

**NEW MEXICO
SPACEPORT AUTHORITY**

**Financial Statements
for the Year Ended
June 30, 2009,
and Independent
Auditors' Report**



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NEW MEXICO SPACEPORT AUTHORITY

Official Roster

Year Ended June 30, 2009

Board Members – Space Commission

Title

Steve Landeene	Executive Director (Jan. 2009 – present)
Daniella Glick	Executive Director (through Jan. 2009)
Fred Mondragon	Chairman
Diane Denish	(ex officio) Lt. Governor
Toots Green	Member
D. Kent Evens	Member
Jim Manatt	Member
Gary Whitehead	Member
Benjamin E. Woods	Member
Casey Luna	Member

Administrative Services

Lisa Ortiz	ASD Director
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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico Spaceport Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities and the major fund (General Fund), which collectively comprise the basic financial statements of the New Mexico Spaceport Authority (Authority) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the major fund (General Fund) 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 entire State of New Mexico as of June 30, 2009, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Board of Directors
New Mexico Spaceport Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (General Fund) of the Authority as of and for the year ended June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009, on our consideration of the Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Meiners + Company, LLC

December 4, 2009

NEW MEXICO SPACEPORT AUTHORITY

Management's Discussion and Analysis Year Ended June 30, 2009

The New Mexico Spaceport Authority's (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, 2009.

Authority Overview

The Authority is administratively attached to one of 16 cabinet level departments within the executive branch of the New Mexico State Government (New Mexico Economic Development Department). Founded by state statute in 2005 [Laws of 2005, Chapter 128, "Spaceport Development Act"], the Authority's mission is to create programs to expand high technology economic opportunities within New Mexico, and create avenues of communication among federal government agencies, the space industry, users of space launch services and academia concerning space business. The Authority began its operations as a separate State Government Agency on July 1, 2006.

To achieve our mission, the Authority provides the statutory framework that will enable the State to design, finance, construct, equip and operate spaceport facilities necessary to ensure the timely, planned and efficient development of a southwest regional spaceport.

Financial Highlights

- In the fiscal year ended June 30, 2009, the total assets of the Authority exceeded total liabilities by \$15,547,807.
- The Authority acquired \$1,875,922 in total capital assets greater than \$5,000.
- Of the \$2,253,710 in total current assets, 2% was in the form of cash.
- The total cost of Authority programs was \$1,555,700, whereas the total Authority revenue was \$4,419,829.

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 comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budget and actual comparisons, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

NEW MEXICO SPACEPORT AUTHORITY

Management's Discussion and Analysis - continued Year Ended June 30, 2009

Overview of the Financial Statements - continued

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 assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as total net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 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

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 two 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 (SHARE Fund 81700) and the Regional Spaceport District Fund (SHARE Fund 10570).

NEW MEXICO SPACEPORT AUTHORITY

Management's Discussion and Analysis - continued Year Ended June 30, 2009

Overview of the Financial Statements - continued

Fund Financial Statements – continued

Governmental Funds - continued

The Authority adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 15 and 17 of this report.

Other Information. In addition to the basic statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 37 through 42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$15,547,807 at the close of the 2009 fiscal year.

At the end of the 2009 fiscal year, the Authority is able to report positive balances in the category of net assets.

Governmental activities increased the Authority's net assets by \$2,864,129.

Financial Analysis of Governmental 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 2009 fiscal year, the Authority's governmental funds reported combined ending fund balances of \$1,430,401, an increase of \$1,012,080 in comparison with the prior year. The majority of this amount is derived from severance tax bond proceeds and constitutes unreserved 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 reserved, 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 2009 fiscal year, unreserved fund balance of the general fund was \$0.

During the 2009 fiscal year, the fund balance of the Authority's general fund decreased by \$418,321.

NEW MEXICO SPACEPORT AUTHORITY

**Management's Discussion and Analysis - continued
Year Ended June 30, 2009**

Financial Analysis of the Authority as a Whole

Net Assets

Table A-1 summarizes the Authority's net assets as of June 30, 2009. Net assets for Governmental Activities were \$13,347,779.

**Table A-1
The Authority's Net Assets**

YEARS ENDED JUNE 30,	2009	Restated 2008
Governmental Activities:		
Assets:		
Current and other assets	\$ 2,253,710	1,439,707
Capital and non-current assets	<u>14,157,700</u>	<u>12,287,644</u>
Total Assets	\$ <u>16,411,410</u>	<u>13,727,351</u>
Liabilities:		
Current Liabilities	\$ <u>863,603</u>	<u>1,043,673</u>
Total Liabilities	\$ <u>863,603</u>	<u>1,043,673</u>
Net Assets:		
Invested in capital assets	\$ 14,157,700	12,287,644
Unrestricted – subsequent years' expenditures	<u>1,390,107</u>	<u>396,034</u>
Total Net Assets	\$ <u>15,547,807</u>	<u>12,683,678</u>

Changes in Net Asset

The Authority's change in assets for fiscal year 2009 was an increase of \$2,864,129 (Statement of Activities). Approximately 18 percent of the Authority's revenue comes from State General Fund Appropriations; the remaining funds are from severance tax bond proceeds and gross receipts taxes.

