBPS currently maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (74800) and Capital Projects Fund (89200).

OMBPS 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 OMBPS, liabilities exceeded assets by \$12,085 at the close of the 2014 fiscal year.

At the end of the 2014 fiscal year, OMBPS reports a deficit balance in the category of net position.

Governmental activities decreased OMBPS' net position by \$53,131.

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

June 30, 2014

**Financial Analysis of Government's Funds**

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

As of the end of the 2014 fiscal year, OMBPS's governmental funds reported an ending fund balance deficit of \$1,246. 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 and accounts payable in the capital projects fund.

The general fund is the chief operating fund of OMBPS. At the end of the 2014 fiscal year, unrestricted fund balance of the general fund was a surplus of \$3,489.

**Financial Analysis of OMBPS as a Whole****Net Position**

OMBPS's net position changed for fiscal year 2014, decreasing from a surplus of \$41,046 to a deficit of \$12,085. The table below illustrates the statement of net position.

**Detail of OMBPS's Net position as of June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Governmental activities:		
Assets:		
Current and other assets	<u>\$ 30,230</u>	<u>\$ 97,333</u>
Total assets	<u><u>\$ 30,230</u></u>	<u><u>\$ 97,333</u></u>
Liabilities:		
Current liabilities	<u>\$ 42,315</u>	<u>\$ 56,287</u>
Total liabilities	<u>42,315</u>	<u>56,287</u>
Net position (deficit):		
Unrestricted	<u>(12,085)</u>	<u>41,046</u>
Total net position	<u>(12,085)</u>	<u>41,046</u>
Total liabilities and net position	<u><u>\$ 30,230</u></u>	<u><u>\$ 97,333</u></u>

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

June 30, 2014

**Statement of Activities**

OMBPS's change in net position for fiscal year 2014 was a decrease of \$53,131 (Statement of Activities). For 2014, approximately 75% of OMBPS's revenue comes from State General Fund Appropriations, and 25% comes from Severance Tax Bonds.

**Statement of Activities**

	<u>2014</u>	<u>2013</u>
Governmental activities:		
General revenues:		
State General Fund appropriations	\$ 144,400	\$ 181,193
Other financing sources and (uses)		
Reversions	(1,107)	(724)
Other revenue	1,100	49
Severance Tax Bond proceeds	<u>50,183</u>	<u>180,585</u>
Total general revenues	194,576	361,103
Expenses:		
OMBPS development	<u>247,707</u>	<u>305,461</u>
Total expenses	<u>247,707</u>	<u>305,461</u>
(Decrease) increase in net position	(53,131)	55,642
Net position, beginning of year	<u>41,046</u>	<u>(14,596)</u>
Net position, end of year	<u><u>\$ (12,085)</u></u>	<u><u>\$ 41,046</u></u>

**Financial Analysis of OMBPS's Funds****Capital Assets and Debt Administration**

OMBPS did not have any capital assets for the years ended June 30, 2014 and 2013.

OMBPS did not have any long-term debt for the years ended June 30, 2014 and 2013.

**Original and Final Budget**

Office of Military Base Planning and Support had an approved budget of \$195,500 for FY14 allocated to Personal Services (\$111,800), Contractual Services (\$70,000) and Other Costs (\$13,700). There were no BARs for the year. Revenue exceeded final budget for excess severance tax bond proceeds received over other appropriation by \$24,582. Expenditures were within budget except for the personal service function category which was exceeded by \$728.

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

June 30, 2014

**Fiscal Year 2014 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. In April 2014, the Air Force activated the 54<sup>th</sup> Fighter Training Group at Holloman, which will eventually have over 50 F-16s. The Second Squadron is now scheduled to begin arriving at Holloman in June, 2015.

