



**OFFICE OF MILITARY BASE  
PLANNING AND SUPPORT**

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

**June 30, 2015**

atkinson

PRECISE. PERSONAL. PROACTIVE.

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Office of Military Base Planning and Support

**OFFICIAL ROSTER**

June 30, 2015

**COMMISSION MEMBERS**

Tony Strati (Albuquerque), Chair - Resigned April 2015\*

Secretary Greg Myers, Member

Lieutenant Governor John Sanchez, Member

Jay Bledsoe, Brig Gen, NMNG (Ret) (Albuquerque), Member

Senator Bill Burt (Alamogordo), Member

Ed Brabson (Alamogordo), Member

Bill Connor (Las Cruces), Member

Kiel Hoffman (Las Cruces), Member

Lee Malloy (Clovis), Member

Stacey Martin (Clovis), Member

Sherman McCorkle (Albuquerque), Member

James Tegnalia (Albuquerque), Member

Colonel Michael Connolly, USAF (Ret) (Clovis), Member

John Garcia (Albuquerque), Member

Lance Grace (Alamogordo), Member

Joe Martinez (Las Cruces), Member

**ADMINISTRATIVE SERVICES**

Jon Barela, Cabinet Secretary

Eric Kivi, Colonel USAF (Ret)/Director

Barbara Brazil, Deputy Cabinet Secretary

Marilu Casillas, ASD Director/CFO

\*As of April 2015, there is no designated Commission Member Chair, until an expected replacement in September 2015.



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
Office of Military Base Planning and Support  
and  
Mr. Timothy Keller  
New Mexico State Auditor

### **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, 2015 and the related notes to the financial statements, which collectively comprise the OMBPS' basic financial statements as listed in the table of contents. We have also audited the OMBPS' budgetary comparison for the major capital projects fund presented as supplementary information for the year ended June 30, 2015, 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.

### **Auditors' 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 auditors' 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' 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' 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, 2015, 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, 2015 in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note B3, 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, 2015, 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 IS not modified for this matter.

As discussed in Note B20, the State of New Mexico, as a single employer, has implemented GASB 68 *Accounting and Financial Reporting for Pensions*, in the June 30, 2015, Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Agency's governmental funds. All other required footnotes and other disclosures required by Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2015. Our opinion is not modified with respect to 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 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

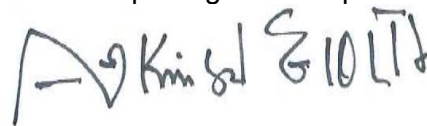
#### *Other Information*

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.

The Schedule of Vendor Information, required by 2.2.2 NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of the OMBPS' 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' internal control over financial reporting and compliance.

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  
November 25, 2015



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

June 30, 2015

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' 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, 2015.

**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' 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, 2015, the total assets of OMBPS exceeded total liabilities by \$1,041.
- OMBPS acquired no capital assets greater than \$5,000.
- The total cost of OMBPS programs was \$799,987, whereas the total OMBPS revenue was \$813,113.

**Overview of the Financial Statements**

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

The statement of net position presents information on all of OMBPS' 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, 2015

**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, assets exceeded liabilities by \$1,041 at the close of the 2015 fiscal year.

Governmental activities increased OMBPS' net position by \$13,126.

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

June 30, 2015

**Financial Analysis of Government's Funds**

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

As of the end of the 2015 fiscal year, OMBPS' governmental funds reported an ending fund balance of \$3,489. 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 2015 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' net position changed for fiscal year 2015, increasing from a deficit of \$12,085 to a surplus of \$1,041. The table below illustrates the statement of net position.

**Detail of OMBPS' Net position as of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Governmental activities:		
Assets:		
Current and other assets	\$ 30,826	\$ 30,230
Total assets	<u>\$ 30,826</u>	<u>\$ 30,230</u>
Liabilities:		
Current liabilities	\$ 29,785	\$ 42,315
Total liabilities	<u>29,785</u>	<u>42,315</u>
Net position (deficit):		
Unrestricted	<u>1,041</u>	<u>(12,085)</u>
Total net position (deficit)	<u>1,041</u>	<u>(12,085)</u>
Total liabilities and net position	<u>\$ 30,826</u>	<u>\$ 30,230</u>

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

June 30, 2015

**Statement of Activities**

OMBPS' change in net position for fiscal year 2015 was a increase of \$13,126 (Statement of Activities). For 2015, approximately 23% of OMBPS' revenue comes from State General Fund Appropriations, and 77% comes from Severance Tax Bonds.