NEW MEXICO SPACEPORT AUTHORITY

Management's Discussion and Analysis - continued
Year Ended June 30, 2009

Financial Analysis of the Authority as a Whole - continued

Changes in Net Asset - continued

**Table A-2
Changes in the Authority's Net Assets**

YEARS ENDED JUNE 30,	2009	Restated 2008
Governmental Activities:		
General Revenues:		
State General Fund appropriations (net)	\$ 789,400	365,200
Gross Receipts Tax	1,430,401	-
Severance tax bond proceeds	<u>2,200,028</u>	<u>9,963,434</u>
Total General Revenues	4,419,829	10,328,634
Expenses:		
Spaceport development	<u>1,555,700</u>	<u>1,618,548</u>
Total Expenses	<u>1,555,700</u>	<u>1,618,548</u>
Increase (Decrease) in Net Assets	2,864,129	8,710,086
Net Assets, Beginning of Year	12,683,678	25,636,294
Restatement	-	(21,662,702)
Net Assets, Beginning of Year, Restated	<u>12,683,678</u>	<u>3,973,592</u>
Net Assets, End of Year	\$ <u>15,547,807</u>	<u>12,683,678</u>

Financial Analysis of the Department's Funds

Capital Assets and Debt Administration

The Authority had \$14,157,700 invested in capital assets for the year ended June 30, 2009.

The Authority did not have any long-term debt for the year ended June 30, 2009.

Original and Final Budget

There were no significant variations between the original and final budget.

NEW MEXICO SPACEPORT AUTHORITY

Management's Discussion and Analysis - continued Year Ended June 30, 2009

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

Spaceport America's Historic Groundbreaking

The Economic Development Department helped celebrate the historic groundbreaking of Spaceport America with a series of events held June 18-19, 2009. The celebrations marked the culmination of New Mexico's long journey towards establishing the world's first purpose-built commercial spaceport. Governor Richardson was on hand to address the crowds at each event, stressing the economic and educational benefits of the Spaceport. Economic Development Department Deputy Cabinet Secretary/Spaceport Chairwoman Daniela Glick hosted the festivities on both days.

On Friday morning, June 19, 500-plus invited guests and upwards of 60 press members from around the world traveled from Truth or Consequences to the remote site of Spaceport America for groundbreaking festivities. In addition to speeches from the Governor and Deputy Secretary, Virgin Galactic President Will Whitehorn, and Executive Director of Spaceport America, Steve Landeene, addressed the crowd. Following the presentations, a bulldozer officially broke ground on the future site of the 110,000 plus square-foot facility. The event concluded with a mass launch of small rockets, which included a rocket that had been filled with a canister of earth from the site. The gesture symbolized the continuation of New Mexico's pioneering spirit, from the exploration of the El Camino Real 400 years ago, to the exciting future of commercial space travel. Building of Spaceport America will provide 400 construction jobs. Construction is expected to begin in July with anticipated completion in late 2010 or early 2011.

Virgin Galactic signed an historic 20-year lease agreement to bring Virgin Galactic's worldwide headquarters to New Mexico. The company, which has already invested over \$300 million in developing a new space launch system, will base their commercial astronaut operations at Spaceport America. By securing an anchor tenant, the final requirement for Spaceport funding set by the New Mexico Legislature has been met. UP Aerospace, Lockheed Martin and Armadillo Aerospace have also committed to join Virgin Galactic at the Spaceport.

Spaceport Tax District Established

On July 22, 2008, Dona Ana County commissioners approved a spaceport tax district that will oversee spaceport tax dollars from both Sierra and Dona Ana Counties. In October, the spaceport tax district was officially formed with ratification of the district by the New Mexico Spaceport Authority. The formation of the spaceport tax district is required by statute to collect the estimated \$58 million in gross receipts, which will become part of the \$198 million dollar construction cost of Spaceport America.

Test Flight

UP Aerospace conducted another successful launch of a test flight vehicle. The August 12th test flight was on behalf of Lockheed Martin and tested propriety advanced launch technologies.

ISPCS Symposium

Las Cruces hosted the International Symposium for Personal and Commercial Space (ISPCS) on October 21st-23rd. Aerospace companies and space enthusiasts from around the world descended on Las Cruces for the annual symposium.