**Military Value:** The Commission has emphasized Military Value as a primary focus of the Military Base Planning Program since 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. The New Mexico Legislature funded a Military Value "Case Statement" in the 2013 Session, and the Office and selected Commissioners worked with a consultant to develop an outstanding deliverable: **In Defense of the Nation**, which describes the Military Value of each of New Mexico's military installations. This Document has been made available to all members of the New Mexico State Legislature, selected community leaders, staff members and principals of the New Mexico Congressional Delegation, and senior executives in the Pentagon.

**Airspace:** The Director continues to have an outstanding working relationship with the FAA/Albuquerque Center. Currently, Holloman AFB is working with the FAA to expand some of the military operating areas assigned to the 49<sup>th</sup> Wing.

- **Cannon Land Acquisition:** This Action continues to receive extensive executive attention from the Director and the Chairman of the Military Base Planning Commission. During the past fiscal year, the Environmental Baseline Study was updated and Appraisals were updated. One of the landowners indicated an interest in selling at the Appraisal Price for dry land. Of the other two primary landowners, one is not interested in selling at any price, and the other asked for six times the appraisal price. Currently, negotiations with the interested landowner are proceeding carefully, and the State is in continuing contact with the Air Force. It is expected that closure will occur sometime in the Fall of 2014, and the State will be able to give the Air Force approximately 600 acres of land adjacent to Cannon which will contribute to force protection and flight safety. **United States Forest Service:** The Director established a strong working relationship with the Office of the Regional Forester and now three of New Mexico's National Forests (Cibola, Gila, and Lincoln) are working closely with various military units in New Mexico.

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

June 30, 2014

**Fiscal Year 2014 Highlights - Continued**

**OMBPS and MBPC Actions - Continued**

- **Southern New Mexico/El Paso Joint Land Use Study (JLUS):** The Director has continued to play a key role in this JLUS, which is the largest DOD has sponsored. The consultant team is finalizing their report, which is scheduled to be presented to the Policy Committee in the Fall of 2014. In the meantime, the Director drafted a Memorandum of Agreement which establishes the JLUS Implementation Committee. The Implementation Committee has the mission of taking the JLUS recommendations to the various governmental entities for implementation by whatever means is appropriate.

**Renewable Energy Impacts:** One of the primary issues has involved addressing the impact of the proposed SunZia transmission line on White Sands Missile Range. The Governor submitted a Consistency Review Report to the Bureau of Land Management, and she also asked the President of the United States to direct the Department of the Interior and the Bureau of Land Management to move the BLM proposed route north of the Northern Extension Area, thereby avoiding a negative impact on the long-range testing capability of White Sands Missile Range. In May 2014, the Secretary of Defense agreed to the BLM proposed route with the provision that the Line would be buried for five miles (three increments). Additionally, the Office and the Commission have been outspoken as regards to other impacts on military capabilities resulting from renewable energy initiatives. Again, the absence of clear-cut Air Force and Army policy on dealing with the impact of renewable energy initiatives on military missions has hampered State of New Mexico efforts.

**Melrose Air Force Range Expansion:** The Air Force notified current lessees that their leases would expire October 2015, and the Air Force is now developing plans to use the additional 10,000 acres included in the Expansion.

**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. During the budget sequestration period, WRP suffered a setback, but is now back on track. New Mexico will continue to participate, given resource availability and overall Program priorities.

- **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 Office and two Commissioners are continuing to play key roles in this ambitious project. The Report of the JLUS effort is in Final Draft and it is expected that it will be presented to the Policy Committee Fall of 2014. In the meantime, the Director has Drafted a Memorandum of Agreement which establishes the Joint Land Use Study Implementation Committee. This phase of the project will be an even bigger challenge. However, working relationships between the three military installations, the three cities, and the six counties have continued to mature and it is expected the Implementation Committee will be able to successfully carry out the recommendations.

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

June 30, 2014

**Fiscal Year 2014 Highlights - Continued**

**OMBPS and MBPC Actions - Continued**

**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 Department of Defense provided a \$16.3 million grant to Albuquerque Schools for the improvement of the Wherry Elementary School, adjacent to Kirtland AFB.

