

**NEW MEXICO SPACEPORT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**



NEW MEXICO SPACEPORT AUTHORITY
YEAR ENDED JUNE 30, 2016

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NEW MEXICO SPACEPORT AUTHORITY

OFFICIAL ROSTER

AS OF JUNE 30, 2016

Board Members – New Mexico Spaceport Authority

Rick Holdridge, Chairman

John Sanchez, (ex officio) Lt. Governor

David Buchholtz, Member

Davin Lopez, Member

Rebecca Latham, Member

Nathan Lafont, Member

Laura Conniff, Member

Michelle Coons, Member

Christine Anderson, Executive Director / CEO

New Mexico Spaceport Authority Management

Christine Anderson, Executive Director / CEO

Zach De Gregorio, Chief Financial Officer

Tammara Anderton, VP Business Development

Dr. Bill Gutman, VP Aerospace Operations

Chris Lopez, VP Site Operations

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
New Mexico Spaceport Authority
Las Cruces, New Mexico
And
Mr. Timothy Keller, New Mexico State Auditor

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's ("the Spaceport") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Spaceport's basic financial statements as listed in the table of contents. We have also auditing the financial statements of each of the Spaceport's budgetary comparisons for the major capital project funds, and debt service fund presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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, each major fund, and the respective changes in financial position and the respective budgetary comparisons 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, 2016 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, 2016, 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 7-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was 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 28, 2016 on our consideration of the Spaceport'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 Spaceport's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Axiom".

Albuquerque, New Mexico
November 28, 2016

NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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, 2016.

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 at the spaceport due to a mishap in June 2015 in Florida and a revised strategy of barge landings as the first test phase.

NMSA gained another vertical launch customer this year. EXOS Aerospace entered into an agreement to begin flying in FY17. EXOS is a vertical suborbital launch company that intends to fly customer payloads.

Up Aerospace remains a customer of the spaceport. UP flies suborbital payloads for customers under the NASA Flight Opportunities Program. They had a successful launch in November 2015 and are expected to fly two missions in FY17.

Spaceport America has hosted 26 launches by the end of FY16 for a variety of vertical launch customers.

NMSA has broadened its business base to include aviation customers as well as space customers and has experienced a demand for testing of UAS (Unmanned Aerial Systems). NMSA is also

aggressively pursuing other non-aerospace markets that are well suited to the spaceport's beautiful, remote high desert terrain.

The spaceport hosted a major motion picture shoot in October 2015—which is set to release in December 2016. In addition, the spaceport hosted several commercial photo-shoots, including one for a baby stroller pretending to “launch” into space!

NMSA also signed several commercial partnership agreements this year. One with Ted Turner Expeditions (TTX) that benefits both TTX tours and the spaceport tours. NMSA also signed an MOA with MARS Scientific, a space optical filming company that will provide this incredible service to spaceport customers. MARS currently services Virgin Galactic and SpaceX among others resulting in spectacular footage of the flights that helps the companies better analyze the flights and also provides the public with a birds-eye view in space.

NMSA hosted the first two public annual open houses in October 2015 and April 2016 with over 2200 attendees. Private pilots were also allowed to fly—36 in total in April. We also had over 80 members of the NM Civil Air Patrol attend—a great opportunity for students. These Open Houses are free to the public and will continue in FY17.

NMSA hosted numerous STEM events. We have reached over 2000 sixth graders in Dona Ana and Sierra Counties in our virtual classroom program where we Skype into classes with Questions and Answers dialogue and also take the students on a virtual tour of the spaceport. This program will continue in FY17 and expand to other communities in New Mexico.

NMSA hosted two university launches: New Mexico Tech students who built their rocket under a Tech program flew in April. This was the second year tech students have flown at the spaceport. Also the University of Southern California students flew their rocket at the spaceport. One parent commented that this was the highlight of her son's four years at USC. The University of New Mexico will start their rocketry class in September 2016 and is expected to fly at the spaceport in the spring of 2017.