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

NASA Lunar Lander Challenge and Education Days

The X-Prize NASA Lunar Lander Challenge was held at the Las Cruces Airport on October 24th-25th. Armadillo Aerospace's vehicle successfully completed the Lunar Lander Level 1 Award and claimed the \$350,000 prize. Several hundred people were in attendance, with an estimated 50,000 viewing via webcast.

The New Mexico Space History Museum hosted over 2,500 students from all over the State from October 22nd-25th. The Lunar Lander Challenge was webcast to the Space Museum. Over 60 volunteers from Holloman Air Force Base supported the education days, which highlighted space history and New Mexico's capabilities.

Armadillo Aerospace Sub-Orbital Vehicle

Armadillo Aerospace announced their intention to perform research and development for high altitude flights and to base their fleet of re-usable Vertical Take-off and Landing (VTOL) space tourism vehicles in New Mexico at Spaceport America. In just two short years, companies are hoping to begin manned flights, with a prototype to be tested next year. Passengers will experience the sensation of weightless travel while floating in a cabin that offers breathtaking 360-degree views of earth from space. Spaceport America will provide the base of operations for the venture, including launch capabilities. The reusable launch vehicles and ground support will be provided by Armadillo Aerospace.

FAA/AST Provides EIS Record of Decision and Site Launch License

On December 15, 2008, the New Mexico Spaceport Authority (NMSA) received its Administrator for Commercial Space Transportation (FAA/AST). The FAA/AST issued Spaceport America a license for vertical launches after providing the Environmental Impact Study (EIS) Record of Decision (ROD).

Sweden Signed as 'Sister Spaceport'

The Spaceport Authority entered into a Memorandum of Understanding (MOU) with Spaceport Sweden to align the two as 'Sister Spaceports'. The relationship will strengthen the development of the global commercial space industry, as well as provide collaboration in areas of economic development, education, technology and tourism.

First Annual Education Launch

Spaceport America and the New Mexico Space Grant Consortium conducted the first annual education launch on May 2, 2009. This historic SL-3 mission utilized a SpaceLoft XL launch vehicle, provided by UP Aerospace, featuring 11 multi-sensor experiments designed and created by students from 10 New Mexico high schools, institutes and universities. Students from the participating schools attended the launch, along with their teachers, state dignitaries and local officials. This curriculum-based program is thought to be the first of its kind and will provide New Mexico students with applied learning and workforce development.

NEW MEXICO SPACEPORT AUTHORITY

Management's Discussion and Analysis - continued
Year Ended June 30, 2009

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.

FINANCIAL STATEMENTS

NEW MEXICO SPACEPORT AUTHORITY

Statement of Net Assets

AS OF JUNE 30, 2009

	<u>PRIMARY GOVERNMENT Governmental Activities Total</u>
ASSETS:	
Investment in State Treasurer Investment Pool	\$ 53,682
Severance tax receivables	<u>2,200,028</u>
	2,253,710
Capital assets:	
Equipment and furniture	58,664
Construction in process	14,104,902
Less accumulated depreciation	<u>(5,866)</u>
	<u>14,157,700</u>
TOTAL ASSETS	\$ <u>16,411,410</u>
LIABILITIES:	
Accounts payable	\$ 742,755
Accrued payroll and other liabilities	20,474
Due to other state agencies	60,080
Compensated absences payable due within one year:	
Short-term	<u>40,294</u>
TOTAL LIABILITIES	863,603
NET ASSETS:	
Invested in capital assets	14,157,700
Unrestricted - subsequent years' expenditure	<u>1,390,107</u>
TOTAL NET ASSETS	<u>15,547,807</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>16,411,410</u>

NEW MEXICO SPACEPORT AUTHORITY

Statement of Activities

YEAR ENDED JUNE 30, 2009

	PRIMARY GOVERNMENT Governmental Activities Total
EXPENSES:	
Spaceport development	\$ <u>1,555,700</u>
TOTAL EXPENSES	<u>1,555,700</u>
NET (EXPENSE)/REVENUE	(1,555,700)
GENERAL REVENUES:	
Transfers - State General Fund appropriation, net of reversions	789,400
Gross Receipts Tax	1,430,401
Severance Tax Bond Proceeds	<u>2,200,028</u>
TOTAL GENERAL REVENUES	<u>4,419,829</u>
CHANGE IN NET ASSETS	2,864,129
NET ASSETS, July 1, 2008	396,034
RESTATEMENTS	<u>12,287,644</u>
NET ASSETS, July 1, 2008, as restated	<u>12,683,678</u>
NET ASSETS, June 30, 2009	\$ <u><u>15,547,807</u></u>

