

**NEW MEXICO SPACEPORT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**



NEW MEXICO SPACEPORT AUTHORITY
YEAR ENDED JUNE 30, 2018

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NEW MEXICO SPACEPORT AUTHORITY

OFFICIAL ROSTER

AS OF JUNE 30, 2018

Board Members – New Mexico Spaceport Authority

Rick Holdridge, Chairman
John Sanchez, (ex officio) Lt. Governor
Davin Lopez, Member
Rebecca Latham, Member
Nathan LaFont, Member
Laura Conniff, Member
Michelle Coons, Member
Daniel Hicks, Executive Director / CEO

New Mexico Spaceport Authority Management

Daniel Hicks, Executive Director / CEO
Zach De Gregorio, Chief Financial Officer
Melissa Kemper Force, General Counsel
Dr. Bill Gutman, Director Aerospace Operations
Chris Lopez, Director Site Operations
Karen Barker, Strategic Solutions Director

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
New Mexico Spaceport Authority
Las Cruces, New Mexico
and
Mr. Wayne Johnson
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of the New Mexico Spaceport Authority ("the Spaceport") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of Spaceport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, and each major fund of the Spaceport, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended 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 the New Mexico Spaceport Authority (the Spaceport) are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund and the budgetary comparison for the general fund that are attributable to the transactions of the Spaceport. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2018, and the changes in its net position thereof for the year then ended in accordance 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 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spaceport's basic financial statements. The Supplemental Schedule of Severance Tax Appropriations, and Supplemental Schedule of Cash Accounts Including Investments 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2018 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.



Albuquerque, New Mexico
October 29, 2018

NEW MEXICO SPACEPORT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

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, 2018.

Authority Overview

NMSA is charged with developing and operating the world's first purpose-built commercial spaceport. The spaceport, Spaceport America, is situated on 18,000 acres of state land in a remote area of southern New Mexico. Spaceport America's unique location in New Mexico gives it several technical advantages over any other inland spaceport in the United States:

- **Great weather.** Spaceport America enjoys 340+ days of sunshine year round, which is contrasted by the storms experienced at the coastal spaceports.
- **High elevation.** Launches from Spaceport America start almost a mile above sea level. This translates to significant fuel savings to send launch vehicles to space.
- **No damage from salt air corrosion.** Infrastructure at Spaceport America has a much longer life span than investments made at coastal spaceports, as the salt air corrosion requires additional maintenance.
- **Low population density.** Launching space vehicles requires numerous safety precautions for nearby residents. Because of the low population density around Spaceport America, launch operations do not face the same challenges they would in more populated areas.
- **Remote location and 24/7 security.** Spaceport America provides 24/7 armed guards, fire response teams, and medical technicians. The rapid response in a remote location gives launch providers support while offering a high level of privacy.
- **6,000 sq mi of restricted airspace.** The most unique asset of Spaceport America is access to restricted airspace. Spaceport America is adjacent to the US Army White Sands Missile Range (WSMR). NMSA and WSMR have a long standing partnership that allows NMSA to utilize the restricted air space from ground level to unlimited.

NMSA was established by the New Mexico Spaceport Development Act in 2005. The purpose of NMSA as defined in the act is to develop economic activity in New Mexico and create jobs. NMSA is delivering on that promise. Spaceport America and its tenants supported 94 full time jobs in FY18. It is estimated Spaceport America will create 100 new jobs in FY19.

Spaceport America continues to experience increased aerospace activity, reflecting the growing demand from the Commercial Space Industry. The spaceport has supported 213 revenue generating missions to date, including vertical launches, horizontal missions, launch system tests, balloon missions, and event launches. A notable increase in activity is from the success of the Spaceport America Cup. This is an intercollegiate rocket launch competition hosted at Spaceport America. The second year of the annual event occurred in FY18 and hosted 1,465 engineering students from around the world. The event launched 93 rockets, an increase from 60 launches in FY17. In total, Spaceport America has reached **196 launches to date** from the Vertical Launch Area.

