

NEW MEXICO SPACEPORT AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**NEW MEXICO SPACEPORT AUTHORITY
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**NEW MEXICO SPACEPORT AUTHORITY
OFFICIAL ROSTER
AS OF JUNE 30, 2015**

Board Members – New Mexico Spaceport Authority

Rick Holdridge, Chairman

John Sanchez, (ex officio) Lt. Governor

David Buchholtz, Member

Paul Deason, Member

Irvin Diamond, Member

Jerry Stagner, Member

Laura Conniff, Member

Christine Anderson, Executive Director

New Mexico Spaceport Authority Administrative Services

Doreen Sieburg, Director of Finance and Administration

Belinda Lucero, Administrative Services Manager

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the New Mexico Spaceport Authority (NMSA), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise NMSA's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of NMSA's budgetary comparisons for the major capital projects funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of NMSA as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the major capital project funds of NMSA for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of NMSA are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of NMSA. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2015, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on NMSA's financial statements, the individual fund financial statements, and the budgetary comparison. The Supplemental Schedule of Severance Tax Appropriations, Supplemental Schedule of Cash Accounts Including Investments, and Schedule of Vendor Information for Purchases Exceeding \$60,000 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedule of Severance Tax Appropriations (excluding Expenditures Reported Prior Years) and Supplemental Schedule of Cash Accounts Including Investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Severance Tax Appropriations (excluding Expenditures Reported Prior Years) and Supplemental Schedule of Cash Accounts Including Investments are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Supplemental Schedule of Severance Tax Appropriations (Expenditures Reported Prior Years only) and Schedule of Vendor Information for Purchases Exceeding \$60,000 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide an assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2015 on our consideration of NMSA'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 NMSA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 23, 2015

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The New Mexico Spaceport Authority's (NMSA) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of NMSA's financial activity, identify changes in NMSA'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 NMSA, we offer readers this narrative overview and analysis of the financial activities of NMSA for the year ended June 30, 2015.

Authority Overview

NMSA was established by the New Mexico Spaceport Development Act in 2005. NMSA is charged with developing and operating the first purpose-built commercial spaceport in the world. The spaceport, Spaceport America, is situated on 18,000 acres of state land in a remote area of southwest New Mexico. It is adjacent to the US Army White Sands Missile Range (WSMR). NMSA and WSMR have a long standing partnership that allows NMSA to utilize some of their restricted air space: a fact that makes Spaceport America the most viable inland spaceport in the United States.

Spaceport America has, as its anchor tenant, Virgin Galactic. Since 2013, Virgin Galactic has paid NMSA one million dollars in building lease per year, plus \$30,000 per year in land lease. In addition, VG pays NMSA \$600,000 for beneficial occupancy of the facility each year. VG will pay additional user fees once they begin flying passengers but this has been delayed due to a mishap in October 2014.

NMSA has another spaceport tenant, SpaceX. SpaceX is a leading company in the commercial space industry having flown several missions for NASA already including delivery of cargo to the Space Station. SpaceX will be testing a game-changing vehicle at Spaceport America, the Falcon 9R; a vertical take-off, vertical landing vehicle--totally reusable--the first in the world. SpaceX is paying tenant fees but has not started flying yet due to a mishap in June 2015 in Florida.

NMSA has greatly increased the marketing/sales activities to attract more aerospace as well as non-aerospace customers. Other revenue earning events have included several commercial photo shoots for various companies and a movie shoot. In addition, the Visitor Experience opened in June 2015. Tourists may now visit the spaceport 7 days per week on guided tours. Other aerospace business sectors are being pursued with the first two agreements signed by a satellite ground station company, X2nSat and a UAV company, ARCA.

The past year has also been a year of continued preparation to become fully operational from a space perspective. NMSA is continuing to develop and refine its operating policies and procedures and to conduct exercises and drills. For example, fire and EMT procedures vary depending on the type of rocket and mission that is flown.

NMSA also had a successful year regarding Environmental Impact Study/National Environmental Policy Act (EIS/NEPA) compliance through the FAA Consulting Parties. Compliance is essential to keep the FAA commercial Spaceport license. It is made all the more challenging due to the fact that the spaceport is in a very remote, untouched area. Finding archeological artifacts occurs frequently and must be handled on the spot. To date, we have 44 archeological sites on the spaceport main campus—some dating back 10,000 years. This is also challenging from a management perspective, as these unplanned discoveries impact schedule and budget.

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The southern road is an essential 23.7 mile road from the south to the spaceport. It is currently a dirt road that floods frequently with rain events. The design for the improved road has been completed by Dona Ana County road engineers to include concrete box culverts over two arroyos; fencing, cattle guards and cattle gates along both sides of the road; straightening of the road at some locations; raising the road in some location; archeological mitigation in accordance with NEPA; and century link cable provisions. The BLM must now evaluate the design and issue an Environment Assessment. NMSA is funding the road construction at approximately \$14M of state capital funds.

It is noteworthy that the spaceport was authorized \$225M in 2007 for development costs; to date NMSA has received \$218.5M. NMSA is proud of this fact that it is still under the original budget.

Financial Highlights

- In the fiscal year ended June 30, 2015, total assets of NMSA exceeded total liabilities by \$104,174,778.
- NMSA acquired, or placed in to service, \$11,295,993 in total capital assets greater than \$5,000.
- Of the \$11,821,431 in total current assets, 78% was in the form of cash and cash equivalents (excluding SGFIP).
- The total cost of NMSA programs was \$12,071,588, whereas the total NMSA general revenue was \$7,946,781. Total program revenue was \$2,037,488.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of NMSA's assets and liabilities, with the difference between the two reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NMSA is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Both of the government-wide financial statements distinguish functions of NMSA 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 NMSA include Spaceport development. As the development of the Spaceport continues toward completion, NMSA will evolve into a self-supporting enterprise authority of the state, relying exclusively on revenue from its business sectors like space launches, leases, tourism and other events.

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. NMSA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of NMSA can be divided into three categories: general fund, debt service, and capital projects 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.

