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A large, light green circle is positioned on the left side of the page, partially overlapping a larger, light gray circle that spans the background.

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**NEW MEXICO
BORDER AUTHORITY**

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

June 30, 2016

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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New Mexico Border Authority

OFFICIAL ROSTER

June 30, 2016

BOARD OF DIRECTORS

Jon Barela, Chairman, Cabinet Secretary,
New Mexico Economic Development Department

John Sanchez, Ex-Officio, Lt. Governor, State of New Mexico

Bill Connor, Las Cruces

Reece Carson, Las Cruces

Jay J. Spivey, Luna County

Joseph M. Dworak, Assistant Attorney General

ADMINISTRATIVE SERVICES

William Mattiace, Director, New Mexico Border Authority

Erika Medina DeLao, Deputy Director, New Mexico Border Authority

Marilu Casillas, ASD Director/CFO

David Espinoza, Budget Analyst

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
New Mexico Border Authority
and
Mr. Timothy Keller
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds of the New Mexico Border Authority (the Authority) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the Authority's budgetary comparison for major capital projects funds presented as supplementary information for the year ended June 30, 2016, 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 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 Authority'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 Authority'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the New Mexico Border Authority as of June 30, 2016, and the respective changes in financial position and respective budgetary comparisons of the general fund and major special revenue funds 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 schedules for the capital project funds for the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note B3, the financial statements of the Authority 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 Authority. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, 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. We did not modify our opinion for this matter.

As discussed in Notes B22 and G, the State of New Mexico, as a single employer, has implemented GASB 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2016 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, 2016. 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 14 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.

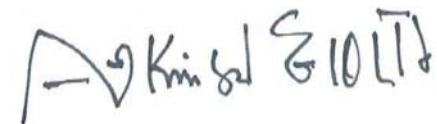
Other Information

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparison schedules. The accompanying Schedule of Individual Deposit Accounts and Schedule of Multiple Year Projects Funded By Special and Severance Tax Capital Outlay Appropriation From The State 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 other supplementary 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 30, 2016, on our consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.



Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2016

The New Mexico Border Authority's (the Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority'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 the Authority, we offer readers this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2016.

Authority Overview

The Authority 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). Founded by state statute in 1991, 58-27-4, the Authority's mission is to encourage and foster development of the state by developing port facilities and infrastructure at international ports of entry; to attract new industries and business to the New Mexico border; and to assist industries, businesses, and the traveling public with their efficient and effective use of ports and related facilities. The Authority began its operations as a separate State Government Agency in 1991.

The Authority is legislatively established as an independent executive branch agency operating in the capacity of a public "port authority" at our international border with Mexico. The Authority is mandated under the Border Development Act, Section 58-27-1 et seq., NMSA 1978, to provide leadership in development of infrastructure (on both sides of the border) that will support and foster an increase in trade activity at federal ports of entry. The Authority serves as a point of contact for those interested in opportunities related to shipping/crossing international trade goods through the ports. To accomplish its assigned mission, the Authority works continuously with the local trade community, local government jurisdictions and the federal border enforcement agencies, not only in the United States but also in the State of Chihuahua and in Mexico City. The Authority serves as the border point of contact for the Governor and as the eyes and ears of the state's Congressional delegation in matters related to the border. The Authority promotes and markets our ports of entry as an integral part of our border development partnership with Chihuahua and our trade platform with Mexico. The Authority supports the proposed study for the Sunland Park-Anapra port of entry.

Financial Highlights

- In the fiscal year ended June 30, 2016, the total assets of the Authority exceeded total liabilities by \$1,410,660.
- \$761,736 in total current assets was in the form of cash.
- The total cost of Authority programs was \$1,757,080, whereas the total Authority revenue was \$1,724,367.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Overview of the Financial Statements

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

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

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

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 the Authority that are principally supported by appropriations, 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 the Authority include economic development, program support, technology commercialization and community development. Within the Authority, 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. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: general funds and special revenue 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.

The Authority currently maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund (48000), Hazmat Grant Fund (02900), Border Project Fund (11790), Capital Outlay Funds (03600) and (89200) and Border Development Fund (05600).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Overview of the Financial Statements - Continued

The Authority adopts an annual appropriated budget for its General Fund. A budget adjustment was made during the year to reflect anticipated revenues and expenditures for the Santa Therese Railway Bypass Project. The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Other Information. In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information can be found on pages 45 through 49 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 the Authority, assets exceeded liabilities by \$1,410,660 at the close of the 2016 fiscal year.

At the end of the 2016 fiscal year, the Authority is able to report positive balances in the category of net position.

Governmental activities decreased the Authority's net position by \$66,373.

Financial Analysis of the Government's Funds

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

As of the end of the 2016 fiscal year, the Authority's governmental funds reported combined ending fund balances of \$818,125, a decrease of \$47,719 in comparison with the prior year. The majority of this amount is derived from special revenue funds and constitutes unassigned fund balance, which will not revert to the general fund and is available for spending in the following fiscal year. The remainder of fund balance is restricted, indicating that it is committed and not available for spending.

The general fund is the chief operating fund of the Authority. At the end of the 2016 fiscal year, unassigned fund balance of the general fund was \$273,681.

During the 2016 fiscal year, the fund balance of the Authority's general fund increased by \$768.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Financial Analysis of the Authority as a Whole**Net Position**

The information below summarizes the Authority's net position as of June 30, 2016. Net position for Governmental Activities was \$1,410,660.

Detail of the Authority's Net Position as of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Governmental activities:		
Assets:		
Current and other assets	\$ 878,509	\$ 1,540,216
Capital and non-current assets	608,492	623,495
Total assets	<u>\$ 1,487,001</u>	<u>\$ 2,163,711</u>
Liabilities:		
Current liabilities	<u>\$ 76,341</u>	<u>\$ 686,678</u>
Total liabilities	76,341	686,678
Net position:		
Invested in capital assets, net of related debt	608,492	623,495
Restricted	544,444	592,931
Unrestricted	<u>257,724</u>	<u>260,607</u>
Total net position	<u>1,410,660</u>	<u>1,477,033</u>
Total liabilities and net position	<u>\$ 1,487,001</u>	<u>\$ 2,163,711</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Statement of Activities

The Authority's change in net position for fiscal year 2016 was \$(66,373) (Statement of Activities). Approximately 19% of the Authority's revenue came from State General Fund Appropriations in FY 2016.