NEW MEXICO SPACEPORT AUTHORITY

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2009

	Major Funds		
	General Fund	Regional Spaceport District Fund	Total Governmental Funds
ASSETS:			
Investment in State Treasurer			
Investment Pool	\$ -	53,682	53,682
Due from other funds	-	1,376,719	1,376,719
Severance tax receivables	<u>2,200,028</u>	<u>-</u>	<u>2,200,028</u>
TOTAL ASSETS	\$ <u>2,200,028</u>	<u>1,430,401</u>	<u>3,630,429</u>
LIABILITIES:			
Accounts payable	\$ 742,755	-	742,755
Accrued payroll	20,474	-	20,474
Due to Other State Agencies	60,080	-	60,080
Due to other funds	<u>1,376,719</u>	<u>-</u>	<u>1,376,719</u>
TOTAL LIABILITIES	2,200,028	-	2,200,028
FUND BALANCES:			
Unreserved	<u>-</u>	<u>1,430,401</u>	<u>1,430,401</u>
TOTAL FUND BALANCES	<u>-</u>	<u>1,430,401</u>	<u>1,430,401</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,200,028</u>	<u>1,430,401</u>	<u>3,630,429</u>

NEW MEXICO SPACEPORT AUTHORITY

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

YEAR ENDED JUNE 30, 2009

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 1,430,401

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Construction in Process, consisting of:

Restatement 12,287,644

Current year additions 1,875,922

14,163,566

Accumulated depreciation (5,866)

Total capital assets 14,157,700

Compensated absences payable are recorded at the government-wide level but not at the fund level

(40,294)

Net assets of governmental activities (Statement of Net Assets) \$ 15,547,807

NEW MEXICO SPACEPORT AUTHORITY

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds

YEAR ENDED JUNE 30, 2009

	Major Funds		Total Governmental Funds
	General Fund	Regional Spaceport Fund	
REVENUES:			
Gross Receipts Tax	\$ -	1,430,401	1,430,401
Interest on loans	-	-	-
Other revenue	-	-	-
TOTAL REVENUES	-	1,430,401	1,430,401
EXPENDITURES:			
Current:			
Personal services and benefits	\$ 499,339	-	499,339
Contractual services	2,586,276	-	2,586,276
Other	322,134	-	322,134
TOTAL EXPENDITURES:	3,407,749	-	3,407,749
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,407,749)	1,430,401	(1,977,348)
OTHER FINANCING SOURCES (USES):			
Reversions to State General Fund	(8,500)	-	(8,500)
Transfers - State General Fund appropriation	797,900	-	797,900
Severance Tax Bond Proceeds	2,200,028	-	2,200,028
NET OTHER FINANCING SOURCES (USES)	2,989,428	-	2,989,428
NET CHANGE IN FUND BALANCES	(418,321)	1,430,401	1,012,080
FUND BALANCES, July 1, 2008	418,321	-	418,321
FUND BALANCES, June 30, 2009	\$ -	1,430,401	1,430,401

NEW MEXICO SPACEPORT AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities

YEAR ENDED JUNE 30, 2009

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 1,012,080

Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The net increase in the liabilities for the year was: (18,007)

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

Capital outlay 1,875,922
Depreciation expense (5,866)

Excess of depreciation expense over capital outlay 1,870,056

Change in net assets of governmental activities
(Statement of Activities) \$ 2,864,129

NEW MEXICO SPACEPORT AUTHORITY

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

GENERAL FUND - OPERATING FUND 81700				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ 2,353,800	2,345,300	797,900	(1,547,400)
Other financing sources	8,000	8,000	-	(8,000)
Severance Tax Bond Revenue	<u>30,536,536</u>	<u>30,536,536</u>	<u>2,200,028</u>	<u>(28,336,508)</u>
TOTAL REVENUES	32,898,336	32,889,836	2,997,928	\$ <u>(29,891,908)</u>
BEGINNING FUND BALANCE	-	-	409,821	
TOTAL REVENUES AND BEGINNING FUND BALANCE	\$ <u>32,898,336</u>	<u>32,889,836</u>	<u>3,407,749</u>	
EXPENDITURES:				
Current:				
Personal services and benefits	\$ 601,500	593,000	499,339	93,661
Contractual services*	24,407,482	24,408,052	2,586,276	21,821,776
Other	7,689,384	7,688,784	322,134	7,366,650
Other financing uses	<u>200,000</u>	<u>200,000</u>	-	<u>200,000</u>
TOTAL EXPENDITURES	\$ <u>32,898,366</u>	<u>32,889,836</u>	<u>3,407,749</u>	<u>29,482,087</u>

* \$1,875,955 of contractual services were reclassified to capital outlay for financial statement purposes.