NMSA currently maintains four 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 87100), the Regional Spaceport District Fund (SHARE Fund 10570) and the Capital Projects Funds (SHARE Fund 20510 and SHARE Fund 89200).

NMSA adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 14 through 18 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of NMSA, assets exceeded liabilities by \$104,174,778 at the close of the 2015 fiscal year.

At the end of the 2015 fiscal year, NMSA is able to report positive balances in all categories of net position.

Governmental activities decreased NMSA's net position by \$2,087,319.

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Financial Analysis of Governmental Funds

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

As of the end of the 2015 fiscal year, NMSA's governmental funds reported combined ending fund balances of \$11,277,308, a decrease of \$2,699,032 in comparison with the prior year. The majority of this amount is derived from bonded debt proceeds and constitutes restricted fund balance, which will not revert to the general fund and is available for spending in the following fiscal year. The remainder of the fund balance is unassigned.

The general fund is the chief operating fund of NMSA. At the end of the 2015 fiscal year, unassigned fund balance of the general fund was \$2,305,800.

During the 2015 fiscal year, the fund balance of NMSA's general fund increased by \$746,242.

Financial Analysis of NMSA as a Whole

Net Position

NMSA's condensed net position changed from Fiscal Year 2014, decreasing from \$106.3 million to \$104.2 million, which represented a 2% change. The table below illustrates the condensed statement of net position:

Detail of NMSA's Condensed Net Position as of June 30,

	2015	2014
Governmental Activities:		
Assets:		
Current and Other Assets	\$ 11,821,431	\$ 16,709,826
Capital and Non-Current Assets	156,411,497	158,602,620
Total Assets	168,232,928	175,312,446
Liabilities:		
Current Liabilities	3,817,002	5,793,689
Non-Current Liabilities	60,241,148	63,256,660
Total Liabilities	64,058,150	69,050,349
Net Position:		
Net Investment in Capital Assets	93,154,837	92,320,495
Restricted - Capital Projects and Debt Service	8,971,508	12,416,782
Unrestricted, Subsequent Year's Expenditure	2,048,433	1,524,820
Total Net Position	104,174,778	106,262,097
Total Liabilities and Net Position	\$ 168,232,928	\$ 175,312,446

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Statement of Activities

NMSA's change in net position for fiscal year 2015 was a decrease of \$2,087,319 (Statement of Activities). Approximately 5% of NMSA's revenue comes from State General Fund Appropriations; the remaining funds are from severance tax bond proceeds and gross receipts bond proceeds, as well as business activity such as site tours, special events, and launches.

Statement of Activities for the year ended June 30,

	2015	2014
Governmental Activities:		
General Revenues:		
State General Fund Appropriations, Net	\$ 458,600	\$ 456,200
Gross Receipts Tax	6,194,636	5,919,873
Severance Tax Bond Appropriations	1,235,822	5,551,281
Other Revenue	4,500	2,334,799
Interest Revenue	53,223	33,171
Total General Revenues	7,946,781	14,295,324
Program Revenues:		
Charges for Services	2,037,488	-
Total Revenues	9,984,269	14,295,324
Expenses:		
Spaceport Development	12,071,588	11,639,137
Loss on Asset Disposal	-	252,253
Total Expenses	12,071,588	11,891,390
Increase (Decrease) in Net Position	(2,087,319)	2,403,934
Net Position - Beginning of Year	106,262,097	104,583,654
Restatement	-	(725,491)
Net Position - Beginning of Year, Restated	106,262,097	103,858,163
Net Position - End of Year	\$ 104,174,778	\$ 106,262,097

Financial Analysis of NMSA's Funds

Capital Assets and Debt Administration.

NMSA had \$93,154,837 invested in capital assets, net of related debt for the year ended June 30, 2015.

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

In 2009, the New Mexico Finance Authority (NMFA) issued bonds on behalf of NMSA in the amount of \$55,810,000 with associated bond issuance costs of \$837,150 and a premium of \$2,194,732. In 2010, NMFA issued bonds on behalf of NMSA in the amount of \$20,560,000. These bonds were issued to finance Spaceport construction. NMSA continues to pay down the debt and has \$61,755,000 outstanding, and premiums of \$1,501,660.

Budgetary Comparisons

In addition to the MD&A, GASB #34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented.

The budgetary comparison schedules should present the original and the final appropriated budgets for the reporting period, as well as the actual inflows, outflows and balances that are stated on the budgetary basis. As required by the Office of the State Auditor in 2 NMAC 2.2, the Statements of Revenues and Expenditures – Budget and Actual are also presented.

The budget to actual statements for the general fund reflect a significant difference between budgeted contractual services and other expenditures from actual amounts. When the budget was prepared, NMSA expected the site to be at full operation during the fiscal year. That did not happen; thus expenditures were lower than expected.

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

2015 Highlights:

- Spaceport America Visitor Experience opened to the public
- Recertification of FAA spaceport license
- 5 revenue generating events
- 2 vertical launches
- Expanded business base to include UAVs and satellite ground stations
- Main Entrance Security Station construction completed
- Numerous STEM educational events with public schools and scouts
- Art in Public Places sculpture completed
- Monthly newsletters sent to the public
- 6 NMSA board meetings open to the public
- 3 Spaceport America Regional Spaceport District Board Meetings open to the public
- 8 presentations at New Mexico conferences, organizations, and educational institutions
- FAA Annual EIS Consulting Parties Meeting
- 5 Legislative hearings

Requests for Information

This financial report is designed to provide a general overview of NMSA'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 Executive Director, New Mexico Spaceport Authority, 901 E. University, Suite 965L, Las Cruces, NM 88001.

**NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2015**

	<u>Governmental Activities</u>
LIABILITIES	
Accounts Payable	\$ 416,430
Accrued Payroll and Other Liabilities	39,770
Cash Overdraft	83,022
Other	4,901
Compensated Absences Payable Due Within One Year	51,862
Interest Payable	205,505
Current Portion of Long-Term Obligations, including premium of \$115,512	3,015,512
Total Current Liabilities	<u>3,817,002</u>
 Long-Term Obligations	
Non-Current Portion of Long-Term Obligations, including premium of \$1,386,148	<u>60,241,148</u>
Total Liabilities	64,058,150
 NET POSITION	
Net Investment in Capital Assets, Net of Related Debt	93,154,837
Restricted - Capital Projects and Debt Service	8,971,508
Unrestricted	2,048,433
Total Net Position	<u>104,174,778</u>
Total Liabilities and Net Position	<u><u>\$ 168,232,928</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Spaceport Development	\$ 12,071,588
Total Expenses	<u>12,071,588</u>
 PROGRAM REVENUE	
Charges for Services	2,037,488
Total Program Revenues	<u>2,037,488</u>
Net Program Revenue (Expense)	(10,034,100)
 GENERAL REVENUES (EXPENSES)	
State General Fund Appropriation	458,600
Transfer - Other Revenue	4,500
Severance Tax Bond Appropriations	1,235,822
Interest Revenue	53,223
Gross Receipts Tax	6,194,636
Total General Revenues	<u>7,946,781</u>
 CHANGE IN NET POSITION	 (2,087,319)
Net Position - Beginning of Year	 <u>106,262,097</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 104,174,778</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO SPACEPORT AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Major Funds				Total Governmental Funds
	87100	10570	20510	89200	
	General Fund	Regional Spaceport District Fund	Capital Projects Fund	Capital Projects Fund	
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 2,468,744	\$ -	\$ 386	\$ -	\$ 2,469,130
Other Cash - Held at Trustee	-	4,231,948	-	-	4,231,948
Restricted Cash	-	4,986,635	-	-	4,986,635
Due from Other State Agencies	-	-	-	113,796	113,796
Prepaid Expenses	19,922	-	-	-	19,922
	<u>19,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,922</u>
Total Assets	<u>\$ 2,488,666</u>	<u>\$ 9,218,583</u>	<u>\$ 386</u>	<u>\$ 113,796</u>	<u>\$ 11,821,431</u>
LIABILITIES					
Accounts Payable	\$ 138,195	\$ 247,461	\$ -	\$ 30,774	\$ 416,430
Accrued Payroll	39,770	-	-	-	39,770
SGFIP Overdraft	-	-	-	83,022	83,022
Other	4,901	-	-	-	4,901
	<u>182,866</u>	<u>247,461</u>	<u>-</u>	<u>113,796</u>	<u>544,123</u>
Total Liabilities	<u>182,866</u>	<u>247,461</u>	<u>-</u>	<u>113,796</u>	<u>544,123</u>
FUND BALANCES					
Nonspendable	19,922	-	-	-	19,922
Restricted	-	8,971,122	386	-	8,971,508
Unassigned	2,285,878	-	-	-	2,285,878
	<u>2,305,800</u>	<u>8,971,122</u>	<u>386</u>	<u>-</u>	<u>11,277,308</u>
Total Fund Balances	<u>2,305,800</u>	<u>8,971,122</u>	<u>386</u>	<u>-</u>	<u>11,277,308</u>
Total Liabilities and Fund Balances	<u>\$ 2,488,666</u>	<u>\$ 9,218,583</u>	<u>\$ 386</u>	<u>\$ 113,796</u>	<u>\$ 11,821,431</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO SPACEPORT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$	11,277,308
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

The Cost of Capital Assets		167,352,111
Accumulated Depreciation		(10,940,614)
Total Capital Assets		156,411,497

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term and other liabilities at year end consist of:

Bonds Payable		(61,755,000)
Bond Premium (Related to Bond Issuance), Net of \$693,073 Amortization		(1,501,660)
Accrued Interest Payable Related to Bonds		(205,505)
Compensated Absences Payable		(51,862)

Net Position of Governmental Activities (Statement of Net Position)	\$	104,174,778
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NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Major Funds				Total Governmental Funds
	87100 General Fund	10570 Regional Spaceport District Fund	20510 Capital Projects Fund	89200 Capital Projects Fund	
REVENUES					
Gross Receipts Tax	\$ -	\$ 6,194,636	\$ -	\$ -	\$ 6,194,636
Interest on Deposits	-	53,223	-	-	53,223
Rental Revenue	1,073,812	-	-	-	1,073,812
Tours and Launch Revenue	963,676	-	-	-	963,676
Total Revenues	2,037,488	6,247,859	-	-	8,285,347
EXPENDITURES					
Current:					
Personal Services and Benefits	1,196,169	-	-	-	1,196,169
Contractual Services	242,591	2,314,636	-	-	2,557,227
Other	884,243	175,000	-	201,528	1,260,771
Capital Outlay	58,182	928,214	-	1,034,294	2,020,690
Debt Service:					
Principal	-	2,785,000	-	-	2,785,000
Interest and Other Charges	-	2,863,444	-	-	2,863,444
Total Expenditures	2,381,185	9,066,294	-	1,235,822	12,683,301
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(343,697)	(2,818,435)	-	(1,235,822)	(4,397,954)
OTHER FINANCING SOURCES (USES)					
Transfer Out - Excess Gross Receipts Tax	-	(626,839)	-	-	(626,839)
Transfer In - Excess Gross Receipts Tax	626,839	-	-	-	626,839
Transfer In - Other Revenue	4,500	-	-	-	4,500
State General Fund Appropriation	458,600	-	-	-	458,600
Severance Tax Bond Appropriation	-	-	-	1,235,822	1,235,822
Net Other Financing Sources	1,089,939	(626,839)	-	1,235,822	1,698,922
NET CHANGE IN FUND BALANCES	746,242	(3,445,274)	-	-	(2,699,032)
Fund Balances - Beginning of Year	1,559,558	12,416,396	386	-	13,976,340
FUND BALANCES - END OF YEAR	\$ 2,305,800	\$ 8,971,122	\$ 386	\$ -	\$ 11,277,308

See accompanying Notes to Financial Statements.

**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, 2015**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (2,699,032)

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: (17,124)

Repayment of bond principal is an expenditure in the Governmental Funds, but it reduces long-term liabilities in the Statement of Net Position. Issuance of Bonded Debt is an other financing source in the governmental funds, but increases long-term liability in the Statement of Net Position.