NMSA and Virgin Galactic also hosted about 100 educators from across the state as part of the Discovery Education Program. The goal was to provide first- hand knowledge of how the spaceport can support them in their teaching curriculums.

The Visitor Experience spaceport tours continued and expanded after the Grand Opening of the Visitor Center and Gallery in June 2015. Ticket sales went up approximately 300% over the previous year.

The past year has also been a year of continuing 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. Virgin Galactic conducted a week-long exercise flying WhiteKnightTwo and several aerobatic training missions. We expect this to continue in FY17 with more frequency as Virgin Galactic readies for their first passenger flights.

The southern road is an essential 23.7 mile road from the south to the spaceport—from Exit 32 on I 25. It is currently a dirt road that floods frequently with rain events. The road is made up of several county roads owned by Sierra County and Dona Ana County. 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 locations; archeological

mitigation in accordance with NEPA; and Century Link cable provisions. The BLM has approved the design. The final step of developing the environmental mitigation plan should be completed by February 2017. Dona Ana County is planning to release the road construction RFP sometime in the December 2016. NMSA is funding the road construction at approximately \$14M of state capital funds. The road will be maintained by the two counties as it is now.

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).

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 89200). NMSA adopts an annual appropriated budget for its General Fund.

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 \$102,643,286 at the close of the 2016 fiscal year.

At the end of the 2016 fiscal year, NMSA is able to report positive balances in all categories of net position.

Governmental activities decreased NMSA's net position by \$1,660,849.

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 2016 fiscal year, NMSA's governmental funds reported combined ending fund balances of \$9,494,518, a decrease of \$1,782,789 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. In FY16, NMSA reports unearned revenue of \$525,433 from funds received for a FEMA grant that will be spent in FY17.

The general fund is the chief operating fund of NMSA. At the end of the 2016 fiscal year, unassigned fund balance of the general fund was \$1,516,166.

During the 2016 fiscal year, the fund balance of NMSA's general fund decreased by \$769,238.

Financial Analysis of NMSA as a Whole

Net Position

NMSA's condensed net position changed from Fiscal Year 2015, decreasing from \$104.2 million to \$102.6 million, which represented a 1% change. The table below illustrates the condensed statement of net position:

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

Governmental Activities:

Assets:	<u>FY15</u>	<u>FY16</u>
Current and Other Assets	11,821,431	10,711,029
Capital and Non-Current Assets	156,411,497	153,670,543
Total Assets	168,232,928	164,381,571
Liabilities:		
Current Liabilities	3,817,002	4,632,649
Non-Current Liabilities	60,241,148	57,105,636
Total Liabilities	64,058,150	61,738,285
Net Position:		
Net Investment in Capital Assets	93,154,837	93,284,194
Restricted - Capital Projects and Debt Service	8,971,508	7,957,956
Unrestricted, Subsequent Year's Expenditure	2,048,433	1,401,136
Total Net Position	104,174,778	102,643,286
Total Liabilities and Net Position	168,232,928	164,381,571

Statement of Activities

NMSA's change in net position for fiscal year 2015 was a decrease of \$1,660,849 (Statement of Activities). Approximately 9% 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,

Governmental Activities:

General Revenues:	<u>FY15</u>	<u>FY16</u>
State General Fund Appropriations, Net	458,600	959,700
Gross Receipts Tax	6,194,636	6,550,738
Severance Tax Bond Appropriations	1,235,822	476,701
Other Revenue	4,500	-
Interest Revenue	53,223	69,947
Total General Revenues	7,946,781	8,057,086

Program Revenues:

Charges for Services	2,037,488	2,270,210
Total Revenues	<u>2,037,488</u>	<u>2,270,210</u>

Expenses:

Spaceport Development	<u>12,071,588</u>	<u>11,988,144</u>
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Increase (Decrease) in Net Position (2,087,319) (1,660,849)

Net Position - Beginning of Year 106,262,097 104,174,778

Restatement - 129,357

Net Position - Beginning of Year, Restated 106,262,097 104,304,135

Net Position - End of Year 104,174,778 102,643,286

Financial Analysis of NMSA's Funds

Capital Assets and Debt Administration.