The following table details the changes in net position from the Statement of Activities.

As of June 30,	<u>2016</u>	<u>2015</u>
Governmental activities:		
Revenues:		
Program revenues:		
Charges for services	\$ 110,362	\$ 190,791
Total program revenues	110,362	190,791
General revenues:		
State General Fund appropriations	328,100	329,200
Other state funds	627,277	218,277
Federal grants	624,968	498,866
Other financing sources	-	1,700
Total general revenues	1,580,345	1,048,043
Total revenues	1,690,707	1,238,834
Expenses:		
Border Authority development	1,757,080	1,171,462
Total expenses	1,757,080	1,171,462
Other financing uses	-	-
Increase in net position	(66,373)	67,372
Net position, beginning of year	1,477,033	1,409,661
Net position, ending	<u>\$ 1,410,660</u>	<u>\$ 1,477,033</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Financial Analysis of the Authority's Funds

Budget Variation General Fund

The final budget provided for the accomplishment of the rail feasibility study and project by including awards amounts and matching funds in the budget.

Capital Assets and Debt Administration

The Authority had \$608,492 in capital assets for the year ended June 30, 2016.

The Authority did not have any long-term debt for the year ended June 30, 2016.

Currently Known Facts, Decisions or Conditions Expected to Have an Effect on Operations

The Authority has achieved the following:

- **Trade** with Mexico processed through New Mexico ports of entry has increased from \$742 million in 2001 to over \$35 billion dollars in 2016. The vast majority of trade flows through Santa Teresa and is wide-ranging, including livestock, cement and cement products, chile and beans, candy, construction equipment, automobile parts, scrap metal, computers and hundreds of other commodities.
- In 2008, Foxconn, a Taiwanese contract manufacturer of consumer electronics, and one of the largest employers in the world, approached the Border Authority and asked its assistance in locating at Jeronimo, just across the border from Santa Teresa. The agency assisted Foxconn in meetings with Mexican and U.S. Customs as well as the U.S. General Services Administration to make sure the proposed Foxconn operation was feasible. Construction is completed on the Southbound Lane to Jeronimo Industrial Park and the rail by pass feasibility study Phase 1 was completed in October of 2016 for the STPOE. The Dual-Customs Clearance facility has received approval and the new Southbound-Northbound lanes are ready for use. Capital outlay from the Legislators provided funding for the road construction. NMBA and USCBP are anticipating the pilot program to start in 2017.
- Today, the Foxconn facility at San Jeronimo is one of the largest industrial site in northern Mexico, employing over 7,000 employees. Foxconn management and technical staff live in or near Santa Teresa and manufacturing imports flow through Santa Teresa-based logistics operations. Foxconn, which plans three additional phases equal to its first, is the anchor operation that is already attracting major new industry to both sides of the border at Santa Teresa. According to NAFTA, 6 million U.S. jobs depend on trade with Mexico.
- **Traffic** through New Mexico ports has sharply increased in the past twelve years. Last year, over 2.1 million visitors crossed annually at the Mexico-New Mexico Ports of Entry. Northbound, non-commercial traffic through the ports has increased tremendously in the past sixteen years, from approximately 81,000 vehicles in 2000 to over 1 million vehicles Northbound at three Ports of Entry in 2016. According to USCBP statistics, the traffic increase at the Santa Teresa Port of Entry (STPOE) exceeds 40%. The truck traffic numbers Northbound have increased from 80,000 to over 120,000 projected for CY2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Financial Analysis of the Authority's Funds - Continued

- The NMBA completed two traffic studies to determine the impact of the new intermodal opening on April 1, 2014. The NMBA with advice from the Legislative leadership and the Office of the Governor has worked to improve and support infrastructure at the Ports of Entry. The East- West grids from Santa Teresa are critical if NM wants to grow the volume of commercial units at the new intermodal as well as increase the Northbound and Southbound Commercial traffic numbers at the STPOE. Highway 9 must be extended Eastward and either St. Francis or Strauss Road must provide an Eastward path from the Union Pacific Intermodal. The NMBA traffic studies show the increases in both commercial and passenger vehicle traffic. Columbus POE is showing 20-25% increases.
- The Border Authority continually works with the Congressional delegation, U.S. Customs and Border Protection, the U.S. General Services Administration, and state agencies to assure the expansion of port facilities and staffing to accommodate new trade and traffic. Similar work with the Mexican government has also been a key to success. Mexican staffing and facilities necessary for temporary permitting of American vehicles in Mexico were established at Jeronimo at the agency's request. Now, more travelers to the Mexican interior cross at Santa Teresa during the holiday season. Air traffic to Santa Teresa Jet Port will increase due to the USC facility opening on November 7, 2014. The NMBA was part of the first Airport Advisory meetings to plan the new customs facility location at the site of the old airport management office. The airport manager is now housed in the new Hazmat Facility, another project and grant work of the New Mexico Border Authority. The Hazmat Facility, the first of its kind in the STPOE area, provides critical emergency care for the businesses and the airport operation. NMBA supports any additional funding and staffing for the Hazmat Facility. NMBA was successful in capital outlay request for \$1.1 million dollars to design a needed fire station at the Santa Teresa airport and Hazmat facility.
- "Our exports are booming and shattering records, and helping our small businesses expand to international markets will only add to this momentum," said Martinez in a statement. The New Mexico Economic Development Department's Office of International Trade oversees the funds and programs. New Mexico's international commerce and trade is strongest to Mexico, Central and South America. The trade office said that in 2014, the state's total exports to Mexico set an all-time high of more than \$1.5 billion. Total exports were nearly \$4 billion, an increase of about \$1 billion from 2013.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Financial Analysis of the Authority’s Funds - Continued

At the close of 2016, over \$546 million in design and construction projects are underway at New Mexico’s ports of entry, including:

Antelope Wells Facility (Operational)	\$ 12 Million
Columbus Port Commercial Bypass (Completed)	\$ 3.5 Million
Columbus Port Expansion Design (Completed)	\$ 7.4 Million
GSA Building New USCBP (Construction Jan.2017)	\$ 85 Million
New Mexico Truck Inspection Facility	\$ 12 Million
Pre-Clearance Road for Joint Customs Facility (Completed)	\$ 450K
Rehabilitation of Pete V. Domenici (Completed)	\$ 14 Million
Strauss Road (Completed)	\$ 3 Million
Proposed Expansion of Hazmat Facility and Equipment	\$ 3 Million
Union Pacific Intermodal Rail Opened Early (April 1)	\$400 Million
Columbus Cattle Yards (Completed)	\$ 1 Million
NMBA and Columbus Berm and Flood Study	\$ 2.1 Million
Columbus Road Renovation & Improvement Grant	\$ 187K
USDOT Inspection Facility at STPOE (Completed)	\$ 2 Million
Cattle Auction Facility at the Santa Teresa Cattle Facility	\$ 1 Million

The U.S. General Services Administration intends to include construction of the Columbus port project in the FY 2017 federal budget, with an estimated cost of about \$85 million.

The Authority was and is intimately involved in all of the projects except Antelope Wells. Most importantly, the agency successfully lobbied for project funding. In addition, the agency was responsible for all of the early management of the Columbus bypass project, including negotiating necessary right of way acquisition. The agency is also coordinating critical complementary expansion of the Palomas port of entry and permitting of new roadways into Mexico for commercial vehicles. Through the efforts of a very active Board of Directors and the leadership of Mayor Skinner of Columbus, the NMBA was able to grant \$60,000 dollars to assist with transportation design to facilitate efficient usage of the visitors to and from the port of entry. An additional grant from NMBA was approved for Columbus flood project.

The Authority chaired the public-private partnership with Dell and Foxconn that successfully lobbied the federal government for unexpended ARRA monies for Santa Teresa. The public-private partnership will be a model for future large scale port development on the entire southern border with Mexico. The NMBA attended all the port meeting to assist Dell Corporation in their efforts to request the STPOE be open extended hours from 8 p.m. to 12 a.m. (midnight)/southbound. The NMBA has regular monthly meetings to discuss all the issues at the three ports of entry.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Financial Analysis of the Authority's Funds - Continued

A. Port Hours and Operations

Operational hours at New Mexico ports often must be extended or modified to better accommodate rapidly increasing trade and traffic. The Authority conducts almost continuous surveys and studies to determine traffic flows and requirements. When justified, the agency petitions Customs and Border Protection, Mexican Customs, and Mexican Immigration for hours or operational changes. Often the decisions are made in Washington or Mexico City, but the agency has a very good success rate. In the past five years, the Border Authority has been able to have both non-commercial and commercial hours extended multiple times at Santa Teresa, as well as annual commercial extensions at Columbus during the Chile import season.

SPECIAL NOTE:

Extended Hours were granted by USCBP and Aduana via a PPP 559 Pilot Program to Dell Computers to midnight travelling Southbound only at the STPOE Commercial Lanes. This special program was successful through the efforts of our Governor, BIA, USCBP and several key legislators. NMBA and Dell participation with EDD made the program a reality. Dell now has extended hours past the 8:00 p.m. closing of inspections to midnight. The additional hours have made it possible for Dell Computers at Foxconn to successfully grow their company, a win-win for Chihuahua and New Mexico.

B. Santa Teresa Rail Bypass

El Paso and Cd. Juarez has been a bi-national rail hub for the Paso Del Norte Region since the first tracks were laid in 1882. As the cities expanded and rail traffic increased, conflict with roadway traffic and urban congestion became more and more problematic. Rail relocation was first considered almost one hundred years ago. In the past few years, relocation has become even more critical because of border security and environmental issues such as rail-borne hazardous materials and air emissions.

In 2004, the City of El Paso and the three converging railroads--Burlington Northern Santa Fe, Union Pacific, and Ferromex--conducted preliminary studies to determine the best location to relocate the interchange of rail traffic between the United States and Mexico. Both studies agreed that Santa Teresa was by far the best location. The Santa Teresa Rail bypass project feasibility study has been awarded to HNTB Corporation.

On September 30, 2009, at a meeting in Santa Teresa, a joint directive of the governors of New Mexico and Chihuahua, the mayors of Cd. Juarez and El Paso, and senior executives of the three railroads directed New Mexico to conduct studies to more conclusively determine project feasibility and to accomplish federal permitting for a new rail border crossing at Santa Teresa.

The Authority is the lead state agency for the project because of its statutory responsibility for border crossings and because of the intense coordination with Mexican agencies that is necessary to accomplish the work. It is the recommendation of NMBA to honor the right of farmers and no private land will be taken.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

June 30, 2016

Financial Analysis of the Authority's Funds - Continued

The project study was awarded September 25, 2014 and Phase I of the feasibility study was completed in October of 2016. A match of \$566,768 was received in advance of starting the project feasibility study in 2010, making the total value of the Federal grant, plus the matching funds, to be \$1,800,000. The feasibility study was completed October 2016 after an extension was granted by the U.S. Department of Commerce.

