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**STATE OF NEW MEXICO
NEW MEXICO BORDER
AUTHORITY**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2019

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY**

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STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
Official Roster
June 30, 2019

BOARD OF DIRECTORS

Alicia Keyes	Cabinet Secretary, New Mexico Economic Development Department
Howie Morales	Ex-Officio, Lt. Governor, State of New Mexico
Tom Church	NMDOT
Bill Connor	Las Cruces
Reece Carso	Las Cruces
Jay J. Spivey	Luna County
James Robinson	Santa Teresa
Paul Kienzle	Albuquerque
Joseph M. Dworak	Assistant Attorney General

NEW MEXICO BORDER AUTHORITY

Vacant	Director, New Mexico Border Authority
Erika Medina DeLao	Deputy Director, New Mexico Border Authority
Marilu Casillas	ASD Director/CFO
David Espinoza	Budget Analyst
Laura Chaparro	Commissions

ADMINISTRATIVE SERVICES

Marilu Casillas	ASD Director/CFO
Chris Romero	CPO
Mary Armijo	Accountant
Ramona Gonzales	Business Operations Specialist

FINANCIAL SECTION



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Independent Auditors' Report

Board of Directors
New Mexico Border Authority
and
Brian S. Colón, Esq,
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, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 evaluation 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, 2019, 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, 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, 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, 2019, 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.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the *Government 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. Our opinion on the basic financial statements is not affected by this missing information.

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 Appropriations 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, 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

Ricci & Company, LLC

Albuquerque, New Mexico
October 17, 2019

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019**

	<u>Governmental</u>
ASSETS	
Current assets:	
Investment in state general fund investment pool	\$ 10,117,937
Accounts receivable	474
Due from federal government	<u>8,860</u>
Total current assets	10,127,271
Capital assets, net of depreciation	<u>618,640</u>
Total assets	<u><u>\$ 10,745,911</u></u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 552,382
Accrued payroll	8,943
Compensated absences payable	<u>18,684</u>
Total current liabilities	<u>580,009</u>
NET POSITION	
Net investment in capital assets	618,640
Restricted	9,234,762
Unrestricted	<u>312,500</u>
Total net position	<u>10,165,902</u>
Total liabilities and net position	<u><u>\$ 10,745,911</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
STATEMENT OF ACTIVITIES
Year ended June 30, 2019**

Functions/ Programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Border development	\$ 2,531,997	72,955	-	- \$ (2,459,042)
Total activities	<u>\$ 2,531,997</u>	<u>72,955</u>	<u>-</u>	<u>- (2,459,042)</u>
General revenues				
Other revenue:				
Other appropriations				1,313,739
State general fund appropriations				<u>9,249,500</u>
Total general revenues and transfers				<u>10,563,239</u>
Change in net position				8,104,197
Net position, beginning				<u>2,061,705</u>
Net position, ending				<u>\$ 10,165,902</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund (48000)	Hazmat Grant Fund (02900)	Capital Outlay Fund (89200 and 93100)	Border Project Fund (11790)
ASSETS				
Investment in state general fund investment pool	\$ 341,883	3,698	9,392,694	\$ 83,655
Accounts receivable	-	-	-	-
Due from federal government	-	-	-	-
Total assets	\$ 341,883	3,698	9,392,694	\$ 83,655
LIABILITIES				
Liabilities				
Vouchers payable and other current liabilities	\$ 1,756	-	492,694	\$ -
Accrued payroll	8,943	-	-	-
Total liabilities	10,699	-	492,694	-
FUND BALANCES				
Restricted				
Hazmat grant fund	-	3,698	-	-
Border project funds	-	-	-	83,655
Border development fund	-	-	-	-
Capital projects fund	-	-	8,900,000	-
Fire protection fund	-	-	-	-
Unassigned	331,184	-	-	-
Total fund balances	331,184	3,698	8,900,000	83,655
Total liabilities and fund balances	\$ 341,883	3,698	9,392,694	\$ 83,655

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019**

	Border Development Fund (05600)	Federal Contract Interagency (29510)	Fire Protection Fund (40190)	Total Governmental Funds
ASSETS				
Investment in state general fund investment pool	\$ 257,005	-	39,002	\$ 10,117,937
Accounts receivable	474	-	-	474
Due from federal government	-	8,860	-	8,860
Total assets	\$ 257,479	8,860	39,002	\$ 10,127,271
LIABILITIES				
Liabilities				
Vouchers payable and other current liabilities	\$ 35,348	-	22,584	\$ 552,382
Accrued payroll	-	-	-	8,943
Total liabilities	35,348	-	22,584	561,325
FUND BALANCES				
Restricted				
Hazmat grant fund	-	-	-	3,698
Border project funds	-	-	-	83,655
Border development fund	222,131	-	-	222,131
Capital projects	-	-	-	8,900,000
Federal Contract	-	8,860	-	8,860
Fire protection fund	-	-	16,418	16,418
Unassigned	-	-	-	331,184
Total fund balances	222,131	8,860	16,418	9,565,946
Total liabilities and fund balances	\$ 257,479	8,860	39,002	\$ 10,127,271