Principal Payments 2,785,000

Amortization of bond premiums recorded as a reduction of interest expense in the Statement of Activities. 115,512

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	2,020,690
Depreciation Expense	(4,211,813)
Excess of Capital Outlay Over Depreciation Expense	(2,191,123)

Governmental Funds report liabilities when they mature. Accrued interest payable is reported as an expense in the Statement of Activities and a liability in the Statement of Net Position. The change in accrued interest from prior year is: (80,552)

Change in Net Position of Governmental Activities (Statement of Activities) **\$ (2,087,319)**

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2015

GENERAL FUND - OPERATING FUND (87100)				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
State General Fund Appropriation	\$ 458,600	\$ 458,600	\$ 458,600	\$ -
Other State Funds	-	-	-	-
Other	5,584,100	5,584,100	2,037,488	(3,546,612)
Other Financing Sources	4,500	4,500	4,500	-
Total Revenues	\$ 6,047,200	\$ 6,047,200	\$ 2,500,588	\$ (3,546,612)
EXPENDITURES				
Current:				
Personal Services and Benefits	\$ 1,464,400	\$ 1,464,400	\$ 1,196,169	\$ 268,231
Contractual Services	3,265,000	3,265,000	242,591	3,022,409
Other	1,317,800	1,317,800	942,425	375,375
Total Expenditures	\$ 6,047,200	\$ 6,047,200	\$ 2,381,185	\$ 3,666,015
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES			\$ 119,403	
TRANSFER FROM FUND 10570			626,839	
NET CHANGE IN FUND BALANCE			\$ 746,242	

See accompanying Notes to Financial Statements.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 DEFINITION OF REPORTING ENTITY

The reporting entity is the New Mexico Spaceport Authority (NMSA). NMSA was established by the Laws of 2005, Chapter 128, "New Mexico Spaceport Development Act" (Act). The purpose of NMSA 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 NMSA Board of Directors 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 NMSA shall serve as a nonvoting member. The Chair may appoint a nonvoting advisory committee to provide advice and recommendations on NMSA 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 NMSA.

NMSA is a governmental entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by GASB 39 and 61). NMSA is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of NMSA'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."

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

The authority is part of the primary government of the State of New Mexico and its financial data is included with the financial data in the State of New Mexico's Comprehensive Annual Financial Report. These financial statements present financial information that is attributable to the Authority and does not purport to present the financial position of the State of New Mexico.

NMSA Office of the Executive Director

The Executive Director is empowered to organize NMSA and its divisions and may transfer or merge functions between divisions in the interest of efficiency and economy.

Regional Spaceport District

The Regional Spaceport District of the State of New Mexico was created under local government laws under the Regional Spaceport District Act, Section 5-16-1 et.seq., NMSA 1978. The Spaceport Authority is not considered to be a component unit of the district as described by GASB 14 (as amended by GASB 39 and 61). The Regional Spaceport District was created to monitor economic developments related to the Spaceport in Dona Ana and Sierra counties. During fiscal years 2009 and 2010, the Spaceport District authorized the issuance of Spaceport Revenue Bonds and NMSA issued bonds (through the New Mexico Finance Authority) in FY 2010 and 2011, which are financed through gross receipt taxes from Dona Ana County and Sierra County. The gross receipt tax activity is accounted for in fund 10570, Regional Spaceport District Fund.

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.

Financial Reporting Entity

The chief executive of NMSA is the Executive Director, who is appointed by the Spaceport Authority Board of Directors. NMSA, 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 NMSA Executive Director has oversight responsibility. Even though NMSA 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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

NMSA is a “department” of the State of New Mexico and will be included in the statewide Comprehensive Annual Financial Report. In accordance with the criteria set forth in GASBS 14 and 39 for determining component units, NMSA does not have any component units.

Government-wide and Fund Financial Statements

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

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. NMSA has only governmental types of activities. The government-wide financial statements (i.e., the statement of net position 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 a function. The primary function of NMSA is to develop and operate spaceport facilities in New Mexico.

Non-exchange transactions, in which NMSA 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.

The net cost (by function) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, incidental sales, etc.). NMSA does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of NMSA as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

Emphasis in the fund financial statements 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. NMSA considers all funds to be significant and, therefore, they are all reflected as major funds in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

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 NMSA'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 government-wide presentation.

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

Basis of Presentation – Fund Accounting

The financial transactions of NMSA 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 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.

NMSA uses the following funds:

General Fund. The General Fund (Statewide Human Resource, Accounting and Management Reporting System (SHARE) Fund 87100) is the general operating fund of NMSA and is used to account for all financial resources. The General Fund is funded through earned revenue from sales, rentals, launches, and incidental amounts from the State of New Mexico General Fund.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting (Continued)

Regional Spaceport District Fund. The Regional Spaceport District Fund (SHARE Fund 10570) was established in 2009 when Dona Ana and Sierra Counties passed a gross receipts tax. The Regional Spaceport District Fund includes bonds issued by the New Mexico Finance Authority on behalf of NMSA and services the debt from receipt of gross receipts tax revenue. This is a major debt service fund.

Spaceport Capital Projects Fund. The Severance Tax Bonds Capital Projects Fund (SHARE Fund 20510) was established at the end of FY 2011 to track capital projects funded by Severance Tax Bonds. There is no legally adopted budget. This is a major capital projects fund.

Spaceport Capital Projects Fund. The Severance Tax Bonds Capital Projects Fund (SHARE Fund 89200) was established at the beginning of FY 2012 to track capital projects funded by Severance Tax Bonds. This is a major capital projects 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.

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.

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. NMSA 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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

- No later than September 1, NMSA 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.
- 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, NMSA 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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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

NMSA has defined cash and cash equivalents to include investments with the State Treasurer in the State General Fund Investment Pool and other State Agency Accounts that are deposited with Bank of America. All cash is monitored by the State Treasurer. See Notes 3 and 4 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.