Requests for Information

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

New Mexico Border Authority

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current assets:	
Investment in State General Fund Investment Pool	\$ 761,709
Accounts receivable	474
Due from other state agencies	275
Due from federal government	<u>116,051</u>
Total current assets	878,509
Capital assets, net of depreciation	<u>608,492</u>
Total assets	<u><u>\$ 1,487,001</u></u>
Liabilities	
Unearned revenue	\$ 40,562
Accounts payable and other current liabilities	7,227
Accrued payroll	10,863
Due to other governments	490
Other liabilities	1,242
Compensated absences payable	<u>15,957</u>
Total current liabilities	76,341
Net Position	
Net investment in capital assets	608,492
Restricted	544,444
Unrestricted	<u>257,724</u>
Total net position	<u>1,410,660</u>
Total liabilities and net position	<u><u>\$ 1,487,001</u></u>

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

New Mexico Border Authority

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue		Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Border development	\$ 1,757,080	\$ 110,362	\$ -	\$ -	\$ (1,646,718)
Total activities	<u>\$ 1,757,080</u>	<u>\$ 110,362</u>	<u>\$ -</u>	<u>\$ -</u>	(1,646,718)
General Revenues and (Expenses)					
Other revenue:					
Federal grants					624,968
Other state funds					627,277
Other financing sources - compensation package					-
State General Fund appropriations					<u>328,100</u>
Total general revenues and transfers					<u>1,580,345</u>
Change in Net Position					(66,373)
Net position, beginning					<u>1,477,033</u>
Net position, ending					<u>\$ 1,410,660</u>

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

New Mexico Border Authority

BALANCE SHEET - GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	Major Funds					Total Governmental Funds
	48000 General Fund	02900 Hazmat Grant Fund	89200 and 03600 Capital Outlay Funds*	11790 Border Project Fund	05600 Border Development Fund	
Assets						
Interest in State General Fund Investment Pool	\$ 211,544	\$ 3,697	\$ -	\$ 65,898	\$ 480,570	\$ 761,709
Accounts receivable	-	-	-	-	474	474
Due from other state agencies	-	-	-	27.00	248	275
Due from federal government	116,051	-	-	-	-	116,051
Total assets	\$ 327,595	\$ 3,697	\$ -	\$ 65,925	\$ 481,292	\$ 878,509
Liabilities						
Vouchers payable and other current liabilities	\$ 2,489	\$ -	\$ -	\$ -	\$ 5,980	\$ 8,469
Unearned revenue	40,562	-	-	-	-	40,562
Due to other governments	-	-	-	-	490	490
Accrued payroll	10,863	-	-	-	-	10,863
Total liabilities	53,914	-	-	-	6,470	60,384
Fund Balances						
Restricted:						
Hazmat grant fund	-	3,697	-	-	-	3,697
Capital outlay funds	-	-	-	-	-	-
Border project funds	-	-	-	65,925	-	65,925
Border development fund	-	-	-	-	474,822	474,822
Unassigned	273,681	-	-	-	-	273,681
Total fund balances	273,681	3,697	-	65,925	474,822	818,125
Total liabilities and fund balance	\$ 327,595	\$ 3,697	\$ -	\$ 65,925	\$ 481,292	\$ 878,509

*Capital Outlay Fund 03600 had no activity in 2016.

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

New Mexico Border Authority

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

June 30, 2016

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 818,125
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund:	
Capital assets total acquisition value	\$ 702,245
Total accumulated depreciation	<u>(93,753)</u>
Total capital assets, net	608,492
Compensated absences	<u>(15,957)</u>
Net position of governmental activities (Statement of Net Position)	<u><u>\$ 1,410,660</u></u>

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

New Mexico Border Authority

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

Year Ended June 30, 2016

	Major Funds					Total Governmental Funds
	48000 General Fund	02900 Hazmat Grant Fund	89200 and 03600 Capital Outlay Funds	11790 Border Project Fund	05600 Border Development Fund	
Revenues						
Federal grants	\$ 624,968	\$ -	\$ -	\$ -	\$ -	\$ 624,968
Other revenue	150	-	-	12,092	98,120	110,362
Total revenues	625,118	-	-	12,092	98,120	735,330
Expenditures						
Current:						
Personal services	320,499	-	-	-	-	320,499
Contractual services	891,159	-	339,882	49,505	59,871	1,340,417
Operating costs	28,187	-	-	-	49,323	77,510
Total expenditures	1,239,845	-	339,882	49,505	109,194	1,738,426
Excess (deficiency) of revenue over expenditures	(614,727)	-	(339,882)	(37,413)	(11,074)	(1,003,096)
Other Financing Sources (Uses)						
State general fund appropriations	328,100	-	-	-	-	328,100
Other financing sources - compensation package	-	-	-	-	-	-
Other state funds	287,395	-	339,882	-	-	627,277
Total other financing sources	615,495	-	339,882	-	-	955,377
Net change in fund balance	768	-	-	(37,413)	(11,074)	(47,719)
Beginning fund balance	272,913	3,697	-	103,338	485,896	865,844
Ending fund balance	<u>\$ 273,681</u>	<u>\$ 3,697</u>	<u>\$ -</u>	<u>\$ 65,925</u>	<u>\$ 474,822</u>	<u>\$ 818,125</u>

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

New Mexico Border Authority

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

Year Ended June 30, 2016

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (47,719)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense. In the current period, these amounts were:

Depreciation expense	(15,003)
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Increase in compensated absence balance not recorded in government funds	<u>(3,651)</u>
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Change in net position of governmental activities (Statement of Activities)	<u><u>\$ (66,373)</u></u>
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The accompanying notes are an integral part of this financial statement.

New Mexico Border Authority

**MAJOR FUND -
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
GENERAL FUND - FUND 48000**

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
State general fund appropriation	\$ 303,600	\$ 373,100	\$ 328,100	\$ (45,000)
Federal grants	-	996,872	624,968	(371,904)
Other state funds	-	-	287,395	287,395
Other financing sources - compensation	-	-	-	-
Other state funds	-	-	150	150
Total revenues	<u>\$ 303,600</u>	<u>\$ 1,369,972</u>	1,240,613	<u>\$ (129,359)</u>
Expenditures				
Personnel services	\$ 303,600	\$ 331,600	320,499	\$ 11,101
Contractual services	-	996,872	891,159	105,713
Other costs	26,500	41,500	28,187	13,313
Total expenditures	<u>\$ 330,100</u>	<u>\$ 1,369,972</u>	1,239,845	<u>\$ 130,127</u>
Excess (deficiency) of revenue over expenditures			768	
GAAP basis reconciliation reversions			-	
Net change in fund balance			<u>\$ 768</u>	

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

New Mexico Border Authority

**MAJOR FUND -
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
HAZMAT GRANT - FUND 02900**

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Expenditures				
Personnel services	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Excess (deficiency) of revenue over expenditures			-	
GAAP basis reconciliation reversions			<u>-</u>	
Net change in fund balance			<u>\$ -</u>	

Inactive funds with no activity continue to be presented in these financial statements since they still legally exist with the State of New Mexico.