NATURE OF ORGANIZATION

Reporting Entity

The reporting entity is the New Mexico Spaceport Authority (Authority). The Authority was established by the Laws of 2005, Chapter 128, "New Mexico Spaceport Development Act" (Act). The purpose of the Authority is to:

- Encourage and foster development of the State and its cities and counties by developing spaceport facilities in New Mexico, and to actively promote and assist public and private sector infrastructure development to attract new industries and businesses, thereby creating new opportunities in the State.
- Create the statutory framework that will enable the State to design, finance, construct, equip and operate spaceport facilities necessary to ensure the timely, planned and efficient development of a southwest regional spaceport.
- Promote educational involvement in spaceport activities and education, and training of the workforce to develop the skills needed for spaceport operations.

The authority shall consist of seven voting and two nonvoting members, six of whom shall be appointed by the Governor with the consent of the senate; provided that one of the appointed members shall be a resident of Sierra County. No more than three appointed members shall belong to the same political party. The seventh member shall be the secretary of Economic Development or the Secretary's designee. The Lieutenant Governor shall serve as a nonvoting ex-officio member. The Executive Director of the Authority shall serve as a nonvoting member. The Chair may appoint a nonvoting advisory committee to provide advice and recommendations on Authority matters. The members appointed by the Governor shall be residents of the State and shall serve for terms of four years, except for the initial appointees who shall be appointed so that the terms are staggered after initial appointment. Initial appointees shall serve terms as follows: two members for two years, two members for three years and two members for four years. The Secretary of Economic Development or the Secretary's designee shall serve as the Chair of the Authority.

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

The financial reporting entity as defined by GASB No. 39 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

NATURE OF ORGANIZATION - continued

Office of the Executive Director

The Executive Director is empowered to organize the Authority and its divisions and may transfer or merge functions between divisions in the interest of efficiency and economy. The Administrative Services Division provides overall support.

Administrative Services Division

The Director of the Administrative Services Division of the Economic Development Department is responsible to the Executive Director to provide administrative support to all divisions and top-level managers. This division is responsible for the data processing, financial systems, budget, accounting, purchasing, personnel, financial reporting and federal grant functions of the Authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. 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.

The Authority implemented the provisions of GASB No. 34 effective July 1, 2001. As a part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The Authority does not own any infrastructure assets and, therefore, is unaffected by this requirement.

• **Financial Reporting Entity**

The chief executive of the Authority is the Executive Director, who is appointed by the Spaceport Authority Board of Directors. The Authority, by statute, is administratively attached to a component unit of the executive branch, New Mexico Economic Development Department, and these financial statements include all funds and activities over which the Authority Executive Director has oversight responsibility. Even though the Authority appoints the Executive Director, that person has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Financial Reporting Entity - continued**

The Authority is a “department” of the State of New Mexico and will be included in any statewide Comprehensive Annual Financial Report. In accordance with the criteria set forth in GASBS 14 for determining component units, the Authority does not have any component units.

• Basic Financial Statements

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole, or major individual funds (within the fund financial statements). In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

• 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. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The primary function of the Authority is to develop spaceport facilities in New Mexico.

Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include severance tax bond proceeds, grants and appropriations. On an accrual basis, revenue from severance tax bond proceeds is recognized when the underlying transaction has occurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Government-wide and Fund Financial Statements - continued**

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Authority does not currently employ indirect cost allocation systems.

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. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

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.

The Government-wide financial statements are prepared using the economic resources measurement focus and the accrued basis of accounting. The fund financial statements should be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

The Authority does not have any fiduciary funds. By definition, assets in a fiduciary fund are held for the benefit of a third party and cannot be used to address activities or obligations of the government. These funds would not be incorporated into the government-wide statements.

There was no short-term debt activity in FY2009.

• **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. The various funds are summarized by type in the accompanying

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Basis of Presentation - continued**

financial statements. The various funds are reported by generic classification within the financial statements. 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 Authority uses the following fund types:

General Fund. The General Fund (Statewide Human Resource, Accounting and Management Reporting System (SHARE) Fund 81700) is the general operating fund of the Authority and is used to account for all financial resources. The General Fund is funded primarily through appropriations from the State of New Mexico General Fund and severance tax bond proceeds.

Regional Spaceport District Fund. The Regional Spaceport District Fund (Statewide Human Resource, Accounting and Management Reporting System (SHARE) Fund 10570) was established in during 2009 when Dona Ana and Sierra Counties passed a gross receipts tax. The Regional Spaceport District Fund issues bonds and services the debt from receipt of gross receipts tax revenue. This is a major debt service fund.

• Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on the modified accrual basis.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), Accounting and Financial Reporting for Nonexchange Transactions, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

• Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers funds available if received within "60 days" after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange transactions), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

• Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.