**Statement of Activities**

	<u>2015</u>	<u>2014</u>
Governmental activities:		
General revenues:		
State General Fund appropriations	\$ 200,500	\$ 144,400
Other financing sources and (uses)		
Reversions	(12,883)	(1,107)
Other revenue	-	1,100
Severance Tax Bond proceeds	<u>625,496</u>	<u>50,183</u>
Total general revenues	813,113	194,576
Expenses:		
OMBPS development	<u>799,987</u>	<u>247,707</u>
Total expenses	<u>799,987</u>	<u>247,707</u>
(Decrease) increase in net position	13,126	(53,131)
Net position, beginning of year	<u>(12,085)</u>	<u>41,046</u>
Net position, end of year	<u>\$ 1,041</u>	<u>\$ (12,085)</u>

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

OMBPS did not have any permanent capital assets for the years ended June 30, 2015 and 2014.

OMBPS did not have any long-term debt for the years ended June 30, 2015 and 2014.

**Original and Final Budget**

Office of Military Base Planning and Support had an approved budget of \$200,500 for FY15 allocated to Personal Services (\$112,400), Contractual Services (\$74,400) and Other Costs (\$13,700). There were two bars during the year to move budget amounts to different expenditure categories. Overall expenditures were within budget except for the personal service function category which was exceeded by nine dollars.

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

June 30, 2015

**Fiscal Year 2015 Highlights**

The Office of Military Base Planning and Support (OMBPS) and the Military Base Planning Commission (MBPC) had an active year. The Commission is required to have quarterly meetings, but due to scheduling conflicts, 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. The second of two F-16 training squadrons arrived in Summer 2015. Full-scale training will begin in November 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.

**Airspace:** The Director continues to have an outstanding working relationship with the FAA/Albuquerque Center. Currently, the Air Force is working with the FAA to optimize some of the military operating areas assigned to the 49<sup>th</sup> Wing as well as the airspace across the New Mexico region.

**Accomplishments:** The office completed the State purchase of 600 acres of property, in the amount of \$571,477, adjacent to Cannon AFB for encroachment and security protection. The land was then subsequently deeded to the USAF. The Director provided staff support to the Governor on the SunZia issue - Attended State Land Office hearings in Deming and Socorro; met with ranchers and others affected by the planned SunZia routing. The office has continued to play a major role in the evolution of the Southern NM/EI Paso Joint Land Use Study (JLUS), the most complex and largest JLUS DOD has supported. The Office and several commissioners are active participants in the subcommittees and the Implementation Committee to take action on the recommendation of the JLUS report. The Director established focused interface between military installations and three of the five national forests in New Mexico: Lincoln, Gila, and Cibola. The Director also worked closely with key members of the Western Regional Partnership Steering Committee to revitalize the activities of WRP, to include participating in the steering committee and attending the Principals Meeting. The office facilitated meeting between Truth or Consequences Municipal Airport and the 58th Special Operations Wing to discuss CV-22 operations at the airport.

**Requests for Information**

This financial report is designed to provide a general overview of OMBPS' 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, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Investment in State General Fund Investment Pool	<u>\$ 30,826</u>
Total assets	<u><u>\$ 30,826</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 11,472
Accrued payroll and other liabilities	2,982
Due to state general fund	12,883
Compensated absences payable:	
Expected to be paid within one year	<u>2,448</u>
Total liabilities	29,785
<b>Net Position</b>	
Unrestricted	<u>1,041</u>
Total net position	<u>1,041</u>
Total liabilities and net position	<u><u>\$ 30,826</u></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, 2015

	<u>Governmental Activities</u>
<b>Expenses</b>	
Military base planning and support	<u>\$ 799,987</u>
Total expenses	799,987
<b>General Revenues and Transfers</b>	
State General Fund appropriation	200,500
Severance tax bond proceeds	625,496
Transfers out - reversions to state general fund FY15	<u>(12,883)</u>
Total general revenues and transfers	<u>813,113</u>
<b>Change in Net Position</b>	13,126
Net position (deficit), beginning	<u>(12,085)</u>
Net position, ending	<u><u>\$ 1,041</u></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, 2015