NMSA currently has five long-term customers, including:

- **Virgin Galactic.** Virgin Galactic is Spaceport America's anchor tenant. Virgin Galactic's mission is to develop and operate a new generation of space vehicles to improve access to space. The company's spaceflight system consists of WhiteKnightTwo, a custom-built, carrier aircraft, and the reusable SpaceShipTwo. Since 2013, Virgin Galactic has paid NMSA rent to lease the Terminal Hangar Facility. In addition, Virgin Galactic pays additional user fees for activities at the spaceport. Virgin Galactic expects increased activity at Spaceport America in FY19.
- **Up Aerospace.** Spaceport America's longest tenant, Up Aerospace, flies suborbital payloads for customers under the NASA Flight Opportunities Program. They are expected to fly multiple missions in FY19.
- **Exos Aerospace.** Formerly called "Armadillo Aerospace," this rebranded company has done multiple launches in the past from Spaceport America and is expected to do several suborbital launches in FY19.
- **Boeing.** Boeing is currently testing the CST-100 Starliner, a next-generation space capsule that will take people to and from low-Earth orbit. This spacecraft is being developed in collaboration with NASA's Commercial Crew Program. Testing the spacecraft with high altitude balloons is currently a joint effort at Spaceport America and U.S. Army White Sands Missile Range (WSMR).
- **Pipeline2Space.** This R&D company is developing new methods for launching payloads to space. They began testing from Spaceport America in FY18.

Spaceport America's strategic goal is to develop the primary inland spaceport to support our nation's commercial, NASA and DoD interests. This will be accomplished through three phases. The initial phase is through suborbital activity. Spaceport America is already successful in this market due to the high elevation and access to restricted airspace. Spaceport America tenants include three of the top four sub-orbital launch operators (Virgin Galactic, Up Aerospace, and Exos Aerospace). The second phase will be orbital activity. Spaceport America is currently not launching any vehicles to orbit, but will in the near future with the right technologies like the spaceplane, single-stage to orbit rockets, and returnable booster technology. The final phase will be to develop a full service transportation hub for the nation to access space. The future will bring global transportation using space travel, and Spaceport America's unique attributes will provide a "port" to send and receive passengers and payloads.

STEM education initiatives are an important component of the mission of Spaceport America. STEM activities are planned with the goal to inspire the next generation of students, and build the workforce needed to support spaceport operations. NMSA hosted numerous STEM events, reaching over 2000 sixth graders throughout New Mexico. The virtual classroom program connects classrooms through an online portal with questions and answers and also provides the students with a virtual tour of the spaceport. In addition, several staff members visit classrooms in person to teach students about the space industry. Spaceport America is also available for classroom field trips, and the team has hosted several schools in FY18. All these programs will continue in FY19 and expand to other communities in New Mexico.

The Visitor Experience spaceport tours were temporarily shut down in December 2016 while the visitor center in Truth or Consequences, NM was under refurbishment. The tour re-opened in December 2017.

The bond funds used by NMSA in FY18 was for the Southern Road construction project. The Southern Road is an essential 23.7 mile road from the south to the spaceport—from Exit 32 on I-25. It was a dirt road that flooded 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 includes 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. As of June 2018, the road construction was in the final stages of construction and the road was drivable. The project will continue with final construction activities and cultural mitigation.

NMSA is funding the road construction at approximately \$14M of state capital outlay funds. The road will be maintained by the two counties as it is now.

Capital Outlay projects for FY19 total \$16M, and include improvements to the Horizontal Launch Area, construction of the fuel farm expansion, construction of a new hangar, and design of a new payload processing center.

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).

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 three 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 \$101,178,740 at the close of the 2018 fiscal year.

At the end of the 2018 fiscal year, NMSA is able to report positive balances in all categories of net position. Governmental activities decreased NMSA's net position by \$808,480.

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 2018 fiscal year, NMSA's governmental funds reported combined ending fund balances of \$10,609,184, an increase of \$382,907 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 assigned for Spaceport America operations. In FY18, NMSA reports unearned revenue of \$153,942 from funds received for launch operations that will occur in FY19.

The general fund is the chief operating fund of NMSA. At the end of the 2018 fiscal year, fund balance of the general fund was \$324,317. This is a decrease from the FY17 year end fund balance of \$455,332. NMSA has maintained a low level of fund balance in the general fund for FY17 year end and FY18 year end. This low level of available cash presents a risk if there are fluctuations in cash flow. However, cash flow projections for FY19 appear stable.

During the 2018 fiscal year, the fund balance of NMSA's general fund decreased by \$131,015.