**Regional Commanders' Summit:** The Director has continued to participate in the Regional Commanders' Summit—two meetings were held in FY 2014, one hosted by the New Mexico National Guard and the second hosted by the 49<sup>th</sup> Wing, Holloman AFB.

**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 OMBPS'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.

Office of Military Base Planning and Support

**STATEMENT OF NET POSITION**

June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Investment in State General Fund Investment Pool	\$ 22,295
Due from other state agencies (81500)	<u>7,935</u>
Total assets	<u>\$ 30,230</u>
<b>Liabilities</b>	
Accounts payable	\$ 19,872
Overdraft in SGFIP	7,935
Accrued payroll and other liabilities	2,562
Due to State General Fund (39401)	1,107
Compensated absences payable:	
Expected to be paid within one year	<u>10,839</u>
Total liabilities	42,315
<b>Net Position</b>	
Unrestricted	<u>(12,085)</u>
Total net position (deficit)	<u>(12,085)</u>
Total liabilities and net position	<u>\$ 30,230</u>

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



Office of Military Base Planning and Support

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2014

	<u>Governmental Activities</u>
<b>Expenses</b>	
Military base planning and support	\$ 247,707
Total expenses	247,707
 <b>General Revenues and Transfers</b>	
State General Fund appropriation	144,400
Other financing sources	1,100
Severance tax bond proceeds	50,183
Transfers out - reversions to state general fund FY14	-
	<u>(1,107)</u>
Total general revenues and transfers	<u>194,576</u>
 <b>Change in Net Position</b>	 (53,131)
Net position, beginning	<u>41,046</u>
Net position, ending	<u>\$ (12,085)</u>

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

Office of Military Base Planning and Support

**BALANCE SHEET - GOVERNMENTAL FUND**

June 30, 2014

	Major Funds		Total
	74800	89200	
	General Fund	STB Capital Projects Fund	
<b>Assets</b>			
Investment in State General Fund Investment Pool	\$ 22,295	\$ -	\$ 22,295
Due from state general fund	-	-	-
Due from other state agencies	-	7,935	7,935
Total assets	<u>\$ 22,295</u>	<u>\$ 7,935</u>	<u>\$ 30,230</u>
<b>Liabilities</b>			
Accounts payable	\$ 15,137	\$ 4,735	\$ 19,872
Overdraft in SGFIP	-	7,935	7,935
Accrued liabilities	2,562	-	2,562
Due to State General Fund	1,107	-	1,107
Total liabilities	18,806	12,670	31,476
<b>Fund Balances</b>			
Restricted	-	-	-
Unassigned	3,489	(4,735)	(1,246)
Total fund balance	<u>3,489</u>	<u>(4,735)</u>	<u>(1,246)</u>
Total liabilities and fund balance	<u>\$ 22,295</u>	<u>\$ 7,935</u>	<u>\$ 30,230</u>

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

Office of Military Base Planning and Support

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

June 30, 2014

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$	(1,246)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		<u>(10,839)</u>
Net assets of governmental activities (Statement of Net Position)	\$	<u>(12,085)</u>

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

Office of Military Base Planning and Support

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

Year Ended June 30, 2014

	Major Funds		Total
	74800 General Fund	89200 STB Capital Projects Fund	
<b>Revenues</b>			
Miscellaneous revenue	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>Expenditures</b>			
Current:			
Personal services and benefits	112,528	-	112,528
Contractual services	110,989	12,670	123,659
Other	11,413	-	11,413
Total expenditures	234,930	12,670	247,600
Excess (deficiency) of revenue over expenditures	(234,930)	(12,670)	(247,600)
<b>Other Financing Sources (Uses)</b>			
State general fund appropriations	144,400	-	144,400
Severance tax bond proceeds	74,582	7,935	82,517
Other financing sources	1,100	-	1,100
Transfers out - reversions to state general fund FY14	(1,107)	-	(1,107)
Total of other financing sources	218,975	7,935	226,910
Net change in fund balance	(15,955)	(4,735)	(20,690)
Beginning fund balance	19,444	-	19,444
Ending fund balance	\$ 3,489	\$ (4,735)	\$ (1,246)