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 NEW MEXICO BORDER AUTHORITY
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2019**

Total fund balances for governmental funds \$ 9,565,946

Amounts reported for governmental activities in the statement of net position are different as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund:

Capital assets total acquisition value	\$ 757,401	
Total accumulated depreciation	(138,761)	<u> </u>
Total capital assets, net		618,640
Compensated absences payable		(18,684)
Net position of governmental activities (Statement of Net Position)		<u><u>\$ 10,165,902</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2019**

	General Fund (48000)	Hazmat Grant Fund (02900)	Capital Outlay Fund (89200) and (93100)	Border Project Fund (11790)
REVENUES				
Federal grants	\$ -	-	-	\$ -
Other revenue	-	-	-	8,014
Total revenues	-	-	-	8,014
EXPENDITURES				
Current				
Personal services	275,173	-	-	-
Contractual services	1,527	-	1,234,784	-
Operating costs	29,317	-	-	-
Total expenditures	306,017	-	1,234,784	-
(Deficiency) excess of revenue over expenditures	(306,017)	-	(1,234,784)	8,014
OTHER FINANCING SOURCES AND (USES)				
State general fund appropriations	349,500	-	8,900,000	-
Other appropriations	5,000	-	1,234,784	-
Total other financing sources (uses)	354,500	-	10,134,784	-
Net change in fund balance	48,483	-	8,900,000	8,014
Beginning fund balance	282,701	3,698	-	75,641
Ending fund balance	\$ 331,184	3,698	8,900,000	\$ 83,655

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
Year ended June 30, 2019**

	Federal Contract Interagency (29510)	Fire Protection Fund (40190)	Border Development Fund (05600)	Total Governmental Funds
REVENUES				
Federal grants	\$	-	-	\$ -
Other revenue	-	-	64,941	72,955
Total revenues	-	-	64,941	72,955
EXPENDITURES				
Current				
Personal services	-	-	-	275,173
Contractual services	65,095	-	45,800	1,347,206
Operating costs	-	782,594	82,455	894,366
Total expenditures	65,095	782,594	128,255	2,516,745
(Deficiency) excess of revenue over expenditures	(65,095)	(782,594)	(63,314)	(2,443,790)
OTHER FINANCING SOURCES AND (USES)				
State general fund appropriations	-	-	-	9,249,500
Other appropriations	73,955	-	-	1,313,739
Total other financing sources (uses)	73,955	-	-	10,563,239
Net change in fund balance	8,860	(782,594)	(63,314)	8,119,449
Beginning fund balance	-	799,012	285,445	1,446,497
Ending fund balance	\$ 8,860	16,418	222,131	\$ 9,565,946

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 NEW MEXICO BORDER AUTHORITY
 RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 For the year ended June 30, 2019**

**NET CHANGE IN FUND BALANCES - TOTAL
 GOVERNMENTAL FUNDS**

Statement of revenues, expenditures, and changes in fund balances	\$ 8,119,449
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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 governmental funds	<u>(249)</u>
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Change in net position of governmental activities	<u><u>\$ 8,104,197</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL – MAJOR FUNDS
GENERAL FUND -FUND 48000
Year ended June 30, 2019**