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

New Mexico Border Authority

**MAJOR FUND -
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
BORDER PROJECT - FUND 11790**

Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance From Final Budget
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	<u>Positive (Negative)</u>
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	-	103,337	12,092	(91,245)
Total revenues	<u>\$ -</u>	<u>\$ 103,337</u>	12,092	<u>\$ (91,245)</u>
Expenditures				
Personnel services	\$ -	\$ -	-	\$ -
Contractual services	-	103,337	49,505	53,832
Other	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 103,337</u>	49,505	<u>\$ 53,832</u>
Excess (deficiency) of revenue over expenditures			(37,413)	
GAAP basis reconciliation reversions			-	
Net change in fund balance			<u>\$ (37,413)</u>	

The operations of the fund are limited to recording certain rental income for the year.

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

New Mexico Border Authority

**MAJOR FUND -
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
BORDER DEVELOPMENT - FUND 05600**

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	160,900	160,900	98,120	(62,780)
Total revenues	<u>\$ 160,900</u>	<u>\$ 160,900</u>	98,120	<u>\$ (62,780)</u>
Expenditures				
Personnel services	\$ 73,500	\$ -	-	\$ -
Contractual services	82,500	82,300	59,874	22,426
Operating costs	4,900	78,600	49,323	29,277
Total expenditures	<u>\$ 160,900</u>	<u>\$ 160,900</u>	109,197	<u>\$ 51,703</u>
Excess (deficiency) of revenue over expenditures			(11,077)	
GAAP basis reconciliation reversions			-	
Net change in fund balance			<u>\$ (11,077)</u>	

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – DEFINITION OF REPORTING ENTITY

The New Mexico Border Authority (the Authority) is an autonomous executive branch state agency which was created by the New Mexico Legislature in 1991 for the purpose of:

- Encouraging and fostering development of the State, its cities and its counties attract new industries and businesses, thereby creating new job opportunities in the State while resolving transportation and logistical problems that may arise as ports of entry develop.
- Actively promoting and assisting public and private sectors' infrastructure development to attract new industries and businesses, thereby creating new job opportunities in the State while resolving transportation and logistical problems that may arise as ports of entry develop.
- Designing, financing, equipping and operating port facilities necessary to ensure the timely, planned and efficient development of the border area between New Mexico and the Mexican State of Chihuahua.

Financing Powers

The Authority has been granted two methods for financing its projects, subject to the approval of the State Board of Finance: general fund appropriations and issuing revenue bonds. The Authority has been granted specific powers and authorities respective to each instrument and is restricted in those powers for each instrument.

Administrative Attachment

The Border Development Act was amended effective July 1, 1996, to change the number of Directors to eight and provide that the Cabinet Secretary of the Economic Development Department be the Chairman of the Board of Directors for the Authority. The amended legislation provided that the Authority be administratively attached to the Economic Development Department. Through this administrative attachment, the Economic Development Department provides human resource services, accounting functions and information systems support.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Principles of Accounting

The financial statements for the Authority 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.

3. Financial Reporting Entity

The Authority 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. The Authority 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. The Authority does not have component units.

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

4. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The reporting model focus is on either the Authority as a whole or major individual funds (within the fund financial statements). Both the government-wide and the fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The Authority has only governmental type activities. In the government-wide Statement of Net Position, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt and obligations. The net position of the Authority consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the residual is net position.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Government-Wide and Fund Financial Statements - Continued

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital gains. Program revenues must be directly associated with a function. The Authority reports one function (general government).

General revenues (General Fund appropriation, transfers in from other State agencies, Federal aid, etc.), normally cover the net cost (by function).

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

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 the Authority'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.

5. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses or obligations are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements. All significant interfund transactions have been eliminated. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduced the term "net position" for reporting the residual of all elements in a statement of financial position.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as a funding source. Amounts paid to reduce long-term debt of the Authority are reported as a reduction of the liability, rather than as an expenditure in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus and Basis of Accounting - Continued

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. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Authority considers all revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Authority 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 pre-existing authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate.

The Authority 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 the Department conforms to the presentation requirements of GASB 63.

The Authority follows Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for the year ended June 30, 2016. 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. There were no deferred outflows or deferred inflows of resources to separately report at June 30, 2016.

The Department implemented Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurements and Application* (GASB 72), which establishes fair value standards for certain investments held by governmental entities. GASB 72 requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. Fair value is defined 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. GASB 72 is effective for periods beginning after June 15, 2015. The Department had no assets or liabilities to separately measure or disclose at fair value at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus and Basis of Accounting - Continued

The Authority engages in federal grant agreement programs commonly referred to as “reimbursement type” programs. These programs require that the recipient (the Authority) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the Authority simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

Unreimbursed state and federal grants associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the Authority.

6. Basis of Presentation

The financial transactions of the Authority 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 Authority has determined that all of the following are major funds:

General Fund. The General Fund is the general operating fund of the Authority and is used to account for all financial resources except those required 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 non-reverting fund (SHARE Fund 48000) 58-27-25A NMSA 1978.

Special Revenue Funds. The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Sources of revenue are primarily special appropriations of State, Federal and local Governments and private grants and revenues generated by various activities of the Authority.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - Continued

Hazmat Grant. This fund is used to account for the activities of a federal grant from the Federal Highway Administration (FHWA) and passed through the New Mexico Department of Transportation (DOT). The funds are appropriated under Section 330 of the FY 2002 DOT Appropriations Act (Public Law 107-87). The Authority agreed to administer the grant for the County of Dona Ana. All capital outlay items purchased under this grant are transferred to the County of Dona Ana for further administration per a Memorandum of Agreement dated February 6, 2003. This fund is non-reverting (SHARE Fund 02900).

Border Development. This fund is used to account for the activities of earned revenue, including lease income and all other money received by the Authority from any public or private source except that, if the public or private source expresses an intent that the money be used for projects pursuant to Section 58-27-25.1 NMSA 1978. This fund is non-reverting (SHARE Fund 05600).