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

Office of 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, 2014

Net Changes in Fund Balances - Total Governmental Fund (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (20,690)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Amount of change in unearned revenue from prior year, recorded at the fund level due to the restrictions placed by the period of availability, recognized as revenue on the Statement of Activities in the current year.	(32,334)
Change in compensated absence balance not recorded in governmental funds	<u>(107)</u>
Change in net position of governmental activities (Statement of Activities)	<u>\$ (53,131)</u>

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

Office of Military Base Planning and Support

**SCHEDULE OF REVENUES AND EXPENDITURES - MAJOR  
GOVERNMENTAL FUND - BUDGET AND ACTUAL (BUDGETARY BASIS) -  
GENERAL FUND - FUND 74800**

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
General fund appropriation	\$ 144,400	\$ 144,400	\$ 144,400	\$ -
Other appropriations	50,000	50,000	-	(50,000)
Federal grants	-	-	-	-
Other financing sources	1,100	1,100	1,100	-
Severance Tax Bond Proceeds	-	-	74,582	74,582
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 195,500</u>	<u>\$ 195,500</u>	220,082	<u>\$ 24,582</u>
<b>Expenditures</b>				
Personal services and benefits	\$ 111,800	\$ 111,800	112,528	\$ (728)
Contractual services	70,000	70,000	68,741	1,259
Other	13,700	13,700	11,413	2,287
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 195,500</u>	<u>\$ 195,500</u>	192,682	<u>\$ 2,818</u>
Excess of revenue over expenditures			27,400	
Bond Expenditures and Reversions				
Contractual services expended for bond projects not sourced in general fund*			(42,248)	
Reversions			(1,107)	
			<u>          </u>	
			(43,355)	
Net change in fund balance (GAAP basis)			<u>\$ (15,955)</u>	

\*Budget for these expenditures are from STB bonds per page 36.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**NOTE A – DEFINITION OF REPORTING ENTITY**

The reporting entity is Office of Military Base Planning and Support (OMBPS). OMBPS'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. OMBPS was created by the Laws of 2006, Section 9-15-46 and began operations on July 1, 2007. It will operate according to the provisions of 9-15-48 through 9-15-51 until July 1, 2016.

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

OMBPS is a component unit of the State of New Mexico in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and 39. OMBPS is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of OMBPS'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." OMBPS did not have any component units at June 30, 2014.

**Office of the Executive Director**

The chief executive of OMBPS is the Director, who is appointed by the OMBPS Commission. OMBPS, 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 OMBPS Director has oversight responsibility. Even though OMBPS 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, 2014

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

**Office of the Executive Director - Continued**

The Executive Director is empowered to organize OMBPS 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 OMBPS.

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

1. Use of Estimates in Preparing Financial Statements

The OMBPS 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. OMBPS has no component units.

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 OMBPS 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, 2014

**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 OMBPS as a whole) and fund financial statements. The reporting model focus is on either OMBPS 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 OMBPS 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, 2014. See Note L for more information on deferred outflows and inflows of resources. Interfund receivables and payables are eliminated for government-wide reporting. 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 OMBPS 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 OMBPS 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.). OMBPS does not currently employ indirect cost allocation systems.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**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 OMBPS'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.

OMBPS 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 2014.

4. Basis of Presentation – Fund Accounting

The financial transactions of OMBPS 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.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following funds are reported in the financial statements. The OMBPS has determined that all of the following are major funds:

**General Fund** - The General Fund (Statewide Human Resource, Accounting and Management Reporting System (SHARE) Fund 74800) is the general operating fund of OMBPS and is used to account for all financial resources except those to be accounted for in another fund. The General Fund is funded primarily through appropriations from the State of New Mexico General Fund. The General Fund is a reverting fund.

**Severance Tax Bond Capital Projects Fund** - Fund was established to track capital projects funded by Severance Tax Bonds. Unspent funds will revert upon individual project completion (SHARE Fund 89200).