	Major Funds		
	74800 General Fund	89200 STB Capital Projects Fund	Total
<b>Assets</b>			
Investment in State General Fund Investment Pool	\$ 30,826	\$ -	\$ 30,826
Total assets	<u>\$ 30,826</u>	<u>\$ -</u>	<u>\$ 30,826</u>
<b>Liabilities</b>			
Accounts payable	\$ 11,472	\$ -	\$ 11,472
Accrued liabilities	2,982	-	2,982
Due to State General Fund	<u>12,883</u>	<u>-</u>	<u>12,883</u>
Total liabilities	27,337	-	27,337
<b>Fund Balances</b>			
Restricted	-	-	-
Unassigned	<u>3,489</u>	<u>-</u>	<u>3,489</u>
Total fund balance	<u>3,489</u>	<u>-</u>	<u>3,489</u>
Total liabilities and fund balance	<u>\$ 30,826</u>	<u>\$ -</u>	<u>\$ 30,826</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, 2015

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$ 3,489
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>(2,448)</u>
Net position of governmental activities (Statement of Net Position)	<u>\$ 1,041</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 BALANCE - GOVERNMENTAL FUND**

Year Ended June 30, 2015

	Major Funds		
	74800	89200	
	General	STB Capital	
	Fund	Projects	Total
	Fund	Fund	Total
<b>Revenues</b>			
Miscellaneous revenue	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>Expenditures</b>			
Current:			
Capital outlay	-	571,477	571,477
Personal services and benefits	123,497	-	123,497
Contractual services	46,560	49,284	95,844
Other	17,560	-	17,560
Total expenditures	187,617	620,761	808,378
Excess (deficiency) of revenue over expenditures	(187,617)	(620,761)	(808,378)
<b>Other Financing Sources (Uses)</b>			
State general fund appropriations	200,500	-	200,500
Severance tax bond proceeds	-	625,496	625,496
Other financing sources (uses)	-	-	-
Transfers out - reversions to state general fund FY15	(12,883)	-	(12,883)
Total of other financing sources	187,617	625,496	813,113
Net change in fund balance	-	4,735	4,735
Beginning fund balance	3,489	(4,735)	(1,246)
Ending fund balance	\$ 3,489	\$ -	\$ 3,489

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, 2015

Net Changes in Fund Balances - Total Governmental Fund (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 4,735
Amounts reported for governmental activities in the Statement of Activities are different because:	
Change in compensated absence balance not recorded in governmental funds	<u>8,391</u>
Change in net position of governmental activities (Statement of Activities)	<u>\$ 13,126</u>

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

Office of Military Base Planning and Support

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

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
General fund appropriation	\$ 200,500	\$ 200,500	\$ 200,500	\$ -
Other appropriations	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	<b>\$ 200,500</b>	<b>\$ 200,500</b>	<b>200,500</b>	<b>\$ -</b>
<b>Expenditures</b>				
Personal services and benefits	\$ 112,400	\$ 123,488	123,497	\$ (9) *
Contractual services	74,400	50,912	46,560	4,352
Other	13,700	26,100	17,560	8,540
<b>Total expenditures</b>	<b>\$ 200,500</b>	<b>\$ 200,500</b>	<b>187,617</b>	<b>\$ 12,883</b>
Excess (deficiency) of revenue over expenditures			12,883	
Reversions			(12,883)	
			(12,883)	
Net change in fund balance (GAAP basis)			\$ -	

\* Amount insignificant to report as noncompliance violation.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE A – DEFINITION OF REPORTING ENTITY**

The reporting entity is Office of Military Base Planning and Support (OMBPS). OMBPS' 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, 2022.

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' 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, 2015.

**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, 2015

**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 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. Principles of Accounting

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. 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.

3. Financial Reporting Entity

OMBPS is a component unit of the Executive Branch of the State of New Mexico and is legally separate and fiscally independent of other State agencies, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. OMBPS is not included in any other governmental "reporting entity" as defined in Section 2100, "*Codification of Governmental Accounting and Financial Reporting Standards.*" Included within the reporting entity is the New Mexico Border Authority as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes. OMBPS does not have component units.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

3. Financial Reporting Entity - Continued

OMBPS is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. OMBPS has prepared required supplementary information titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. OMBPS' significant accounting policies are described below.

4. 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, 2015. Any interfund activity is eliminated in preparation of the government-wide financial statements.

The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation, if any) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The primary function of 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

4. Government-Wide and Fund Financial Statements - Continued

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. Both of OMBPS' funds are classified as major in the accompanying fund statements.

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' 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 government-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.

The operations of OMBPS are reported in a single program - Military Base Planning and Support.