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

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

- No later than September 1, the Authority submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Budgets and Budgetary Accounting – continued**

- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, the Authority submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

- **Cash and Cash Equivalents – Investment in State General Fund Investment Pool**

The Authority has defined cash and cash equivalents to include investments with the State Treasurer in the State General Fund Investment Pool. All cash is deposited with and monitored by the State Treasurer. See Note 2 for additional cash disclosure.

- **Capital Assets**

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy (i.e., the dollar value, above which, asset acquisitions are added to the capital accounts) is \$5,000. However, all capital outlay purchases may not necessarily be capitalized.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department utilizes IRS Publication 946 to estimate the useful lives on fixed assets as follows:

- Buildings and Structures - 40 years
- Office Furniture, Fixtures and Equipment - 10 years
- Data Handling Equipment, except Computers - 5 years
- Computers and Software - 3 years

The Department had no internal software development in the current year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**• Deferred Revenues**

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for (1) amounts received from federal grants prior to expenditures occurring, or (2) amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year, and are accounted for on the modified accrual basis in the fund financial statements.

• Due To/From Other Funds

Internal balances due to/from in the governmental funds are netted as part of the reconciliation to the government-wide columnar presentation, as such eliminating internal activity in the Statement of Activities. There were no internal balances.

• 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:

General Fund (Fund 81700) - The source of these funds includes, but is not limited to, the proceeds of any bond issued by the Authority or from any loans to the Authority made pursuant to the Spaceport Development Act [Section 58-31-17 NMSA 1978]; interest earned upon any money in the Fund; all money received by the Authority from any public or private source; and any fees, rents or other charges imposed and collected by the Authority.

Regional Spaceport District Fund (Fund 10570) - The source of these funds include bond proceeds and gross receipts tax used to service bonds issued by the Authority in July 2009.

• Reservations of Fund Balances

Reservations of fund balances on the Governmental Funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. For fiscal year ended June 30, 2009, the Authority does not have any reservations of fund balances.

• Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued.

Expenditures are recognized when the related fund liability is incurred, except for the following permitted by accounting principles generally accepted in the United States of America:

Prepaid items and inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Revenues, Expenditures and Expenses - continued**

When an expense is incurred that meets the requirements of both restricted and unrestricted resources, the Authority will first apply it to available restricted net assets.

- **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.

- **Net Assets**

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

Investment in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets are liquid assets (generated from revenues and not bond proceeds), which are legally enforceable and have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Assets represent unrestricted liquid assets.

The Authority applies unrestricted resources first for payment of expenditures.

- **Use of Estimates**

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.

NEW MEXICO SPACEPORT AUTHORITY

Notes to Financial Statements - continued

2. CASH (INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL)

Fund	SHARE Fund	Investment	Maturities	Fair Value June 30, 2009
General Fund: Operating	81700	NM STO General Fund Investment Pool	1 day to 3 years	\$ (1,376,719)
Regional Spaceport Fund	81710	NM STO General Fund Investment Pool	1 day to 3 years	<u>1,430,401</u>
Total investments				\$ <u><u>53,682</u></u>

The General Fund cash overdraft was absorbed by the Regional Spaceport Fund; therefore, an interfund receivable payable balance was recorded by the Department (Note 11).

• **Interest Rate Risk**

The Authority does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

• **Credit Risk**

The New Mexico State Treasurer's Office Pool is not rated.

For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2008.

3. COMPENSATED ABSENCES

Qualified employees are entitled to accumulate annual leave as follows: A maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess 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.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period.

Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to 50 percent of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July. Immediately prior to retirement from the service, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for additional unused sick leave at a rate equal to 50 percent of their hourly rate for up to 400 hours of sick leave.

Notes to Financial Statements - continued

3. COMPENSATED ABSENCES - continued

All sick leave balances from 600 to 1,000 hours have been recorded at 50 percent of the employee's current hourly rate, including those amounts paid in July of the subsequent fiscal year, because no expendable financial resources are available as of the balance sheet date to liquidate the liability. The current portion of compensated absences payable expected to be paid within one year is \$40,294.

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

		<u>Balance, June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, June 30, 2009</u>	<u>Due Within One Year</u>
Compensated absences	\$	<u>22,287</u>	<u>23,514</u>	<u>(5,507)</u>	<u>40,294</u>	<u>40,294</u>

The General Fund will be used to liquidate long-term liabilities.

4. CAPITAL ASSETS

GASB No. 34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets. The Authority has no debt related to capital assets.

House Bill 1074 was enacted, which amended part of the Audit Act (12-6-10 NMSA 1978) to require agencies to capitalize only acquisitions whose cost is over \$5,000.