Border Project Fund. This fund was set up in FY14 to account for 10% of parking lot revenues, tolls, fees, rents, lease payments or other charges imposed, collected and received by the Authority and distributed to the fund pursuant to Subsection E of Section 58-27-25 NMSA 1978. This is a non-reverting fund except for severance tax bond proceeds required to revert to the severance tax bonding fund (SHARE Fund 11790) 58-27-25.1 NMSA 1978.

Capital Projects Fund

Capital Outlay Fund. This fund is used to account for the activities relating to the appropriation by the State of New Mexico from the sale of severance tax bonds pursuant to Chapter 429 Laws of 2003, Chapter 110 Laws of 2003, Chapter 338 Laws of 2001, Chapter 23 Laws of 2000 Special Session, Chapter 18 Laws of 2000 Special Session, and Chapter 2 Laws of 1999 Special Session, collectively (SHARE Fund 03600).

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

7. Budgets and Budgetary Accounting

The New Mexico State Legislature makes appropriations to the Authority. Legal compliance is monitored through the establishment of a budget (modified cash basis) and a financial control system, which permits a budget to actual comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance & Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting – Continued

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

- No later than September 1, the Authority prepares a budget request by the appropriation unit to be presented to the next Legislature.
- The appropriation request is submitted to the Department of Finance & Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
- DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
- The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- Both the DFA and LFC-recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
- Budgetary control is exercised at the appropriation unit level of the Authority as a whole, and changes are approved by the Department of Finance & Administration (DFA).
- Single year appropriations lapse at the end of the year, except for goods and services received by the last day of the fiscal year which are reclassified as accounts payable.
- Budgets for the Governmental Funds are presented on a modified accrual basis. Current year encumbrances are included as expenditures, and payment of prior year encumbrances are excluded from current year budgeted expenditures. Budget expenditures record changes in prepaid expenses, accounts payable and accrued payroll. Budgetary comparisons presented for the Government Funds in this report are on the modified accrual basis, which conforms to accounting principles generally accepted in the United States of America as encumbrances are treated as accounts payable and expenditures. This procedure conforms to the Department of Finance & Administration and State requirements.
- The Schedule of Revenues and Expenditures, Modified Accrual Budget Basis and Actual does not include funds with multiple year budgets.

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, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash and Investments in the State General Fund Investment Pool

The Authority has cash and investments in the State General Fund Investment Pool (SGFIP). All cash is deposited with and monitored by the State Treasurer.

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, 2016.

9. 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.

10. Federal Grants Receivable

Various reimbursement procedures are used for federal awards received by the Authority. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Generally, receivable balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed. During fiscal year 2016, there were no estimated unallowable costs allowed for or charged to any federal grants.

11. Unearned Revenue

Unearned revenue represents a liability for the Governmental Funds. Unearned revenue is used to account for (1) amounts received from federal grants in advance of expenditures occurring, whereas certain eligibility requirements (other than time) have not yet been met or (2) amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year, and are accounted for on the modified accrual basis in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

The Authority has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$761,736 with the Office of the State Treasurer in the State General Fund Investment Pool.

For a detailed listing of all Authority bank accounts and State Treasurer SHARE accounts, see the schedule referred to above on page 48.

Detail of pledge collateral specific to the Authority 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. Accounts Receivable

Accounts receivable consist of amounts due from other state or federal governments. No allowance for doubtful accounts is established since all amounts are collected in the subsequent fiscal year.

14. Due From Other State Agencies

There were no internal transfers between funds during 2016. There is a residual balance of \$275 due from other state agencies at June 30, 2016. The amount is due from the Department of Homeland Security.

15. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net position at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition, per Section 12-6-10 NMSA 1978. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The major classifications of capital assets and their related depreciable lives are as follows:

Buildings	40 years
Machinery and equipment	5 years
Data processing equipment	5 years
Furniture and fixtures	4 years

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Capital Assets – Continued

The Authority includes software in the capital assets. The Authority does not develop, capitalize or depreciate internally developed software.

16. Accrued Compensated Absences

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is expected to be liquidated with expendable available financial resources.

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. 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.

17. Non-Reverting Funds

All funds which are either appropriated to or earned by the Authority, and by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project are non-reverting funds. The Authority currently classifies the following revenues and sources as non-reverting:

- i) Non-General Fund sources must be reverted to the State General Fund upon completion of the project. (Section 6-5-10 NMSA 1978). The General Fund is non-reverting per 58-27-25A NMSA 1978.
- ii) Grant funds from any governmental source, such as federal or state, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. Instead, any overdrawn grant funds must be reverted to the granting agency.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued and considered available. The Authority recognizes revenue when earned.

Expenditures are recognized when the related fund liability is 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. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

19. Program Revenues

Program revenues are revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole, and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

20. Fund Balances and Net Position

The government-wide governmental fund financial statements utilize a net position presentation. Net position are categorized as net investment in fixed assets (net of related debt), restricted and unrestricted.

Net Investment in Capital Assets 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. The Authority does not have any related debt.

Restricted Assets are liquid assets (generated from fee 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 and residual 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. The amount of Net Position restricted by enabling legislation is \$544,444 at June 30, 2016. 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 and Executive Branches' intent to be used for specific purposes or, in some cases, by legislation. See Note J for additional information about fund balances, including restricted fund balances.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Fund Balances and Net Position - Continued

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

21. Interagency Transfers

The Border Authority received \$615,495 and \$339,882 from DFA (85300) for its annual appropriation and severance tax bond proceeds cost reimbursement draw downs, respectively. There were no other transfers.

22. 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) continues to apply the standard for the fiscal year ending June 30, 2016.

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.

23. Subsequent Events

Management evaluated subsequent events through November 30, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 30, 2016, that provided additional evidence about conditions that existed at June 30, 2016 have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, 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, 2016.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE C - STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

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 SGFIP.

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.