5. Measurement Focus and Basis of Accounting

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

OMBPS follows the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate. It further eliminates the election for proprietary fund and business type reporting entities to apply certain Financial Accounting Standards guidance after November 30, 1989.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

5. Measurement Focus and Basis of Accounting - Continued

OMBPS follows the Governmental Accounting Standard Board Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 introduced 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 available as they are now included in the elements that make up a statement of financial net position and GASB 63 introduced the term net position for reporting the residual of all elements in a statement of financial net position. The statement of financial net position of OMBPS conforms to the presentation requirements of GASB 63. There were no deferred outflows or deferred inflows of resources to separately report at June 30, 2015.

OMBPS follows Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for the year ended June 30, 2015. GASB 65 changes the classification of various financial statement balances including several more common type transactions for presentation as assets and liabilities to deferred outflows and inflows of resources.

6. 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. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

6. Basis of Presentation – Fund Accounting- Continued

**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).

As a general rule, interfund transfers are eliminated in the government-wide financial statements except for receivables between government and business-type funds. The OMBPS eliminated all interfund transactions for the current fiscal year.

7. 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.

8. 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

9. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

9. Budgets and Budgetary Accounting – Continued

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 legal level of budgetary control is at the appropriation program level.

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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

10. Cash and Investments 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.

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, 2015.

11. Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investments 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.

12. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State General Fund Investment Pool is not rated for credit risk.

OMBPS has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$30,826 with the Office of the State Treasurer in the State General Fund Investment Pool.

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

Detail of pledge collateral specific to the OMBPS 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.

13. 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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

13. Capital Assets – Continued

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 2015, OMBPS did not have any capitalized assets or current capital outlay expenditures.

14. 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.

15. 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.

16. 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 2015.

17. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

17. Compensated Absences – Continued

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.

18. 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 K for additional information about fund balances. OMBPS has no restricted funds at June 30, 2015. There are no amounts restricted by enabling legislation at June 30, 2015.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

19. 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' 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.

20. GASB 68 Implementation

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2015.

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State.

21. Subsequent Events

Management evaluated subsequent events through November 25, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to November 25, 2015, that provided additional evidence about conditions that existed at June 30, 2015 have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, 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, 2015.

**NOTE C - STATE GENERAL FUND INVESTMENT POOL**

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGIP.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE C - STATE GENERAL FUND INVESTMENT POOL – CONTINUED**

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

OMBPS reconciles its deposits, vouchers and other general ledger activity with the DFA to SHARE on a periodic basis to ensure proper posting.

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

Due to/Due from OMBPS Fund	Purpose	Affiliate Name	Affiliate Fund	Due From	Due To
74800	Reversion of State General Fund Appropriation	Dept. of Finance & Administration	39401	\$ -	\$ 12,883
Total				\$ -	\$ 12,883



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE E – COMPENSATED ABSENCES**

The current portion of compensated absences payable expected to be paid within one year is \$2,448.

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

	Balance June 30, 2014	Increase	(Decrease)	Balance June 30, 2015	Amounts Due Within One Year
Compensated absences	\$ 10,839	\$ 2,274	\$ (10,665)	\$ 2,448	\$ 2,448

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

**NOTE F – OTHER FINANCING SOURCES**

Other financing sources consist of the following:

	Agency	Transfers In
State General Fund appropriation	39401	\$ 200,500

**NOTE G – REVERSIONS**

Current year reversions to the State General Fund as of June 30, 2015 were as follows:

Appropriation Year	Fund Type	SHARE System Fund	Reversion
Laws of 2014	General	74800	\$ 12,883
Total			\$ 12,883

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 \$12,883 is payable at June 30, 2015, and due by September 30, 2015. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE H – 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).

*GASB 68 - Financial Reporting and Disclosure for multiple employer Cost Sharing Pensions Plans by Employers:* Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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, 2015, 2014 and 2013 were \$14,878, \$14,505, and \$13,009, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE I – 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 (RHCA). RHCA provides health care insurance and prescription

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

1. Plan Description – Continued

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.

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 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 (\$5) 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, 2015, 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.

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 2016	2.000%	1.000%

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

2. Funding Policy - Continued

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 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' contributions to the NMRHCA for the years ended June 30, 2015, 2014 and 2013, were \$1,752, \$1,752, and \$1,725, respectively, which equal the required contributions for each year.

**NOTE J – 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, 2015, 2014 and 2013, there were no settlements that exceeded insurance coverage.