NMSA had \$93,284,194 invested in capital assets, net of related debt for the year ended June 30, 2016.

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 \$58,855,000 outstanding, and premiums of \$1,386,144.

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

2016 Highlights:

- 5 permanent aerospace tenants
- 28 vertical launches to date (vertical launch area)
- 5 missions to date (horizontal launch area)
- \$2.3 million in customer revenue in FY16
- Announced 4 Spaceport America annual signature events
- 50 full time jobs have been created
- New business in FY16 grew by 135%
- Estimated economic impact in FY16 of \$20M
- STEM outreach to over 2,000 6th grade students across NM

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
FINANCIAL STATEMENTS
JUNE 30, 2016**

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016

		Governmental Activities
Assets		FY16
Cash and Cash Equivalents	\$	2,970,936
Restricted Cash		4,986,635
Investment in State General Fund Investment Pool		2,663,193
Due from Other State Agencies		35,745
Accounts Receivable		34,123
Prepaid Expenses		20,397
Total Current Assets		10,711,029
Non-Current Assets		
Capital Assets		169,096,257
Less Accumulated Depreciation		(15,425,715)
Net Capital Assets		153,670,543
Total Assets	\$	164,381,571
Liabilities		
Accounts Payable	\$	656,353
Accrued Payroll and Other Liabilities		27,128
Unearned Revenue		525,433
Cash Overdraft		7,596
Other		
Compensated Absences Payable Due Within One Year		60,998
Interest Payable		219,628
Current Portion of Long-Term Obligations, including premium of \$115,512		3,135,512
Total Current Liabilities		4,632,649
Long-Term Obligations		
Non-Current Portion of Long-Term Obligations, including premium of \$1,270,632		57,105,636
Total Liabilities		61,738,285
Net Position		
Net Investment in Capital Assets, Net of Related Debt		93,284,194
Restricted - Capital Projects and Debt Service		7,957,956
Unrestricted		1,401,136
Total Net Position		102,643,286
Total Liabilities and Net Position	\$	164,381,571

**NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF ACTIVITIES
JUNE 30, 2016**

	Governmental Activities
	FY16
Program Expenses	
Spaceport Development	\$ 11,988,144
Total Expenses	11,988,144
 Program Revenue	
Charges for Services	2,270,210
Total Program Revenues	2,270,210
Net Program Revenue (Expense)	(9,717,934)
 General Revenues (Expenses)	
State General Fund Appropriation	959,700
Transfer - Other	
Severance Tax Bond Appropriations	476,701
Interest Revenue	69,947
Gross Receipts Tax	6,550,738
Total General Revenues	8,057,086
Change in Net Position	(1,660,849)
Net Position - Beginning of Year	104,174,778
Restatement	129,357
Net Position - Beginning of Year, Restated	104,304,135
Net Position - End of Year	\$ 102,643,286

**NEW MEXICO SPACEPORT AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

	87100	10570	20510	89200	Total
	General Fund	Regional Spaceport District Fund	Capital Projects Fund	Capital Projects Fund	Governmental Funds
ASSETS					
Investment in State General					
Fund Investment Pool	\$ 2,663,193	-	-	-	2,663,193
Other Cash - Held at Trustee	-	2,970,936	-	-	2,970,936
Restricted Cash	-	4,986,635	-	-	4,986,635
Due from Other State Agencies	-	-	-	35,745	35,745
Accounts Receivable	34,123	-	-	-	34,123
Prepaid Expenses	20,397	-	-	-	20,397
Total Assets	\$ 2,717,713	7,957,571	-	35,745	10,711,029
LIABILITIES					
Accounts Payable	\$ 628,589	-	-	27,765	656,353
Accrued Payroll	27,128	-	-	-	27,128
Unearned Revenue	525,433	-	-	-	525,433
SGFIP Overdraft	-	-	-	7,596	7,596
Due To Other State Agencies	-	-	-	-	-
Other	-	-	-	-	-
Total Liabilities	1,181,150	-	-	35,360	1,216,510
FUND BALANCES					
Nonspendable	20,397	-	-	-	20,397
Restricted	-	7,957,571	-	386	7,957,956
Unassigned	1,516,166	-	-	(1)	1,516,165
Total Fund Balances	1,536,563	7,957,571	-	385	9,494,518
Total Liabilities and Fund Balances	\$ 2,717,713	7,957,571	-	35,745	10,711,029