	<u>Original Budget</u>	<u>Approved Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
General fund appropriation	\$ 329,500	329,500	349,500	\$ 20,000
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources - compensation	-	-	-	-
Other funds	5,000	5,000	5,000	-
Total revenues	<u>\$ 334,500</u>	<u>334,500</u>	354,500	<u>\$ 20,000</u>
Expenditures				
Personal services	\$ 304,500	304,500	275,173	\$ 29,327
Contractual services	5,000	5,000	1,527	3,473
Other costs	25,000	25,000	29,317	(4,317)
Total expenditures	<u>\$ 334,500</u>	<u>334,500</u>	<u>306,017</u>	<u>\$ 28,483</u>
Excess (deficiency) of revenue over expenditures			48,483	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u>-</u>	
Net change in fund balance			<u>\$ 48,483</u>	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL – MAJOR FUNDS
HAZMAT GRANT – FUND 29510
Year ended June 30, 2018**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ -	-	-	\$ -
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources - compensation	-	-	-	-
Other funds	-	-	73,955	73,955
	<u>-</u>	<u>-</u>	<u>73,955</u>	<u>73,955</u>
Total revenues	\$ -	-	73,955	\$ 73,955
Expenditures				
Personnel services	\$ -	-	-	\$ -
Contractual services	-	91,340	65,095	-
Other costs	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ -	91,340	65,095	\$ -
Excess (deficiency) of revenue over expenditures			8,860	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u>-</u>	
Net change in fund balance			<u>\$ 8,860</u>	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL – MAJOR FUNDS
HAZMAT GRANT – FUND 02900
Year ended June 30, 2018**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ -	-	-	\$ -
Federal grants	-	-	-	-
Others 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>	<u>\$ -</u>
Expenditures				
Personnel services	\$ -	-	-	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Excess (deficiency) of revenue over expenditures			-	
Reconciliation of budgetary basis to GAAP basis financial statements:				
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 Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL – MAJOR FUNDS
BORER PROJECT – FUND 11790
Year ended June 30, 2018**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ -	-	-	\$ -
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	-	-	8,014	8,014
	<u>-</u>	<u>-</u>	<u>8,014</u>	<u>8,014</u>
Total revenues	\$ -	-	8,014	\$ 8,014
Expenditures				
Personnel services	\$ -	-	-	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ -	-	-	\$ -
Excess (deficiency) of revenue over expenditures			8,014	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u>-</u>	
Net change in fund balance			<u>\$ 8,014</u>	

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

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL – MAJOR FUNDS
BORDER DEVELOPMENT – FUND 05600
Year ended June 30, 2018**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ -	-	-	\$ -
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	81,800	81,800	64,941	(16,859)
Total revenues	<u>\$ 81,800</u>	<u>81,800</u>	64,941	<u>\$ (16,859)</u>
Expenditures				
Personnel services	\$ -	-	-	\$ -
Contractual services	52,500	52,500	45,800	6,700
Operating costs	129,300	129,300	82,455	46,845
Total expenditures	<u>\$ 181,800</u>	<u>181,800</u>	128,255	<u>\$ 53,545</u>
Excess (deficiency) of revenue over expenditures			(63,314)	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u>-</u>	
Net change in fund balance			<u>\$ (63,314)</u>	

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. 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 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.
- 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 the 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

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

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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's significant accounting policies are described below.

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.

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).

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (continued)

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.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental entities (US GAAP). The significant accounting policies are summarized in Note 1 and include accounting standards adopted in recent years as detailed below.

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

The Authority implemented Governmental Accounting Standards Board Statement No. 72 "*Fair Value Measurements and Application*" (GASB 72), which 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. This statement is effective for periods beginning after June 15, 2015. There were no assets or liabilities measured at fair value to disclose for the year ended June 30, 2019.

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.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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.

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 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.

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

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NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Hazmat Grant (continued)

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) 5827-25.1 NMSA 1978.

Capital Projects Funds

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 89200).

Fire Protection 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 Laws of 2016, 2016 Regular Session (SHARE Fund 40190).

Border Authority Projects

This fund is used to account for activities relating to the special appropriation by the State of New Mexico pursuant to Laws of 2018 Regular Session.

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NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds (continued)

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.

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.

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 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 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 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

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NEW MEXICO BORDER AUTHORITY
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June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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.

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, 2019.

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.

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

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Grants Receivable (Continued)

estimate is changed. During fiscal year 2019, there were no estimated unallowable costs allowed for or charged to any federal grants.

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.

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 \$10,117,937 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 33.

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.

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.

Due from Federal Government

There were no internal transfers between funds during 2019. There is no residual balance due from other state agencies at June 30, 2019. The amount is due from the Department of Homeland Security.

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

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

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.

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:

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NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Reverting Funds (Continued)

- 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.

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.

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 marketplace. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

Fund Balances and Net Position

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

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances and Net Position (Continued)

Restricted 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 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 \$9,234,762 at June 30, 2019. 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 10 for additional information about fund balances, including restricted fund balances.

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

Deferred outflows of resources consumed and deferred inflows of resources received and available are elements of the Statement of Net Position for reporting the residual balances. There were no deferred outflows or inflows of resources to separately report at June 30, 2018.

Interagency Transfers

The Border Authority received \$349,500 from DFA (85300) for its annual appropriation.

GASB 68 Implementation

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.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through October 17, 2019, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to October 17, 2019, that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, 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, 2019.