**NOTE K – FUND BALANCE CLASSIFICATIONS**

A summary of the nature and purpose of fund balances by fund type at June 30, 2015, is as follows:

	General Fund	Major Capital Projects Funds
Fund balances (deficit):		
Unassigned	\$ 3,489	\$ -
Total fund balances	\$ 3,489	\$ -

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**June 30, 2015**

**NOTE L - NEW ACCOUNTING STANDARDS**

GASB 72

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) provides guidance for determining a fair value measurement for financial accounting and reporting purposes and requires additional disclosures related to fair value measurements. GASB 72 defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement sets fair value to be described as an exit price. GASB 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels: Level 1 inputs are quoted prices (unadjusted) in active markets. Level 2 inputs are inputs - other than quoted prices - that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs.

Fair value application generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. GASB 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent) GASB 72 is applicable for financial statements for periods beginning after June 15, 2015 (FY 16).

GASB 73

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* is effective for fiscal years beginning after June 15, 2015 (FY 16) - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17).

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

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

GASB 74

Governmental Accounting Standards Board Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is intended to enhance the decision-usefulness of the financial reports of OPEB plans, their value for assessing accountability and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB 74 basically parallels GASB 67 and replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 74 requires enhanced note disclosures and is effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17).

GASB 75

Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18).

**SUPPLEMENTAL INFORMATION**

## Office of Military Base Planning and Support

**SCHEDULE OF REVENUES AND EXPENDITURES  
CAPITAL PROJECTS FUND - BUDGET AND ACTUAL  
STB CAPITAL PROJECT - FUND 89200**

Year Ended June 30, 2015

	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	-	-	625,496	625,496
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>625,496</b>	<b>\$ 625,496</b>
<b>Expenditures</b>				
Personal services and benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	49,284	(49,284)
Other	-	-	-	-
Capital outlay	-	-	571,477	(571,477)
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>620,761</b>	<b>\$ (620,761)</b>
Excess (deficiency) of revenue over expenditures			4,735	
Net change in fund balance (GAAP basis)			\$ 4,735	

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



## 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, 2015

<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, 2015</u>	<u>Remaining Appropriation</u>
<u>Severance Tax Bond Proceeds</u>							
Cannon Air Force Base Land	6/30/2016	\$ 5,000,000	\$ 620,761	\$ -	\$ 3,574,123	\$ -	\$ 805,116
Total Severance Tax Bonds		<u>\$ 5,000,000</u>	<u>\$ 620,761</u>	<u>\$ -</u>	<u>\$ 3,574,123</u>	<u>\$ -</u>	<u>\$ 805,116</u>
<u>Special Appropriation</u>							
Senate Bill 313							
Laws of 2014							
Contingent on Federal Government							
Announcing a Military Base							
Realignment or Closure	6/30/2016	<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, 2015

<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	\$ 30,826
STB Capital Project Fund	89200	Capital project	State Treasury	<u>-</u>
Total Governmental with State General Fund Investment Pool				<u><u>\$ 30,826</u></u>

Office of Military Base Planning and Support

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000  
(EXCLUDING GRT)  
(UNAUDITED)**

As of June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work

No contracts exceeded \$60,000 in the current year.



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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**

To the Board of Directors of  
Office of Military Base Planning and Support  
and  
Mr. Timothy Keller  
New Mexico State Auditor

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, 2015 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. We have also audited the budgetary comparison for the major capital project fund presented as supplementary information for the year ended June 30, 2015, and have issued our report dated November 25, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the OMBPS' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of the OMBPS' 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' 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 charged with governance.

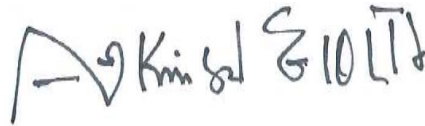
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations we did not identify any deficiencies 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 OMBPS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance on other matters that are required to be reported pursuant to *Government Auditing Standards*.

### **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' 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' 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.", written in a cursive style.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 25, 2015

**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2015

**FINANCIAL STATEMENTS**

Type of auditors' 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) - Resolved

**CURRENT YEAR FINDINGS**

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

None

**State Audit Rule Compliance Findings - Other**

None

Office of Military Base Planning and Support

**EXIT CONFERENCE**

June 30, 2015

An exit conference was held with management on November 23, 2015, at the OMBPS' offices in Santa Fe, New Mexico. In attendance were:

**OFFICE OF MILITARY BASE PLANNING AND SUPPORT**

Eric Kivi	Director of OMBPS
Marilu Casillas	ASD Director/CFO
Chris Romero	Financial Coordinator
Florence Velarde	Accountant

**ATKINSON & CO., LTD.**

Martin Mathisen, CPA, CGFM	Audit Director
Clarke Cagle, CPA, CCIFP, CGFM	Audit Director
Gabriella Parra	Senior Auditor

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the OMBPS' 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.

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