Buildings	40 years
Equipment and furniture	5 to 10 years
Vehicles	10 years
Improvements other than building	20 - 50 years

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 NMSA 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. NMSA currently classifies the following revenues and sources as non-reverting:

General Fund (Fund 87100) – The source of these funds includes, but is not limited to, general fund appropriations, severance tax bond proceeds Spaceport Development Act [Section 58-31-17 NMSA 1978]; interest earned upon any money in the Fund.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Reverting Funds (Continued)

Regional Spaceport District Fund (Fund 10570) – The source of these funds include gross receipts tax bond proceeds (debt) and gross receipts tax used to service bonds issued by NMFA on behalf of NMSA in July 2009. In 2010, the fund also included capital project expenditures financed through bond proceeds.

Fund Balances

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. See Note 16 for additional information about 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 then assigned and finally unassigned.

Revenues, Expenditures and Expenses

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Premiums and Discounts of Bonds are amortized over the life of the Bond.

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.

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

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues, Expenditures and Expenses (Continued)

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.

Use of Restricted Resources

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. NMSA did not have any items that qualified for reporting in this category as of June 30, 2015.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NMSA did not have any items that were required to be reported in this category as of June 30, 2015.

Net Position

The government-wide statements utilize a net position presentation categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted net position - This category reflects net position of NMSA not restricted for any project or other purpose.

Pensions

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 and No. 71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

NMSA, 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, the 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. All required disclosures will be presented in 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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 CASH AND CASH EQUIVALENTS

Cash for Fund 10570 is managed by the New Mexico Finance Authority (fiscal agent) and held by a State Treasurer authorized bank. The sources of funds are bond proceeds and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Fund	SHARE Fund	Investment (Cash)	Fair Value June 30, 2015
Regional Spaceport District Fund	10570	Cash Held at Trustee	\$ 4,231,948

NOTE 4 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.

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

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

In order to mitigate the risk that NMSA's cash balances would be misstated, NMSA verifies the amounts through periodic SHARE queries and reconciliations by fund.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the NMSA's cash be managed by the New Mexico State Treasurer's Office. Accordingly, NMSA's investments consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Fund	SHARE Fund	Investment (Cash)	Fair Value June 30, 2015
General Fund	87100	NM STO General Fund Investment Pool	\$ 2,468,744
Capital Projects Fund	20510	NM STO General Fund Investment Pool	386
Capital Projects Fund	89200	NM STO General Fund Investment Pool	(83,022)

The Capital Projects Fund cash overdraft of \$83,022 was recorded as a liability by NMSA.

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.

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, 2015.

NOTE 6 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% 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% of their hourly rate for up to 400 hours of sick leave.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 COMPENSATED ABSENCES (CONTINUED)

All sick leave balances from 600 to 1,000 hours have been recorded at 50% 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 \$51,862.

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

Balance June 30, 2014	Increase	(Decrease)	Balance June 30, 2015	Amounts Due Within One Year
\$ 34,738	\$ 52,915	\$ (35,791)	\$ 51,862	\$ 51,862

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

NOTE 7 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.

A summary of changes in capital assets follows:

	Balance June 30, 2014	Additions	CIP reclass	Deletions	Balance June 30, 2015
Depreciable assets:					
Buildings	\$ 63,176,316	\$ 58,418	\$ 8,239,779	\$ -	\$ 71,474,513
Improvements Other than Buildings	83,201,195	98,776	1,035,524	-	84,335,495
Vehicles	1,673,464	-	-	-	1,673,464
Equipment and Furniture	9,775,746	30,036	-	(7,786)	9,797,996
Non-Depreciable Asset:					
Construction in Process	7,512,486	1,833,460	(9,275,303)	-	70,643
Total Capital Assets	<u>165,339,207</u>	<u>2,020,690</u>	<u>-</u>	<u>(7,786)</u>	<u>167,352,111</u>
Accumulated Depreciation:					
Buildings	(2,613,897)	(1,583,383)	-	-	(4,197,280)
Improvements Other than Buildings	(3,708,258)	(2,194,479)	-	-	(5,902,737)
Vehicles	(187,418)	(167,346)	-	-	(354,764)
Equipment and Furniture	(227,014)	(266,604)	-	7,786	(485,832)
Total Accumulated Depreciation	<u>(6,736,587)</u>	<u>(4,211,813)</u>	<u>-</u>	<u>7,786</u>	<u>(10,940,614)</u>
Net Capital Assets	<u>\$ 158,602,620</u>	<u>\$ (2,191,123)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,411,497</u>

Depreciation expense for the fiscal year was \$4,211,813 and was charged to Spaceport Development.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of NMSA'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 8.92% of their gross salary. NMSA is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and NMSA are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. NMSA's contributions to PERA for the fiscal years ending June 30, 2015, 2014 and 2013 were \$140,798, \$90,945 and \$63,379, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

**NOTE 9 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description (Continued)

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

NMSA's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$16,578, \$10,979 and \$8,406, respectively, which equal the required contributions for each year.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)

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

As of the financial statement date NMSA had one asserted claim in process. It is considered unlikely that NMSA will owe anything related to consequential damages or attorney’s fees.

NMSA is subject to legal proceedings, claims, and liabilities, which arise in the ordinary course of its business. In the opinion on NMSA’s management and in-house legal counsel, the ultimate resolution of the above matters will not have a material adverse effect on the financial position or results of operations of NMSA.

NOTE 11 TRANSFERS

During the fiscal year, NMSA received funds that were recorded as “Other Financing Sources” in the financial records. These amounts include \$458,600 appropriated to Department of Finance and Administration (DFA) for distribution to NMSA for the State General Fund appropriation and \$1,235,822 in Severance Tax Reimbursements from DFA – State Board of Finance. Additionally, excess GRT revenue was received by fund 10570 which was transferred to fund 87100.