**NEW MEXICO SPACEPORT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds		
(Governmental Fund Balance Sheet)	\$	9,494,518

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		169,096,257
Accumulated Depreciation		(15,425,715)
Total Capital Assets		153,670,543

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		(58,855,000)
Bond Premium (Related to Bond Issuance), Net of \$693,073 Amortization		(1,386,148)
Accrued Interest Payable Related to Bonds		(219,628)
Compensated Absences Payable		(60,998)
		(61,509,774)

Net Position of Governmental Activities (Statement of Net Position)	\$	102,643,286
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NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
JUNE 30, 2016

	87100	10570	20510	89200	
	General Fund	Regional Spaceport District Fund	Capital Projects Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Gross Receipts Tax	-	6,550,738	-	-	6,550,738
Interest on Deposits	-	69,947	-	-	69,947
Rental Revenue	1,082,711	-	-	-	1,082,711
Tours and launch Revenue	1,187,499	-	-	-	1,187,499
Total Revenue	2,270,210	6,620,684	-	-	8,890,894
EXPENDITURES					
Current:					
Personal Services and Benefits	1,491,326	-	-	-	1,491,326
Contractual Services	1,499,941	327,854	-	-	1,827,795
Other	1,424,599	-	-	105,133	1,529,731
Capital Outlay	167,804	1,075,416	-	371,569	1,614,789
Debt Service	-	-	-	-	-
Principal	-	2,900,000	-	-	2,900,000
Interest and Other Charges	-	2,746,444	-	-	2,746,444
Total Expenditures	4,583,669	7,049,714	-	476,701	12,110,085
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,313,459)	(429,030)	-	(476,701)	(3,219,191)
OTHER FINANCING SOURCES (USES)					
Transfer Out - Excess Gross Receipts Tax	-	(584,521)	-	-	(584,521)
Transfer In - Excess Gross Receipts Tax	584,521	-	-	-	584,521
Transfer Out - Closing Fund 20510	-	-	(386)	-	(386)
Transfer In - Closing Fund 20510	-	-	-	386	386
State General Fund Appropriation	959,700	-	-	-	959,700
Severance Tax Bond Appropriation	-	-	-	476,701	476,701
Net Other Financing Sources	1,544,221	(584,521)	(386)	477,087	1,436,401
NET CHANGE IN FUND BALANCES	(769,238)	(1,013,551)	(386)	386	(1,782,789)
Fund Balances - Beginning of Year	2,305,800	8,971,122	386	-	11,277,308
FUND BALANCES - END OF YEAR	1,536,562	7,957,571	-	386	9,494,518

NEW MEXICO SPACEPORT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

Net Changes in Fund Balances - Total Governmental Funds

(Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$	(1,782,789)
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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:		(9,136)
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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		2,900,000
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		1,614,789
Depreciation Expense		(4,485,101)
Excess of Capital Outlay Over Depreciation Expense		(2,870,312)

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:		(14,123)
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Change in Net Position of Governmental Activities (Statement of Activities)	\$	(1,660,849)
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NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND –
BUDGET AND ACTUAL (BUDGETARY BASIS)
JUNE 30, 2016