All capital assets listed below are being depreciated. The Authority does not have any capital assets that are not being depreciated, such as land.

	<u>Balance</u> <u>June 30, 2008</u>	<u>Restatement</u>	<u>Restated</u> <u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions,</u> <u>Including</u> <u>Inventory</u> <u>Exempt</u>	<u>Balance</u> <u>June 30, 2009</u>
Equipment and furniture	\$ -	-	-	58,664	-	58,664
Buildings and structures	-	-	-	-	-	-
Construction in process	-	<u>12,287,644</u>	<u>12,287,644</u>	<u>1,817,258</u>	-	<u>14,104,902</u>
Total capital assets	<u>-</u>	<u>12,287,644</u>	<u>12,287,644</u>	<u>1,875,922</u>	<u>-</u>	<u>14,163,566</u>
Accumulated depreciation:						
Equipment and furniture	-	-	-	<u>(5,866)</u>	-	<u>(5,866)</u>
Total accumulated depreciation	-	-	-	<u>(5,866)</u>	-	<u>(5,866)</u>
Net capital assets	\$ <u>-</u>	<u>12,287,644</u>	<u>12,287,644</u>	<u>1,870,056</u>	<u>-</u>	<u>14,157,700</u>

Depreciation expense for the fiscal year was \$5,866 and was charged to Spaceport Development.

5. PENSION 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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

• Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Authority is required to contribute 16.59% of the gross covered salary. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. 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 fiscal years ending June 30, 2009, 2008 and 2007 were \$53,751, \$30,713 and \$13,827, respectively, which equal the amount of the required contributions for each fiscal year.

6. 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 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

6. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**• Plan Description - continued**

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also 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, 2009, 2008 and 2007 were \$4,212, \$2,407 and \$1,750, respectively, which equal the required contributions for each year.

NEW MEXICO SPACEPORT AUTHORITY

Notes to Financial Statements - continued

7. CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

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.

8. OPERATING TRANSFERS

During the fiscal year, the Authority received funds that were recorded as "Other Financing Sources" in the financial records. These amounts include (1) \$797,900 was appropriated to Department of Finance and Administration (DFA) for distribution to the Authority for the State General Fund appropriation; and (2) the amount reverted to the New Mexico State General Fund for fiscal year 2009.

	<u>SHARE Agency/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:			
(1) SHARE System Fund 81700	34100-62000	\$ <u>797,900</u>	<u>8,500</u>
		\$ <u>797,900</u>	<u>8,500</u>

9. DUE TO/FROM OTHER STATE AGENCIES

<u>Fund</u>	<u>State Agency</u>	<u>Due From</u>	<u>Due To</u>
General Fund (87100) to fund Agency's salaries			
New Mexico Economic Development Dept.	31900	\$ _____	<u>60,080</u>
Total		\$ _____	<u>60,080</u>

NEW MEXICO SPACEPORT AUTHORITY

Notes to Financial Statements - continued

10. DUE TO/FROM OTHER FUNDS

This amount represents a receivable arising from expenditures paid by one fund on behalf of the other fund.

Interfund receivables:

Fund Type	SHARE Fund	Due From	Due to
General Fund	87100	\$ -	1,376,719
Regional Spaceport District Fund	10570	<u>1,376,719</u>	<u>-</u>
Total		\$ <u>1,376,719</u>	<u>1,376,719</u>

11. RESTATEMENTS

Prior year professional service expenditures of \$12,287,644 were attributable to buildings and structures for the Authority and were therefore restated in 2009 as construction in process.

Beginning net assets, June 30, 2008	\$ 396,034
Restatement	<u>12,287,644</u>
Beginning net assets, June 30, 2008, restated	\$ <u>12,683,678</u>

12. SUBSEQUENT EVENTS

On July 16, 2009, the Authority issued \$55,810,000 of New Mexico Spaceport Authority Gross Receipts Tax Revenue Bonds. The Series 2009 Bonds were issued to: 1) provide funds for the planning and construction of Spaceport America, and 2) pay costs incurred with the issuance of the Series 2009 Bonds.