Fund Type	SHARE Agency/Fund	Transfers In	Transfers Out
(1) General Fund 87100	34100-62000	\$ 458,600	\$ -
(2) General Fund 87100	34100-62000	4,500	-
(3) General Fund 87100	49500-10570	626,839	-
(4) Regional Spaceport District Fund - 10570	49500-87100	-	626,839
(5) Capital Projects Fund 89200	34100-89200	1,235,822	-
Total		<u>\$ 2,325,761</u>	<u>\$ 626,839</u>

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 DUE TO/FROM OTHER STATE AGENCIES

NMSA Fund	Purpose	Agency Name	Agency Fund	Due From	Due To
89200	Severance Tax Draws	DFA	65300	\$ 113,796	\$ -
	Total			<u>\$ 113,796</u>	<u>\$ -</u>

NOTE 13 OPERATING LEASES

The following is a schedule by year of future minimum lease payments for co-use of common leased land as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 175,000
2017	175,000
2018	200,000
2019	200,000
2020	200,000
2021 and Thereafter	2,400,000
Total	<u>\$ 3,350,000</u>

NOTE 14 LONG-TERM DEBT

In June 2009, the New Mexico Finance Authority issued series 2009 Series C Public Projects Revolving Fund Revenue Bonds on behalf of NMSA. These bonds were issued to provide funding for New Mexico Spaceport Authority payments associated with the construction of the Spaceport America site. The 2009 Series C was issued with a par value of \$55,810,000..

In December 2010, the New Mexico Finance Authority issued series 2010 Public Projects Revolving Fund Revenue Bonds on behalf of NMSA. The bonds were issued to provide additional funding for New Mexico Spaceport Authority payments associated with the construction of the Spaceport America site. The 2010 series was issued with a par value of \$20,560,000.

The premium will be amortized using the straight-line method over the life of the bond. NMSA's share of governmental gross receipts tax is pledged to repay these bonds. It is not expected that the bond proceeds will be used in a manner that would cause the bonds to be "arbitrage bonds" under section 148 of the Internal Revenue Code of 1986. Interest rates on the 2009 Series C bonds vary from 2.50% to 5.25% and from 0.47% to 4.08% on the 2010 Series. The reserve account shall be built up to \$4,986,635 from the excess of pledged tax revenue over current year payments. The reserve account will be maintained in the debt service fund.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 LONG-TERM DEBT (CONTINUED)

Interest expense for the current fiscal year was \$2,863,444. The current portion of long-term debt is \$2,900,000.

The changes in long-term balances for fiscal year 2015 are as follows:

	Balance June 30, 2014	Increase	(Decrease)	Balance June 30, 2015	Amounts Due Within One Year
2009 Series C	\$ 45,795,000	\$ -	\$ (2,165,000)	\$ 43,630,000	\$ 2,275,000
Issuance Premium	1,617,172	-	(115,512)	1,501,660	-
2009 Series C Total	<u>\$ 47,412,172</u>	<u>\$ -</u>	<u>\$ (2,280,512)</u>	<u>\$ 45,131,660</u>	<u>\$ 2,275,000</u>
2010 Series	<u>\$ 18,745,000</u>	<u>\$ -</u>	<u>\$ (620,000)</u>	<u>\$ 18,125,000</u>	<u>\$ 625,000</u>

Maturities of the bond issuances for the next five years and thereafter as of June 30, 2015 are as follows:

	Balance Principal	Interest	Balance Total
2009 Series C:			
2016	\$ 2,275,000	\$ 2,099,586	\$ 4,374,586
2017	2,380,000	1,993,586	4,373,586
2018	2,495,000	1,879,836	4,374,836
2019	2,615,000	1,761,586	4,376,586
2020	2,740,000	1,636,486	4,376,486
2021-2025	15,660,000	6,211,231	21,871,231
2026-2029	15,465,000	2,027,833	17,492,833
Total	<u>\$ 43,630,000</u>	<u>\$ 17,610,144</u>	<u>\$ 61,240,144</u>

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 LONG-TERM DEBT (CONTINUED)

	Balance Principal	Interest	Balance Total
2010 Series C:			
2016	\$ 625,000	\$ 651,764	\$ 1,276,764
2017	640,000	641,951	1,281,951
2018	650,000	629,343	1,279,343
2019	665,000	614,328	1,279,328
2020	685,000	597,304	1,282,304
2021-2025	3,785,000	2,646,667	6,431,667
2026-2029	11,075,000	1,589,390	12,664,390
Total	<u>\$ 18,125,000</u>	<u>\$ 7,370,747</u>	<u>\$ 25,495,747</u>

NOTE 15 FUND BALANCE CLASSIFICATIONS

The Department'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, 2015 follows:

General Fund - 87100

Fund Balances:

Unrestricted:

Nonspendable	\$ 19,922
Unassigned	2,285,878

Debt Service Fund - 10570

Fund Balances:

Restricted for:

GRT Bond Construction Expenditures, 2009 Series C Public Projects and GRT Bond Construction Expenditures, 2010 Series Public Projects	8,971,122
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Capital Projects Fund - 20510

Fund Balances:

Restricted for Capital Projects	<u>386</u>
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Total Fund Balances	<u>\$ 11,277,308</u>
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**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 RENTAL INCOME

On January 1, 2007, NMSA entered into a lease agreement with Virgin Galactic for the use of the Terminal Hangar Facility and Runway. Rental payments started January of 2013 as follows: first 5 years: \$1,000,000 per year, payable in equal monthly installments due on the first day of each calendar month. Remaining 15 years: monthly facilities rent calculated as monthly amortization of the remaining final Virgin facilities cost (net of payments over the first 5 years) based on a 20 year amortization. Virgin Galactic also pays a monthly amount for ground rent. The amount for the first five years is equal to \$30,000 per year payable monthly. This amount will increase based on CPI for the remaining 15 years of the agreement. Space X will pay rent in the amount of \$3,651 per month for three years. Space X has two one-year extension options.

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 1,073,812
2017	1,048,255
2018	3,081,975
2019	3,081,975
2020	3,081,975
2021 and Thereafter	<u>36,983,697</u>
Total	<u>\$ 48,351,689</u>

NOTE 17 RISK MANAGEMENT

The Office obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes public liability, property, workers compensation, surety bond unemployment compensation and group health insurance. These coverages are designed to satisfy the requirements of the State Tort Claims Act.