<u>GENERAL FUND - OPERATING FUND (87100)</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Budget Positive (Negative)</u>
Revenues				
State General Fund Appropriation	\$ 462,500	459,700	959,700	500,000
Other Revenue	6,436,400	5,136,400	2,270,210	(2,866,190)
Total Revenues	\$ 6,898,900	5,596,100	3,229,910	(2,366,190)
Expenditures				
Current:				
Personal Services and Benefits	\$ 1,584,800	1,684,800	1,491,326	193,474
Contractual Services	3,974,400	2,124,400	1,499,941	624,459
Other	1,339,700	3,086,900	1,592,403	1,494,497
Total Expenditures	\$ 6,898,900	6,896,100	4,583,669	2,312,431
Excess (Deficiency) of Revenues over (under) Expenditures and Other Financing Sources			\$ (1,353,759)	
Transfer from Fund 10570			584,521	
Net Change in Fund Balance			\$ (769,238)	

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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."

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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

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.

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

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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; revenues earned by the Agency.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016.

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, 2016.

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.

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

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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		Fair Value
	Fund	Investment (Cash)	June 30, 2016
Regional Spaceport District Fund	10570	Cash Held at Trustee	2,970,936

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.

As communicated last year, the Financial Control Division (FCD) in collaboration with the State Treasurer's Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided,

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

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.

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, 2016
General Fund	87100	NM STO General Fund Investment Pool	2,663,193
Capital Projects Fund	89200	NM STO General Fund Investment Pool	(7,596)

The Capital Projects Fund cash overdraft of \$7,596 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, 2016.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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 \$60,998.

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

Balance June 30, 2015	Increase	(Decrease)	Balance June 30, 2016	Amounts Due Within One Year
\$ 51,862	101,168	(92,032)	60,998	60,998

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

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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:

	<u>Balance</u> <u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>CIP</u> <u>reclass</u>	<u>Restatement</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Depreciable assets:						
Buildings	\$ 71,474,513	1,344,186				72,818,699
Improvements Other than Buildings	84,335,495	131,147		200,000		84,666,642
Vehicles	1,673,464	139,456				1,812,920
Equipment and Furniture	9,797,996					9,797,996
Non-Depreciable Asset:						
Construction in Process	70,643			(70,643)		0
Total Capital Assets	167,352,111	1,614,789		129,357		169,096,257
Accumulated Depreciation:						
Buildings	(4,197,280)	(1,800,948)				(5,998,228)
Improvements Other than Buildings	(5,902,737)	(2,249,536)				(8,152,273)
Vehicles	(354,765)	(168,509)				(523,273)
Equipment and Furniture	(485,832)	(266,107)				(751,939)
Total Accumulated Depreciation	(10,940,614)	(4,485,100)				(15,425,714)
Net Capital Assets	\$ 156,411,497					153,670,542

Depreciation expense for the fiscal year was \$4,485,100 and was charged to Spaceport Development.

NOTE 8 RESTATEMENT

Prior Period Adjustments related to two capital assets result in a restatement to the beginning year fund balance in the Government Wide financial statements. \$200,000 was restated for the installation of a sculpture in FY16. Purchase documentation for the sculpture were not received until after the fiscal year deadlines and not included in the FY16 financial statements. \$70,643 was capitalized in FY16 for road construction. It was determined this activity should be expensed, and the restatement removes the amount from capital assets.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 RESTATEMENT (CONTINUED)

Net position, beginning of year	104,174,778
Restatement due to capital assets	129,357
Net position, beginning of year restated	104,304,135

NOTE 9 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, 2016, 2015 and 2014 were \$176,668, \$140,798 and \$90,945, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10 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.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

**NOTE 10 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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

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

Funding Policy

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

The 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

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

**NOTE 10 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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, 2016, 2015 and 2014 were \$20,797, \$16,578 and \$10,979, respectively, which equal the required contributions for each year.

NOTE 11 CONTINGENT LIABILITIES (CLAIMS AND JUDGEMENTS)

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 has no asserted claims 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 legal counsel, no current legal claims will not have a material adverse effect on the financial position or results of operations of NMSA.