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

5. Accrual Basis

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

6. Modified Accrual

On the fund level financial statements, the governmental funds are 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. OMBPS 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.

7. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to OMBPS. 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 appropriation program level 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.

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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

7. Budgets and Budgetary Accounting – Continued

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

- No later than September 1, OMBPS 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, OMBPS 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, 2014, OMBPS overspent its final budget amount for Personal Services and Benefits (Object) by \$728. OMBPS will reallocate its budget components to cover compensation agreements.

8. Cash and Investment in State General Fund Investment Pool

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

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

8. Cash and Investment in State General Fund Investment Pool – Continued

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, 2014.

9. 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
---------------------------	---------

During fiscal year 2014, OMBPS did not have any capitalized assets or current capital outlay expenditures.

10. Due to State General Fund/Reversions

Reversions to the State General Fund by the OMBPS 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.

11. 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, 2014

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

12. Revenue Recognition

Revenue is recognized from grants or other sources when all eligibility requirements have been met including allowable expenditures. Amounts received from federal grants prior to expenditures occurring or amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year are accounted for as unearned revenue or as deferred inflows depending on eligibility criteria in the fund financial statements. Unavailable amounts under the modified accrual basis are reported as deferred inflows. No federal funds were available to OMBPS in FY 2014.

13. 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 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.

14. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

14. Fund Balances and Net Position – Continued

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive Branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. See Note J for additional information about fund balances. The OMBPS has no restricted funds at June 30, 2014. There are no amounts restricted by enabling legislation at June 30, 2014.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is OMBPS'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 OMBPS's policy to spend committed resources first.

15. Severance Tax Bond Proceeds

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

16. Subsequent Events

Management evaluated subsequent events through November 25, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to November 25, 2014, that provided additional evidence about conditions that existed at June 30, 2014 have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, 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, 2014.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**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 (GFIP or 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.

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE System configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the State’s fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. However, additional critical business process changes and corrections to configurations within the SHARE System remain to be completed; therefore, Cash Management Remediation Project, Phase II, commenced July 2014. Its scope was to perform reconciliations from July 2000 to January 2013. It is not completed as of November 2014.

For fiscal 2013, 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 has not been changed to date. 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 OMBPS reconciles its deposits and other activity with the State Treasurer to the General Ledger on a periodic basis to ensure proper posting.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

State law (Section 8-6-3 NMSA 1978) requires the OMBPS's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the OMBPS 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, 2014.

The OMBPS 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.

Office of Military Base Planning and Support

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

Due to/Due from OMBPS Fund	Purpose	Affiliate Name	Affiliate Fund	Due From	Due To
89200	To fund Capital projects through Severance Tax Bonds	Dept. of Finance & Administration	81500	\$ 7,935	\$ -
74800	Reversion of State General Fund Special Appropriation	Dept. of Finance & Administration	39401		451
74800	Reversion of State General Fund Appropriation	Dept. of Finance & Administration	39401	-	656
Total				<u>\$ 7,935</u>	<u>\$ 1,107</u>

**NOTE F – COMPENSATED ABSENCES**

The current portion of compensated absences payable expected to be paid within one year is \$10,839.

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

	Balance June 30, 2013	Increase	(Decrease)	Balance June 30, 2014	Amounts Due Within One Year
Compensated absences	<u>\$ 10,732</u>	<u>\$ 10,069</u>	<u>\$ (9,962)</u>	<u>\$ 10,839</u>	<u>\$ 10,839</u>

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

**NOTE G – OTHER FINANCING SOURCES**

Other financing sources consist of the following:

	Agency	Transfers In
State General Fund appropriation	39401	\$ 144,400
Severance tax bond proceeds	81500	\$ 50,183

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE H – REVERSIONS**

Current year reversions to the State General Fund as of June 30, 2014 were as follows:

Appropriation Year	Fund Type	SHARE System Fund	Reversion
Laws of 2013	General	74800	\$ 656
Senate Bill 565	General	74800	451
Total			<u>\$ 1,107</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 \$1,107 is payable at June 30, 2014 and due by September 30, 2014. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

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

1. Plan Description

OMBPS'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. OMBPS is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and OMBPS are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. OMBPS' contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$14,505, \$13,009, and \$11,539, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

1. Plan Description

OMBPS 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 (NMRHCA). The NMRHCA 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 NMRHCA 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 NMRHCA plan on the person's behalf unless that person retires before the employer's NMRHCA 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 NMRHCA 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 New Mexico 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 NMRHCA 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 NMRHCA 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 NMRHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2014, 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 NMRHCA based on one of two formulas at agreed-upon intervals.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

2. Funding Policy - Continued

The NMRHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

OMBPS's contributions to the NMRHCA for the years ended June 30, 2014, 2013 and 2012 were \$1,752, \$1,725, and \$1,578, respectively, which equal the required contributions for each year.

**NOTE K – RISK MANAGEMENT**

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

OMBPS had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2014, 2013 and 2012, there were no settlements that exceeded insurance coverage.

**NOTE L – FUND BALANCE CLASSIFICATIONS**

A summary of the nature and purpose of fund balances by fund type at June 30, 2014 is as follows:

	General Fund	Major Capital Projects Funds
Fund balances (deficit):		
Unassigned	\$ 3,489	\$ (4,735)
Total fund balances	<u>\$ 3,489</u>	<u>\$ (4,735)</u>

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE M - NEW ACCOUNTING STANDARDS**

GASB 63

The OMBPS 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 OMBPS at June 30, 2014 conforms to the presentation requirements of GASB 63.

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 November 25, 2012. The OMBPS implemented this standard this year. There were no deferred outflows or inflows to separately report at June 30, 2014.

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 OMBPS is a participating member of the Public Employees Retirement Association (PERA), a multi-employer 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 \$4.62 billion based on the most recently issued audited financial statement at June 30, 2013. Legislation was passed in the last year changing PERA's plan benefits design and contribution requirements to fully fund UAAL within 30 years. For the year ended June 30, 2015, OMBPS will be reporting a material liability for pension participations.

**SUPPLEMENTAL INFORMATION**

## Office of Military Base Planning and Support

**SCHEDULE OF REVENUES AND EXPENDITURES - MAJOR FUND  
PROJECTS FUND - BUDGET AND ACTUAL (BUDGETARY BASIS) -  
STB CAPITAL PROJECT - FUND 89200**

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Other appropriations	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
Severance Tax Bond Proceeds	-	-	7,935	7,935
Total revenues	<u>\$ -</u>	<u>\$ -</u>	7,935	<u>\$ 7,935</u>
<b>Expenditures</b>				
Personal services and benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	12,670	(12,670)
Other	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	12,670	<u>\$ (12,670)</u>
Excess (deficiency) of revenue over expenditures			<u>(4,735)</u>	
Net change in fund balance (GAAP basis)			<u>\$ (4,735)</u>	

Unspent portion of STB funds were transferred from Fund 74800 to the budget in 89200 in May 2014.



## Office of Military Base Planning and Support

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

Year Ended June 30, 2014

<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, 2014</u>	<u>Remaining Appropriation</u>
<u>Severance Tax Bond Proceeds</u>							
Cannon Air Force Base Land	6/30/2016	\$ 5,000,000	\$ 54,918	\$ -	\$ 3,519,205	\$ -	\$ 1,425,877
Total Severance Tax Bonds		<u>\$ 5,000,000</u>	<u>\$ 54,918</u>	<u>\$ -</u>	<u>\$ 3,519,205</u>	<u>\$ -</u>	<u>\$ 1,425,877</u>
<u>Special Appropriation</u>							
Senate Bill 565							
OMBPS's Value Case Statement	6/30/2014	<u>\$ 50,000</u>	<u>\$ 49,549</u>	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Senate Bill 313							
Laws of 2014							
Contingent on Federal Government							
Announcing a Military Base							
Realignment or Closure	6/30/2014	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>