NOTE 18 NEW PRONOUNCEMENTS

GASB has issues the following statements, which are applicable in future years. At this time, management has not determined the impact, if any, on NMSA.

Statement No. 72

Fair Value Measurement and Application

Effective Date: The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 18 NEW PRONOUNCEMENTS (CONTINUED)

applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 18 NEW PRONOUNCEMENTS (CONTINUED)

3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

Statement No. 74

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 18 NEW PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

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

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUNDS –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2015

	REGIONAL SPACEPORT DISTRICT FUND (10570)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Other Income	\$ -	\$ -	\$ 53,223	\$ 53,223
Other Financing Sources	2,541,862	2,541,862	6,194,636	3,652,774
Total Revenues	2,541,862	2,541,862	6,247,859	<u>\$ 3,705,997</u>
FUND BALANCE BUDGETED	10,425,337	10,425,337		
Total Revenues and Fund Balance Budgeted	<u>\$ 12,967,199</u>	<u>\$ 12,967,199</u>		
EXPENDITURES				
Current:				
Contractual Services	\$ -	\$ -	-	\$ -
Other	12,967,199	12,967,199	9,066,294	3,900,905
Total Expenditures	<u>\$ 12,967,199</u>	<u>\$ 12,967,199</u>	9,066,294	<u>\$ 3,900,905</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES			(2,818,435)	
TRANSFER TO FUND 87100			<u>(626,839)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (3,445,274)</u>	

**NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUNDS –
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2015**

	<u>SPACEPORT CAPITAL PROJECTS FUND (89200)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
State General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	6,514,000	6,514,000	1,235,822	(5,278,178)
Total Revenues	<u>\$ 6,514,000</u>	<u>\$ 6,514,000</u>	1,235,822	<u>\$ (5,278,178)</u>
EXPENDITURES				
Current:				
Other *	\$ 6,512,860	\$ 6,512,860	1,235,822	\$ 5,277,038
Other Financing Uses	1,140	1,140	-	1,140
Total Expenditures	<u>\$ 6,514,000</u>	<u>\$ 6,514,000</u>	1,235,822	<u>\$ 5,278,178</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

* For financial statement presentation purposes, capital outlay is classified as other.

**NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX APPROPRIATIONS
JUNE 30, 2015**

Series	Project Number	Project Description	Amount Appropriated	Amount Reverted
STB07SD/SA	A/D06-2260	Laws of 2007, Chapter 42, Section 100, Paragraph C-1	\$33,000,000	\$ -
STB08SC	C08-4780	Laws of 2008, Chapter 92, Section 76, Paragraph C	7,500,000	-
STB10A/09D	A/D06-2260	Laws of 2007, Chapter 42, Section 100, Paragraph C-3	34,000,000	-
STB13A 13-1812	A131812	Laws of 2007, Chapter 42, Section 100, Paragraph C-3	<u>3,000,000</u>	<u>-</u>
			<u><u>\$77,500,000</u></u>	<u><u>\$ -</u></u>

<u>Art in Public Places</u>	<u>Amount Available</u>	<u>Expenditures Reported Prior Years (Unaudited)</u>	<u>Interest</u>	<u>Expenditures Reported Current Year</u>	<u>Authorized Advance Amounts Received (Deferred Revenue)</u>	<u>June 30, 2015 Balance Available</u>
\$ 200,000	\$32,800,000	\$32,800,000	\$ -	\$ -	\$ -	\$ -
-	7,500,000	2,628,211	-	1,126,027	-	3,745,762
-	34,000,000	32,665,329	-	62,312	-	1,272,359
-	3,000,000	3,610	-	47,483	-	2,948,907
<u>\$ 200,000</u>	<u>\$77,300,000</u>	<u>\$68,097,150</u>	<u>\$ -</u>	<u>\$ 1,235,822</u>	<u>\$ -</u>	<u>\$ 7,967,028</u>

**NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF CASH ACCOUNTS INCLUDING INVESTMENTS
JUNE 30, 2015**

Name of Depository		Fund Type	SHARE System Fund No.	Type of Account	Balance
NM State Treasurer	General Fund	General	87100	State Treasury	\$ 2,468,744
NM State Treasurer	Regional Spaceport District Fund (Held at Trustee - New Mexico Finance Authority)	Debt Service	10570	State Treasury	9,218,583
NM State Treasurer	Capital Projects Fund	Capital Projects	20510	State Treasury	386
NM State Treasurer	Capital Projects Fund	Capital Projects	89200	State Treasury	<u>(83,022)</u>
					<u>\$ 11,604,691</u> *

* Details specific for collateral is commingled by the Office of the State Treasurer (which is detailed in the report of the Office of the State Treasurer) and it monitors the adequacy of the funds pledged for collateral to ensure the full coverage as required by the Laws of the State of New Mexico and related statutes.

**NEW MEXICO SPACEPORT AUTHORITY
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
EXCEEDING \$60,000 (EXCLUDING GRT) - UNAUDITED
JUNE 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address, Per the Procurement Documentation, of <u>ALL</u> Vendor(s) That Responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds, Answer N/A</i>	<i>Brief Description of the Scope of Work</i>
14-495-00-0062	Professional	PURE OPS	\$ 77,715	142477.5	748 West Palms Las Cruces, NM 88001	Y	N/A	Facility Water Maintenance/Services Construct Water Infrastructure
15-495-15009	Professional	FIORE	\$ 1,000,000		8601 Washington Albuquerque, NM 87113	Y	N/A	Protective Services (Fire/EMT/Security)



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the New Mexico Spaceport Authority (NMSA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise NMSA's basic financial statements, and the budgetary comparisons for the major capital projects of NMSA, presented as supplementary information, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NMSA'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 NMSA's internal control. Accordingly, we do not express an opinion on the effectiveness of NMSA'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 entity'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. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and responses* that we consider to be significant deficiencies as items: (2013-001 and 2015-001).

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMSA'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.