NOTE 12 TRANSFERS

During the fiscal year, NMSA received funds that were recorded as "Other Financing Sources" in the financial records. These amounts include \$959,700 appropriated to Department of Finance and Administration (DFA) for distribution to NMSA for the State General Fund appropriation, \$476,701 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. Also, Fund 20510 was closed and the remaining fund balance was transferred to Fund 89200.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 TRANSFERS (CONTINUED)

Fund Type	Description	SHARE Agency/Fund	Transfers	
			In	Out
(1) General Fund 87100	State General Fund Appropriation	34101-85300	\$ 959,700	-
(2) General Fund 87100	Excess Gross Receipts Tax	49500-10570	584,521	-
(3) Regional Spaceport District Fund - 10570	Excess Gross Receipts Tax	49500-87100	-	584,521
(4) Capital Projects Fund 89200	Closing Fund 20510	49500-20510	386	-
(5) Capital Projects Fund 20510	Closing Fund 20510	49500-89200	-	386
(6) Capital Projects Fund 89200	Severance Tax Bond Appropriation	34103-89200	476,701	-
Total			\$ 2,021,308	584,907

NOTE 13 DUE TO/FROM OTHER STATE AGENCIES

NMSA					
Fund	Purpose	Agency Name	Agency Fund	Due From	Due To
Severance Tax					
89200	Draws	DFA	34103	\$ 35,745	-
Total				\$ 35,745	-

NOTE 14 OPERATING LEASES

The following is a schedule by year of future minimum lease payments. These include an office lease in Las Cruces, NM, lease payments for Spaceport America (18,000 acres) to the New Mexico State Land Office and lease payments for co-use of common leased land as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 251,855
2018	227,913
2019	211,125
2020	212,179
2021	213,264
2022 and Thereafter	2,200,006
Total	\$ 3,316,342

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 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.

Interest expense for the current fiscal year was \$2,746,444. The current portion of long-term debt is \$3,135,512 including a premium of \$115,512.

The changes in long-term balances for fiscal year 2016 are as follows:

	Balance June 30, 2015	Increase	(Decrease)	Balance June 30, 2016	Amounts Due Within One Year
2009 Series C	\$ 43,630,000	-	(2,275,000)	41,355,000	2,380,000
Issuance Premium	1,501,660	-	(115,512)	1,386,148	-
2009 Series C Total	45,131,660	-	(2,390,512)	42,741,148	2,380,000
2010 Series	\$ 18,125,000	-	(625,000)	17,500,000	640,000

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 LONG-TERM DEBT (CONTINUED)

Maturities of the bond issuances for the next five years and thereafter as of June 30, 2016 are as follows:

2009 Series C:	<u>Balance Principal</u>	<u>Interest</u>	<u>Balance Total</u>
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	2,855,000	1,516,886	4,371,886
2022-2026	16,390,000	5,483,825	21,873,825
2027-2029	11,880,000	1,238,353	13,118,353
	<u>\$ 41,355,000</u>	<u>15,510,559</u>	<u>56,865,559</u>

2010 Series C:	<u>Balance Principal</u>	<u>Interest</u>	<u>Balance Total</u>
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	710,000	577,576	1,287,576
2022-2026	3,915,000	2,516,727	6,431,727
2027-2029	10,235,000	1,141,744	11,376,744
	<u>\$ 17,500,000</u>	<u>6,718,973</u>	<u>24,218,973</u>

NOTE 16 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, 2016 follows:

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 FUND BALANCE CLASSIFICATIONS (CONTINUED)

General Fund - 87100

Fund Balances:

Unrestricted:

Nonspendable	\$ 20,397
Unassigned	1,516,166

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	7,957,571
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Capital Projects Fund - 20510

Fund Balances:

Unrestricted:

Unassigned	(1)
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Restricted for:

Capital Projects	386
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Total Fund Balances

	\$ 9,494,518
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NOTE 17 RENTAL INCOME

NMSA receives rental income from long-term leases with multiple aerospace companies performing operations at Spaceport America.