SUPPLEMENTARY INFORMATION

NEW MEXICO SPACEPORT AUTHORITY

Statement of Revenues and Expenditures -
Major Governmental Funds -
Budget and Actual (Modified Accrual Basis)

YEAR ENDED JUNE 30, 2009

REGIONAL SPACEPORT DISTRICT FUND - FUND 10570				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES:				
State General Fund appropriation	\$ -	-	-	-
Other financing sources	-	-	-	-
Gross Receipts Tax	-	-	1,430,401	1,430,401
TOTAL REVENUES	-	-	1,430,401	\$ 1,430,401
BEGINNING FUND BALANCE	-	-	-	
TOTAL REVENUES AND BEGINNING FUND BALANCE	\$ -	-	1,430,401	
EXPENDITURES:				
Current:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-

NEW MEXICO SPACEPORT AUTHORITY

Supplemental Schedule of Severance Tax Appropriations

YEAR ENDED JUNE 30, 2009

Special Capital Outlay Appropriations

<u>Project Number</u>	<u>Project Description</u>	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Expenditures to Date</u>	<u>Remaining Appropriation</u>	<u>Expiration</u>
A06-2260	Laws of 2007, Chapter 42, Section 100, Paragraph C-1 and D	\$ 33,000,000	15,432,484	15,432,484	17,567,516	6/30/2011
A06-2260	Laws of 2007, Chapter 42, Section 100, Paragraph C-1 and D	33,000,000	-	-	33,000,000	6/30/2011
A08-4780	Laws of 2008, Chapter 92, Section 65, Paragraph C	<u>7,500,000</u>	<u>23,232</u>	<u>23,232</u>	<u>7,476,768</u>	6/30/2012
		\$ <u>73,500,000</u>	<u>15,455,716</u>	<u>15,455,716</u>	<u>58,044,284</u>	

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

Board of Directors
New Mexico Spaceport Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund and the budgetary comparison of the New Mexico Spaceport Authority (Authority), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 4, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A **control deficiency** 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 misstatements on a timely basis. A **significant deficiency** is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be a significant deficiency, as defined above.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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Board of Directors
New Mexico Spaceport Authority
and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified one deficiency in internal control over financial reporting that we considered to be a material weakness, as described in the accompanying schedule of findings and responses as finding 09-02.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision, paragraphs 5.14 and 5.16, and section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 09-1 and 09-2.

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, the Office of the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Meyners + Company, LLC

December 4, 2009

YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Spaceport Authority (Authority).
2. One significant deficiency was disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the Authority disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

09-01 UNABLE TO VERIFY TIMELY DEPOSIT OF CASH RECEIPTS (control deficiency)

Statement of Condition: During cash receipt test work, it was noted that two from an entire population of five cash receipts lacked supporting documentation indicating timely deposit of cash receipts.

Criteria: Per Model of Accounting Practices (FIN 2) cash receipts should be deposited by the end of the next business day after receipt.

Cause: Lack of supporting documentation to verify effective controls over cash receipts.

Effect: Compliance with state statute could not be verified

Recommendation: Deposit slips and/or other substantiation verifying proper controls over cash receipts should be maintained with cash receipt documentation.

Management's Response: All deposits received by the Authority are submitted to the Economic Development Department (EDD) with a cover memo the day they are received in our office and sent via overnight mail for deposit with the State Treasurer. In the future, EDD and the Authority will ensure each check and supporting documentation are date stamped and initialed by management.

09-02 RESTATEMENT OF PROFESSIONAL SERVICE CONTRACT EXPENDITURES (Material Weakness)

Statement of Condition: \$12,287,644 of professional service contract expenditures were not properly capitalized during fiscal year 2008. These amounts were restated as Construction in Process in the current year.

Criteria: GASB 34 requires that all Construction in Process be recorded and capitalized.

YEAR ENDED JUNE 30, 2009

B. FINDINGS - FINANCIAL STATEMENT AUDIT – continued

**09-02 RESTATEMENT OF PROFESSIONAL SERVICE CONTRACT EXPENDITURES
(Material Weakness) - continued**

Cause: Management was unaware that professional service contract expenditures required capitalization.

Effect: Construction in Process was not correctly recorded as of June 30, 2008.

Recommendation: The Authority should track all capital asset and construction agreements to be recorded as capital assets or construction in process in the Authority's financial statements.

Management's Response: In the future, the Authority's management will capitalize and record professional service contract expenditures as assets or construction in process of the New Mexico Spaceport.

NEW MEXICO SPACEPORT AUTHORITY

Summary Schedule of Prior Year Audit Findings

08-01 Overspending of Budgeted Expenditures (Significant Deficiency) - Resolved

NEW MEXICO SPACEPORT AUTHORITY

Exit Conference

An exit conference was held with the Authority on December 9, 2009, at the New Mexico Economic Development Department's offices in Albuquerque, New Mexico. In attendance were:

NEW MEXICO SPACEPORT AUTHORITY

Fred Mondragon, Secretary, Economic Development Department
Lisa Ortiz, ASD Director

MEYNNERS + COMPANY, LLC

Patrick J. Wilkins, CPA, Partner
Janet Pacheco-Morton, CPA, CGFM, Director
Donald MacQuigg, In Charge Accountant
Mury Sutherlin, CPA, Senior Accountant
Jenn White, Staff Accountant

PREPARATION OF FINANCIAL STATEMENTS

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