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. Various efforts have been made to reconcile the SGFIP from July 2006 to January 2013. Through correspondence, DFA provided an update through October 2015 as follows. The Financial Control Division (FCD) of DFA now has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's Office. This process has been operational and has been reviewed by General Fund auditors, DFA and CAFR auditors.

During 2016, FCD was able to reinstate \$100 million of the amount that recorded as a loss contingency. Additionally for fiscal year 2016, FCD is able to assert the following points:

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP;
3. All claims will be honored at face value.

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

Investment balances at June 30, 2016, consisted of the following:

Deposits with State Treasurer – Governmental Activities	\$ 761,736
Due to State Treasurer General Fund Investment Pool	<u> -</u>
	<u>\$ 761,736</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE D - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets:				
Land	\$ 83,406	\$ -	\$ -	\$ 83,406
Depreciable assets:				
Building	600,100	-	-	600,100
Furniture, fixtures and equipment	18,739	-	-	18,739
Total capital assets	702,245	-	-	702,245
Accumulated depreciation:				
Building	60,011	15,003	-	75,014
Furniture, fixtures and equipment	18,739	-	-	18,739
Total accumulated depreciation	78,750	15,003	-	93,753
Net capital assets	<u>\$ 623,495</u>	<u>\$ (15,003)</u>	<u>\$ -</u>	<u>\$ 608,492</u>

Automobiles used by the Authority leased from the General Services Department (GSD) are not included in these financial statements, as they are included in the financial statements of the GSD.

Depreciation of \$15,003 was charged to the Border Development function.

NOTE E - COMPENSATED ABSENCES

A summary of the changes in compensated absences is as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Compensated absences	<u>\$ 12,306</u>	<u>\$ 14,823</u>	<u>\$ (11,172)</u>	<u>\$ 15,957</u>	<u>\$ 15,957</u>

The Authority's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. Funds from general operations have been used to liquidate the liability associated with compensated absences. New Mexico State Agencies do not budget, in the current year, funds to pay for any portion of the compensated absence liability at the end of the fiscal year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE F - UNEARNED REVENUE

In July of 2010, the Authority received a Federal grant, "Economic Adjustment Assistance", for which a match of \$566,846 was required. The City of Sunland Park, New Mexico, which, in a City Council Special Session held on July 12, 2010, approved the contribution of the required amount for the Santa Teresa rail bypass feasibility study and permitting project. The match requirement of \$287,395 from other state funds was met for \$658,628 of federal funds spent during the year. Remaining state funded unearned revenues had not yet met certain eligibility requirements under the grant. The balance of unmatched funds remaining in current liabilities classified as unearned revenue was \$40,562 as of June 30, 2016, due to certain eligibility requirements not having been met.

NOTE G - RETIREMENT PLANS - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

Substantially all of the Authority's full-time employees participate 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, New Mexico 87504-2123. The report is also available on PERA's website at 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE G - RETIREMENT PLANS - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - CONTINUED

2. Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Authority is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10 Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2016, 2015, and 2014 were \$35,930, \$32,984, and \$20,814, respectively, equal to the amount of the required contribution for each year.

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

1. Plan Description

The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

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

2. Funding Policy

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

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; and 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%

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Authority’s contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$4,229, \$3,884 and \$3,521, respectively, which equal the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE I - RISK MANAGEMENT

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

There are no pending or threatened legal proceedings involving material matters to which the Authority is a party.

The Authority had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2016, 2015, and 2014, there were no settlements that exceeded insurance coverage.

NOTE J - FUND BALANCE RESTRICTIONS

The Authority's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2016, follows:

	<u>General Fund</u>	<u>Major Special Revenue Funds</u>
Fund balances:		
Restricted for:		
Hazmat Grant Activity	\$ -	\$ 3,697
Border Development Activity	-	474,822
Border Project Activity	-	65,925
Non-reverting by enabling legislation	<u>273,681</u>	<u>-</u>
Total fund balances	<u>\$ 273,681</u>	<u>\$ 544,444</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE K – CONTINGENCIES – GRANTOR AGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which have been disallowed by the grantor agencies cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

NOTE L – SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS

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.

NOTE M - NEW ACCOUNTING STANDARDS

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).

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE M - NEW ACCOUNTING STANDARDS - CONTINUED

GASB 76

Governmental Accounting Standards Board Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (FY17), and should be applied retroactively. Earlier application is permitted.

GASB 82

Governmental Accounting Standards Board Statement No. 82 *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB 82 is effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

SUPPLEMENTAL INFORMATION

New Mexico Border Authority

**MAJOR FUND -
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -
CAPITAL OUTLAY - FUND 03600**

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
Severance Tax Bonds	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Expenditures				
Personnel services	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Excess (deficiency) of revenue over expenditures			-	
Net change in fund balance			<u>\$ -</u>	

Inactive funds with no activity continue to be presented in these financial statements since they still legally exist with the State of New Mexico. Capital Outlay Fund 03600 which had no activity in FY16, is combined with Capital Fund 89200.

New Mexico Border Authority

**MAJOR FUND -
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SEVERANCE TAX BOND CAPITAL OUTLAY - FUND 89200**

Year Ended June 30, 2016

	<u>Life to Date Budgeted Amount</u>	<u>FY 2016 Amount Budgetary Basis</u>	<u>Life to Date Actual Amount (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
Revenues				
Federal funds	\$ -	\$ -	\$ -	\$ -
Severance Tax Bonds	2,350,000	339,882	339,882	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	2,350,000	339,882	339,882	-
Expenditures				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	<u>2,350,000</u>	<u>339,882</u>	<u>339,882</u>	<u>-</u>
Total expenditures	<u>2,350,000</u>	<u>339,882</u>	<u>339,882</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
GAAP basis reconciliation			<u>\$ -</u>	
Due from other state agencies		-		
Reversions		<u>-</u>		
Net change in fund balance		<u>\$ -</u>		