Year Ending June 30,	Amount
2017	\$ 1,055,950
2018	2,171,997
2019	3,302,997
2020	3,303,161
2021	3,303,332
2022 and Thereafter	38,004,626
Total	\$ 51,142,063

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 18 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 19 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.

GASB Statement No. 77, Tax Abatement Disclosures

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 NEW PRONOUNCEMENTS (CONTINUED)

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 NEW PRONOUNCEMENTS (CONTINUED)

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

GASB Statement No. 82, Pension Issues

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

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

SUPPLEMENTARY INFORMATION

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUNDS
(10570) – BUDGET AND ACTUAL (BUDGETARY BASIS)
JUNE 30, 2016

<u>REGIONAL SPACEPORT DISTRICT FUND (10570)</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Budget Positive</u> <u>(Negative)</u>
Revenues				
Other Income	\$ -	-	69,947	69,947
Other Financing Sources	6,500,000	6,500,000	6,550,738	50,738
Total Revenues	<u>\$ 6,500,000</u>	<u>6,500,000</u>	<u>6,620,684</u>	<u>120,684</u>
Expenditures				
Current:				
Personal Services and Benefits	\$ -	-	-	-
Contractual Services	-	-	327,854	(327,854)
Other	1,403,271	1,403,271	1,075,416	327,854
Debt Service - Interest	2,746,444	2,746,444	2,746,444	-
Debt Service - Principal	2,900,000	2,900,000	2,900,000	-
Total Expenditures	<u>\$ 7,049,715</u>	<u>7,049,715</u>	<u>7,049,714</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Other Financing Sources			\$ (429,030)	
Transfer to Fund 87100			(584,521)	
Net Change in Fund Balance			<u>\$ (1,013,551)</u>	

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL FUNDS
(89200) – BUDGET AND ACTUAL (BUDGETARY BASIS)
JUNE 30, 2016

<u>SPACEPORT CAPITAL PROJECTS FUND (89200)</u>				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Budget Positive (Negative)</u>
Revenues				
Other Financing Sources	\$ 500,000	500,000	476,701	(23,299)
Total Revenues	\$ 500,000	500,000	476,701	(23,299)
Expenditures				
Current:				
Personal Services and Benefits	\$ -	-	-	-
Contractual Services	-	-	-	-
Other	500,000	500,000	476,701	23,299
Total Expenditures	\$ 500,000	500,000	476,701	23,299
Excess (Deficiency) of Revenues over (under) Expenditures and Other Financing Sources			\$ -	
Transfer from Fund 20510			386	
Net Change in Fund Balance			\$ 386	

**NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX APPROPRIATIONS
JUNE 30, 2016**

<u>Project Number</u>	<u>Project Description</u>	<u>Amount Appropriated</u>	<u>Amount Reverted</u>	<u>Art in Public Places</u>	<u>Amount Available</u>
A130030	Laws of 2007, Chapter 42, Section 100, Paragraph C-2	\$ 33,000,000	-	-	33,000,000
A084780	Originally authorized in Laws of 2008, Chapter 92, Subsection C of Section 76; reauthorized in Laws 2012, Chapter 63, Section 62; time of expenditure was extended in Laws 2014, Chapter 64, Section 37	7,500,000	-	-	7,500,000
A131812	Laws of 2013, Chapter 226, Section 33	3,000,000	-	-	3,000,000
A142028	Laws of 2014, Chapter 66, Section 24/1	6,400,000	-	-	6,400,000
A142029	Laws of 2014, Chapter 66, Section 24/2	114,000	-	1,140	112,860
	TOTAL	\$ 50,014,000	-	1,140	50,012,860

[continued on next page]

<u>Project Number</u>	<u>Expenditures Reported Prior Years (Unaudited)</u>	<u>Reversion Date</u>	<u>Expenditures Reported Current Year</u>	<u>Authorized Advance Amounts Received (Deferred Revenue)</u>	<u>June 30, 2015 Balance Available</u>
A130030	32,741,171	6/30/2016	258,709	-	120
A084780	2,627,705	6/30/2018	-	-	4,872,295
A131812	51,093	6/30/2017	105,133	-	2,843,774
A142028	-	6/30/2018	-	-	6,400,000
A142029	-	6/30/2018	112,860	-	-
	35,419,969	-	476,701	-	14,116,189

**NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF CASH ACCOUNTS INCLUDING INVESTMENTS
JUNE 30, 2016**

<u>Name of Depository</u>	<u>Fund Type</u>	<u>SHARE Fund No.</u>	<u>Type of Account</u>	<u>Balance</u>
General Fund	General	87100	State Treasury	\$ 2,663,193
Regional Spaceport District Fund (Held at Trustee - New Mexico Finance Authority)	Debt Service	10570	State Treasury	7,957,571
Capital Projects Fund	Capital Projects	89200	State Treasury	(7,596)
				\$ 10,613,168

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, 2016**

<u>Awarded</u>	<u>RFP#</u>	<u>Type of Procurement</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>	<u>Contract winner</u>
Jemez Mountains Research Center	16-495-00-00808	Professional	100,000		Winner
Van Citters: Historic Preservation , LLC	16-495-00-00808	Professional	150,000		Winner
Zia Engineering & Environmental	16-495-00-00808	Professional	50,000		Winner
Rodey, Dickason, Sloan, Akin & Robb, P.A.	15-495-00-00789	Professional	100,000		Winner
Holt Mynatt Martinez P.C.	15-495-00-00789	Professional	25,000		Winner
Conklin, Woodcock & Ziegler, P.C.	15-495-00-00789	Professional			Loser
Kutak Rock LLP	15-495-00-00789	Professional			Loser

[continued on next page]

<u>Awarded</u>	<u>Name and Physical Address, Per the Procurement Documentation</u>	<u>In-State/Out-of-State Vendor (Y or N)</u>	<u>Was the Vendor In-State and Chose Veteran's Preference (Y or N)</u>	<u>Brief Description of the Scope of Work</u>
Jemez Mountains Research Center	Santa Fe, NM	Y	N	Environmental and cultural resource services
Van Citters: Historic Preservation , LLC	Albuquerque, NM	Y	N	Environmental and cultural resource services
Zia Engineering & Environmental	Las Cruces, NM	Y	N	Environmental and cultural resource services
Rodey, Dickason, Sloan, Akin & Robb, P.A.	Albuquerque, NM	Y	N	Legal Services
Holt Mynatt Martinez P.C.	Las Cruces, NM	Y	N	Legal Services
Conklin, Woodcock & Ziegler, P.C.	Scottsdale, AZ	N	N	Legal Services
Kutak Rock LLP	Albuquerque, NM	Y	N	Legal Services

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

To Board of Directors
New Mexico Spaceport Authority
Las Cruces, New Mexico
And
Mr. Timothy Keller, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund of the New Mexico Spaceport Authority (“the Spaceport”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Spaceport’s basic financial statements, and the budgetary comparison statements for the major capital project funds and debt fund of the Spaceport and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Spaceport’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Spaceport’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Spaceport’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spaceport's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
November 28, 2016

**NEW MEXICO SPACEPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT

None

**NEW MEXICO SPACEPORT AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2016**

STATUS OF PRIOR YEAR FINDINGS

Description

Status

2013-001 Capital Asset Management

Resolved

2015-001 Financial Close and Reporting

Resolved

**NEW MEXICO SPACEPORT AUTHORITY
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2016**

EXIT CONFERENCE

The contents of this report were discussed in the exit conference held on November 28, 2016 with the following in attendance:

Representing the New Mexico Spaceport Authority

Audit committee: Davin Lopez, Rick Holdridge, Michelle Coons (via phone)
Chief Executive Officer: Dan Hicks
Chief Financial Officer: Zach De Gregorio
Business Development: Tammara Anderton

Representing Axiom Certified Public Accountants and Business Advisors LLC

Partner: Chris Garner