Office of Military Base Planning and Support

**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS**

June 30, 2014

<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 Treasury	\$ 22,295
STB Capital Project Fund	89200	Capital project	State Treasury	<u>-</u>
Total Governmental with State General Fund				<u><u>\$ 22,295</u></u>



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

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
To the Board of Directors of  
Office of 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 budgetary comparison of the general fund of the Office of Military Base Planning and Support (OMBPS) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents, and the budgetary comparison for the major capital projects fund presented as supplementary information for the year ended June 30, 2014 and have issued our report dated November 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the OMBPS'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 OMBPS's internal control. Accordingly, we do not express an opinion on the effectiveness of the OMBPS'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 OMBPS'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. Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

## Compliance and Other Matters

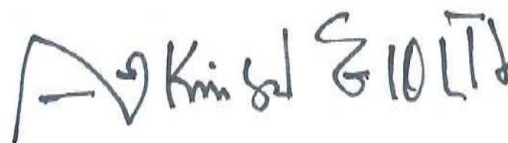
As part of obtaining reasonable assurance about whether the OMBPS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 one instance 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 finding 2011-03.

### The OMBPS's Response to Finding

The OMBPS's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The OMBPS'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 OMBPS'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 OMBPS'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 initial or logo to the left.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 25, 2014

**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2014

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Material weaknesses identified? No

Significant deficiencies identified not considered to be material weaknesses? No

**COMPLIANCE AND OTHER MATTERS**

Noncompliance material to the financial statements noted? No

**STATUS OF PRIOR YEAR FINDINGS**

2011-03 Budget Overages (Other, Compliance) - Repeated

2013-01 Lack of Due from Other State Agencies Reconciliation (Material Weakness) - Cleared

2013-02 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding (Material Weakness) - Cleared

2013-03 Late Submission of Auditor Recommendation and Contract (Compliance) - Cleared

**CURRENT YEAR FINDINGS**

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

None

**State Audit Rule Compliance Findings - Other**

None

**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**

June 30, 2014

**STATUS OF PRIOR YEAR FINDINGS**

**State Audit Rule Compliance Findings - Other**

**2011-03 Budget Overages (Other, Compliance) - Repeated**

**Condition:** During audit testwork performed on the legislatively approved budget, we noted that OMBPS overexpended the budget in the Personal Services and Benefits category by \$728.

**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 OMBPS establishes a documented monthly review and approval process over the internal budget controls to ensure proper monitoring.

**Management's Response and Corrective Action Plan:** The Department understands the regulatory practice of monitoring the budget. The Department had established a monthly projection and monitoring practice of the MBPS budget, trial balance, and CAFR reports in FY14 and as such, had made note of the deficient balance in the Personal Salaries and Employee Benefits category. However, there was an oversight on making an adjustment for this deficiency. In the future, the Department will make adjustments at the beginning of the fourth quarter of the fiscal year rather than waiting until year-end.

Office of Military Base Planning and Support

**EXIT CONFERENCE**

June 30, 2014

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Department's management. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. Management has reviewed and approved the financial statements.

\* \* \* \* \*

An exit conference was held with the Department on December 2, 2014, at the Department's offices in Santa Fe, New Mexico. In attendance were:

**OFFICE OF MILITARY BASE PLANNING AND SUPPORT**

Barbara Brazil  
Therese Trujillo  
Georgette Chavez  
Louis Roybal

Deputy Cabinet Secretary  
ASD Director/CFO  
Finance Bureau Chief  
Financial Specialist

**ATKINSON & CO., LTD.**

Martin Mathisen, CPA, CGFM  
Clarke Cagle, CPA, CCIFP, CGFM  
Gabriella Parra

Audit Director  
Audit Director  
Senior Auditor

**PREPARATION OF FINANCIAL STATEMENTS**

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

ATKINSON & CO. LTD.  
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