New Mexico Border Authority

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

Year Ended June 30, 2016

Project Description	Appropriation ID	Expiration	Amount Appropriated	Current Year Expenditures	Arts in		Prior Year Incurred Balance	Balance as of June 30, 2016
					Public Places (AIPP)	Current Year Reversions		
<u>Severance Tax Bond Proceeds</u>								
Santa Teresa Port of Entry Commercial Lane	STB13A 13-1227	6/30/2017	\$ 350,000	\$ 339,882	\$ -	\$ -	\$ -	\$ 10,118
Columbus Border Area Flood Control	STB15SA 15-1040	6/30/2019	1,800,000	-	-	-	-	1,800,000
Columbus Port of Entry Street & Drain Improvements	STB15SA 15-1041	6/30/2019	200,000	-	-	-	-	200,000
Columbus Border Area Flood Control	STB15A-15-0177	6/30/2019	187,500	-	-	-	-	187,500
Santa Teresa Border Auth Bldg and Site Improvement	STB16A A16A2003	6/30/2020	500,000	-	5,000	-	-	495,000
Santa Teresa Port of Entry Visitor Center	STB16A A16A2004	6/30/2020	250,000	-	2,500	-	-	247,500
Total Severance Tax Bonds			<u>3,287,500</u>	<u>339,882</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>2,940,118</u>
Total Capital Projects			<u>\$ 3,287,500</u>	<u>\$ 339,882</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,940,118</u>

New Mexico Border Authority

SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS

June 30, 2016

<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	48000	Operating	State General Fund	\$ 211,544
Hazmat Grant	02900	Special revenue	State General Fund	3,697
Capital Outlay Fund	03600 and 89200	Capital project	State General Fund	-
Border Project Fund	11790	Special revenue	State General Fund	65,898
Border Dev. Grant Fund	05600	Special revenue	State General Fund	480,570
Total Governmental with State General Fund				<u>\$ 761,709</u>

New Mexico Border Authority

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

As of June 30, 2016

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

There were no contracts over \$60,000 awarded during 2016.

**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**

Board of Directors
New Mexico Border Authority
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 and special revenue funds of the New Mexico Border Authority (the Authority) as of and for the year ended June 30, 2016 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 comparisons of the capital projects funds presented as supplementary information and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control that we consider to be a material weakness described as 2016-001.

Compliance and Other Matters

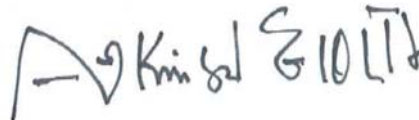
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority'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 Authority'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 "A" and a checkmark-like symbol.

Atkinson & Co. Ltd.

Albuquerque, New Mexico
November 30, 2016

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? Yes

Significant deficiencies identified not considered
to be material weaknesses? No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? No

STATUS OF PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

Financial Statement Finding Required by *Government Auditing Standards*

2016-001 Lack of Effective Reconciliation Procedures Over Federal Grant Revenue
Accounting and Reporting

State Audit Rule Compliance Findings - Other

None

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

June 30, 2016

CURRENT YEAR FINDINGS

2016-001 Lack of Effective Reconciliation Procedures Over Grant Revenue Accounting and Reporting (Material Weakness)

CONDITION

During our audit testwork, we noted that the Authority did not have an effective reconciliation process in place that would ensure that quarterly grant billings were agreed to the general ledger and posted in SHARE. The Railroad Bypass Feasibility Study (RBFS) project billings were not reconciled to the general ledger timely, therefore causing revenue to be understated at year end. The applicable receivable from the federal government was understated and the federal and state revenues had to be adjusted by \$946,023.

CRITERIA

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

CAUSE

Lack or failure of controls surrounding proper monitoring and timely reconciliations of federal and state grant funding. The lack of reconciliation and reporting revenue to DFA resulted in an inaccurate and incomplete revenue recognition.

EFFECT

The Department is not in compliance with the New Mexico code stated above. In addition, lack of the reconciliation process resulted in federal revenue and receivable as well as state revenue and unearned revenue accounts not being recorded before period end, creating a deficit in the fund balance.

RECOMMENDATION

We recommend the Authority establishes policies and procedures to ensure that the funding for the RBFS project fund is being reconciled to the general ledger and the draw requests are being submitted to DFA for recording revenue timely. We also recommend the Authority establish a documented monthly review and approval process of the reconciliations to ensure proper monitoring, as well as a year-end closing process be implemented for accurate financial reporting purposes.

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

June 30, 2016

CURRENT YEAR FINDINGS - CONTINUED

2016-001 Lack of Effective Reconciliation Procedures Over Grant Revenue Accounting and Reporting (Material Weakness) - Continued

MANAGEMENT'S RESPONSE

NMBA is administratively attached to the New Mexico Economic Development Department. NMBA has one Budget Analyst who performs the day-to-day financial operations, but the CFO functions reside with EDD/ASD. Over the past 5 years, there has been a 90% turnover within the ASD financial staff to include 4 CFOs. The Audit Bureau Chief in ASD left the Agency in FY16 and due to budget constraints, position was reclassified to a junior accountant, who is still in training. Budget Analyst in NMBA is also new to State government and in training. However, it should be noted that NMBA has been doing and does a monthly reconciliation on the Federal Grant which tracks the Accounts Payable to the Requests for Reimbursements Reports and Deposits received; what we hadn't been doing is comparing it to the Trial balance.

CORRECTIVE ACTION PLAN:

On-the-job training will be request from the DFA CAFR unit for the ASD financial staff and NMBA Budget Analyst. Written responsibilities among financial staff will be better defined to ensure continuity of functions when personnel leave. Implement reconciliation to Trial Balance on our Month-End checklist.

POINT OF CONTACT:

Marila Casillas, ASD Director/CFO

New Mexico Border Authority

EXIT CONFERENCE

June 30, 2016

An exit conference was held with the Authority on November 28, 2016. Individuals participating were:

NEW MEXICO BORDER AUTHORITY

William Mattiace
Marilu Casillas
Chris Romero
David Espinoza
David Mathews

Executive Director
ASD Director/CFO
Financial Coordinator
Budget Analyst
General Counsel

ATKINSON & CO., LTD.

Martin Mathisen, CPA, CGFM
Clarke Cagle, CPA, CCIFP, CGFM
Jenifer Getz

Audit Director
Audit Director
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 Authority'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.

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