NOTE 3. INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

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

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, 2019, consisted of the following:

Deposits with State Treasurer - Governmental Activities	\$ 10,117,937
Due to State Treasurer General Fund Investment Pool	<u>-</u>
	<u>\$ 10,117,937</u>

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NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
Capital assets:				
Land	\$ 83,406	-	-	\$ 83,406
Depreciable assets:				
Building	600,100	-	-	600,100
Building improvements, in process	55,156	-	-	55,156
Building and structures	18,739	-	-	18,739
Total capital assets	<u>757,401</u>	<u>-</u>	<u>-</u>	<u>757,401</u>
Accumulated depreciation:				
Building	105,019	15,003	-	120,022
Furniture, fixtures and equipment	18,739	-	-	18,739
Total accumulated depreciation	<u>123,758</u>	<u>15,003</u>	<u>-</u>	<u>138,761</u>
Net capital assets	<u>\$ 633,643</u>	<u>(15,003)</u>	<u>-</u>	<u>\$ 618,640</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 Boarder Development function.

NOTE 5. COMPENSATED ABSENCES

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

	Balance			Balance	Amount Due
	June 30, 2018	Increase	Decrease	June 30, 2019	in One Year
Compensated Absences	\$ 18,435	14,133	13,884	18,684	\$ 18,684

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.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 6. RETIREMENT PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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.

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, 2019, 2018, and 2017 were \$31,752, \$36,421, and \$35,810, respectively, equal to the amount of the required contribution for each year.

NOTE 7. POST EMPLOYMENT BENEFITS STATE RETIREE HEALTH CARE PLAN

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

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

**NOTE 7. POST EMPLOYMENT BENEFITS STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description (Continued)

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.

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, 2017, the statute required each participating employer to contribute

**STATE OF NEW MEXICO
 NEW MEXICO BORDER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019**

**NOTE 7. POST EMPLOYMENT BENEFITS STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

Funding Policy (Continued)

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:

Fiscal year	Employer Contribution Rate	Employee Contribution Rate
FY 19	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, 2019, 2018, and 2017 were \$3,737, \$4,287, and \$4,215, respectively, which equal the required contributions for each year.

NOTE 8. 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.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 8. RISK MANAGEMENT (CONTINUED)

The Authority had no significant reductions in insurance coverage from prior year. In the fiscal years ended June 30, 2019, 2018, and 2017, there were no settlements that exceeded insurance coverage.

NOTE 9. 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, 2019, follows:

	<u>General Fund</u>	<u>Major Special Revenue Funds</u>
Fund balances:		
Restricted for:		
Hazmat Grant Activity	\$ -	\$ 3,698
Border Development Activity	-	222,131
Border Project Activity	-	83,655
Fire Protection Activity	-	16,418
Capital Outlay Fund	-	8,900,000
Federal Contract	-	8,860
Non-reverting by enabling legislation	331,184	-
Total fund balances	<u>\$ 331,184</u>	<u>\$ 9,234,762</u>

NOTE 10. RECENT PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the Authority.

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 10. RECENT PRONOUNCEMENTS (CONTINUED)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the Authority.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Authority.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Authority.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. This statement is not applicable to the Authority.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority has implemented this standard accordingly in the current year.

**STATE OF NEW MEXICO
 NEW MEXICO BORDER AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019**

NOTE 11: OTHER FINANCING SOURCES (USES)

Fund	Agency Fund	Transfer In	Transfer Out
State General Fund Appropriation			
48000	34101-85300	\$ 349,500	\$ -
93100	34101-85300	\$ 8,900,000	-

NOTE 12. DUE TO/FROM FEDERAL GOVERNMENT

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements which make up the amounts due from other state agencies. At June 30, 2019, The Federal Contract Interagency Fund 29510 had \$8,860 due from the federal government.

NOTE 13. FUND BALANCE ADJUSTMENT

For the year ended June 30, 2019, an immaterial adjustment of \$200 was made to Fund Balance for Fund 29510 in order to have it roll forward properly.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
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, 2019**

<u>Project Description</u>	<u>Appropriation ID</u>	<u>Authority</u>	<u>Expiration</u>
Columbus Border Area Flood Control	STB15SA 15-1040	Laws of 2015, Ch 3, Sect 56, Item 1	6/30/2019
Columbus Port of Entry Street & Drain Improvements	STB15SA 15-1041	Laws of 2015, Ch 3, Sect 56, Item 2	6/30/2019
Santa Teresa Border Auth Bldg & Site Improvement	STB16A A2003	Laws of 2016, Ch 81, Sect 6, Item 1	6/30/2020
Santa Teresa Port of Entry Visitor Center	STB16A A2004	Laws of 2016, Ch 81, Sect 6, Item 2	6/30/2020
Columbus Border Authority Poe Land & Flood Control Total Severance Tax Bonds-Fund 89200	STBAC2022		6/30/2022