NMSA's Response to Findings

NMSA's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. NMSA'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering NMSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 23, 2015

**NEW MEXICO SPACEPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS

2013-001 Capital Asset Management (Significant Deficiency)

Condition: During our audit, we noted that management lacks an overall effective internal control structure surrounding the management of capital assets to 1) ensure that all asset additions are properly identified and classified as such at the time of purchase regardless of funding source 2) be able to accurately prepare a capital asset rollforward to include current year activity including depreciation and 3) ensure that NMSA is in compliance with all applicable regulations. During our testing, we revealed the following issues:

- Management considers all expenditures in fund 89200 as Capital asset additions; however, we noted approximately \$202K which required a reclassification to a non-capital outlay account as the expenditures didn't meet the requirements of capitalization. In addition, we identified a net adjustment in the amount of approximately \$26K to capital asset additions related to expenditures in fund 87100.
- Notification was not sent to the New Mexico Office of the State Auditor (OSA) for an asset disposal with an original cost of approximately \$8K with a net book value of \$750.
- The annual capital asset physical inventory listing was not approved by the appropriate level of management in accordance with NMSA policies and procedures.

Management's Progress for Repeat Findings: Management continues to make improvements to their processes surrounding capital asset management, however, due to staff turnover at year-end there were still issues noted.

Criteria:

- NMAC 2.20.1 requires state agencies to properly identify, track and depreciation capital assets.
- NMSA is required to notify the OSA 30 days prior to any disposition of property as required by NMAC 2.2.2.10 T.
- NMAC 2.2.2.10 W requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

Cause: Lack of oversight related to capital asset identification, financial reporting and subsidiary record reconciliation process.

Effect:

- Capital asset misstatements in relation to calculated depreciation amounts.
- Non-compliance with state statute.

Recommendation: We recommend that management implement a formal process for capital asset identification, tracking, disposal and depreciation. This process should include review of the capital asset listing in the context of additions and disposals throughout each fiscal year, as well as review of contracts associated with significant projects to ensure the listing is complete.

**NEW MEXICO SPACEPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-001 Capital Asset Management (Significant Deficiency) - continued

Agency Response: NMSA concurs with the findings. NMSA is continuing to make significant progress in all aspects of capital asset management. Unfortunately we had staff turnover at the time we were preparing for the audit and while we have an established process, a few items were caught in the transition. Regarding the disposal of the \$750 valued item, we had contacted the State Comptroller's Office to inquire about disposition and were advised because of the value that we did not need to notify anyone else. Apparently this is not the case, so we have learned from this incident. We have tagged approximately 533 assets at the spaceport which are contained in a logistics database management system. This system will continue to grow and become more robust as we mature our processes. In addition, the NMSA has hired a new CFO, with an expected start date in December 2015, at that time an appropriate corrective action plan and the timing of the corrective action plan will be established.

2015-001 Financial Close and Reporting (Significant Deficiency)

Condition: Severance Tax Bond (STB) and Gross Receipts Tax Bond (GRT) test work revealed the following:

- Four STB draw requests, totaling \$67,449, were not submitted to the Board of Finance by the deadline and, as a result, accounts receivable was not appropriately recorded in the general ledger and required adjustment.
- GRT revenue had not been reconciled to the NMFA statements and required adjustment.
- The transfer of the excess GRT revenue was not reflected in the general fund and required adjustment.

Criteria: The Department of Finance Administration requires each Agency to attest to audit readiness 60 days prior to the final submission deadline; audit readiness includes completion of all reconciliations and posting of all appropriate journal entries.

Cause: Lack of internal controls surrounding the financial close and reporting process.

Effect: Possible misstatement of Severance Tax and Gross Receipts Tax bond revenues and associated accounts receivable balances.

Recommendation: We recommend that management implement a formal policy governing the year-end financial close and reporting process.

Agency Response: NMSA concurs with the findings. Agency will improve its bond draw and DFA journal entry process in timeliness and in the case of journal entries, in accuracy of category entry. It should be noted that the New Mexico Finance Authority (NMFA) manages the GRT bonds and at no time did the Agency not know what the balance was. However, despite NMFA management, DFA insists on having the Agency make journal entries for the GRT bond.

**NEW MEXICO SPACEPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2015-001 Financial Close and Reporting (Significant Deficiency) - continued

Regarding the STB Draw Requests: Draw requests totaling \$67,449 were included in draw requests submitted to the Board of Finance but were erroneously omitted from the total sum of the request. Therefore, the request was processed for the incorrect total amount. The shortfall was recognized and draw request were re-submitted but did not meet the deadlines. Going forward, the Agency will be more careful in checking draw requests for accuracy. Furthermore, GRT revenue will be closely monitored and reconciled to the NMFA statements and adjustments recognized and entered as necessary. Excess GRT revenue should have been entered as other finance use and source and not recorded as revenue. The entry was a new process to NMSA. We will assure that in the future the journal entries will be recorded to the correct accounts. In addition, the NMSA has hired a new CFO, with an expected start date in December 2015; at that time an appropriate corrective action plan and the timing of the corrective action plan will be established.

**NEW MEXICO SPACEPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015**

SECTION I – FINANCIAL STATEMENT FINDINGS

2013-001 Capital Asset Management (Significant Deficiency) – Repeated and Modified

Condition: During our audit test work over capital assets, we were informed that capital assets required reclassification between categories, as well as items removed from the listing as they did not meet the criteria for capitalization.

**NEW MEXICO SPACEPORT AUTHORITY
EXIT CONFERENCE
JUNE 30, 2015**

An exit conference was held with NMSA on November 20, 2015, at NMSA's satellite office in Albuquerque, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO SPACEPORT AUTHORITY

Christine Anderson, Executive Director, New Mexico Spaceport Authority
Jerry Stagner, Board Member
Michelle Coons, Board Member
David Buchholtz, Board Member
Belinda Lucero, Administrative Services Manager, New Mexico Spaceport Authority (via phone)

CLIFTONLARSONALLEN LLP

Matthew Bone, CPA, CGFM, CGMA, Principal
Kimberly Clay, CPA, CGMA, Manager
Victor Kraft, CPA, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

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