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF MULTIPLE-YEAR CAPITAL
PROJECTS FUNDED BY SPECIAL AND
SEVERANCE TAX CAPITAL OUTLAY
APPROPRIATIONS FROM THE STATE (CONTINUED)
Year ended June 30, 2019**

<u>Project Description</u>	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Arts in Public Places (AIPP)</u>	<u>Current Year Reversions</u>	<u>Prior Year Incurred Balance</u>	<u>Available Balance as of June 30, 2019</u>
Columbus Border Area						
Flood Control	\$ 1,800,000	476,286		(212,009)	1,111,705	\$ -
Columbus Port of Entry Street & Drain Improvements	200,000	-		(118)	199,882	-
Santa Teresa Border Auth Bldg & Site Improvement	500,000	420,008	5,000	-	55,156	19,836
Santa Teresa Port of Entry Visitor Center	250,000	192,940	-	-	51,232	5,828
Columbus Border Authority Poe Land & Flood Control	<u>500,000</u>	<u>145,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,450</u>
Total Severance Tax Bonds-Fund 89200	<u>3,250,000</u>	<u>1,234,784</u>	<u>5,000</u>	<u>(212,127)</u>	<u>1,417,975</u>	<u>380,114</u>
Total Capital Projects	<u>\$ 3,250,000</u>	<u>1,234,784</u>	<u>5,000</u>	<u>(212,127)</u>	<u>1,417,975</u>	<u>\$ 380,114</u>

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
Year ended June 30, 2019**

<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	\$ 341,883
Hazmat Grant	02900	Special	State General	3,698
Capital Outlay Fund	89200 and 93100	Capital	State General	9,392,694
Border Project Fund	11790	Special	State General	83,655
Border Dev. Grant Fund	05600	Special	State General	257,005
Fire Protection Fund	40190	Capital	State General	<u>39,002</u>
Total Governmental in State General Fund Investment Pool				<u>\$ 10,117,937</u>

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
GENERAL FUND CAPITAL OUTLAY – FUND 93100
Year ended June 30, 2019**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 8,900,000	8,900,000	8,900,000	\$ -
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	-	-	-	-
Total revenues	<u>\$ 8,900,000</u>	<u>8,900,000</u>	8,900,000	<u>\$ -</u>
Expenditures				
Personnel services	\$ -	-	-	\$ -
Contractual services	8,900,000	8,900,000	-	8,900,000
Operating costs	-	-	-	-
Total expenditures	<u>\$ 8,900,000</u>	<u>8,900,000</u>	-	<u>\$ 8,900,000</u>
Excess (deficiency) of revenue over expenditures			8,900,000	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u>-</u>	
Net change in fund balance			<u>\$ 8,900,000</u>	

The Notes to the Financial Statements are an integral part of this statement.

COMPLIANCE SECTION



1030 18th Street NW
Albuquerque, NM 87104
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**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***

Independent Auditors' Report

Board of Directors
New Mexico Border Authority
and
Brian S. Colón, Esq.
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, 2019 and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Department'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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*.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority'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.

Ricci & Company LLC

Albuquerque, New Mexico
October 17, 2019

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SECTION 1 – SUMMARY OF AUDITOR RESULTS

Type of report issued: Unmodified

Internal Controls over financial Reporting:

Material weaknesses reported? No

Significant deficiencies reported? No

Noncompliance material to the financial statements noted? No

SECTION 2 – SUMMARY STATUS OF PRIOR YEAR FINDINGS

Financial Statement Finding Required by *Government Auditing Standards*

None

SECTION 3 - CURRENT YEAR FINDINGS

None

**STATE OF NEW MEXICO
NEW MEXICO BORDER AUTHORITY
EXIT CONFERENCE
JUNE 30, 2019**

EXIT CONFERENCE

An exit conference was held with the Authority on October 17, 2019. Individuals participating were:

Representing the New Mexico Border Authority:

Marilu Casillas	ASD Director/CFO
Marco Grajeda	Executive Director
David Espinoza	Budget Analyst
Mary Armijo	Accountant

Representing the Independent Auditor:

Mark Santiago, CPA	Senior Audit Manager
Mike Easley, CPA	Audit Supervisor

AUDITOR PREPARED 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.