Financial Analysis of NMSA as a Whole

Net Position. NMSA's condensed net position changed from Fiscal Year 2017, decreasing from \$102.0 million to \$101.2 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:	FY18	FY17
Current and Other Assets	\$ 16,944,021	\$ 11,285,107
Capital and Non-Current Assets	144,613,649	149,170,157
Total Assets	161,557,670	160,455,264
Liabilities:		
Current Liabilities	9,929,322	4,622,924
Non-Current Liabilities	50,449,608	53,845,120
Total Liabilities	60,378,930	58,468,044
Net Position:		
Net Investment in Capital Assets	90,768,529	92,064,525
Restricted - Capital Projects and Debt Service	10,284,867	9,822,673
Unrestricted, Subsequent Year's Expenditure	125,344	100,022
Total Net Position	101,178,740	101,987,220
Total Liabilities and Net Position	\$ 161,557,670	\$ 160,455,264

Statement of Activities

NMSA's change in net position for fiscal year 2018 was a decrease of \$808,480 (Statement of Activities). Approximately 3% of NMSA's revenue comes from State General Fund Appropriations; the remaining funds are from severance tax bond proceeds and gross receipts bond proceeds, government grants, as well as business activity such as aerospace activity, site tours, special events, and other non-aerospace activity.

Statement of Activities for the years ended June 30,

Governmental Activities:

General Revenues:	FY18	FY17
State General Fund Appropriations	\$ 688,900	\$ 1,619,600
Gross Receipts Tax	7,053,257	6,763,303
Severance Tax Bond Appropriations	9,906,078	218,867
Federal Grant	-	728,399
Other Revenue	-	242,800
Transfers In	-	66,616
Transfers Out	-	(66,616)
Total General Revenues	17,648,235	9,572,969
Program Revenues:		
Charges for Services	3,368,724	2,146,700
Interest Revenue	125,041	93,439
Total Revenues	3,493,765	2,240,139
Expenses:		
Spaceport Development	21,950,480	13,396,803
Increase (Decrease) in Net Position	(808,480)	(1,583,695)
Net Position - Beginning of Year	101,987,220	103,570,915
Net Position - End of Year	\$ 101,178,740	\$ 101,987,220

Financial Analysis of NMSA's Funds

Capital Assets and Debt Administration. NMSA had \$90,768,529 invested in capital assets, net of related debt for the year ended June 30, 2018.

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. NMSA continues to pay down the debt and has \$52,690,000 outstanding, and premiums of \$1,155,120.

Budgetary Comparisons

In addition to the MD&A, GASB No. 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 spending that was lower than budget of \$750,138. The agency spent under budget, because revenues also came in under budget by \$1,194,153. The difference of \$131,015 was absorbed by the fund balance in the General Fund.

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

2018 Highlights:

- 213 Revenue Generating Missions to date
- 5 long-term aerospace customers
- \$3.3 million in customer revenue in FY18
- Hosted 1,465 engineering students at the annual Spaceport America Cup
- New Mexico passed the Commercial Aerospace Protection Act providing an exemption to the spaceport and its customers from public records requests pertaining to proprietary business, financial and technical information.
- 94 full time jobs have been created
- 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, 2018**

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,967,878
Restricted Cash	7,004,959
Investment in State General Fund Investment Pool	6,238,865
Due from Other State Agencies	37,043
Accounts Receivable	1,461,738
Allowance for Bad Debt	(4,500)
Prepaid Expenses	224,099
Inventory	13,939
Total Current Assets	16,944,021
Non-Current Assets	
Capital Assets	169,152,378
Less Accumulated Depreciation	(24,538,729)
Net Capital Assets	144,613,649
Total Assets	\$ 161,557,670
Liabilities	
Accounts Payable	\$ 5,994,697
Accrued Payroll and Other Liabilities	52,591
Unearned Revenue	153,942
Due to Other State Agencies	5,000
Compensated Absences Payable Due Within One Year	129,587
Interest Payable	197,993
Current Portion of Long-Term Obligations, including premium of \$115,512	3,395,512
Total Current Liabilities	9,929,322
Long-Term Obligations	
Non-Current Portion of Long-Term Obligations, including premium of \$1,039,608	50,449,608
Total Liabilities	60,378,930
Net Position	
Net Investment in Capital Assets	90,768,529
Restricted - Capital Projects and Debt Service	10,284,867
Unrestricted	125,344
Total Net Position	101,178,740
Total Liabilities and Net Position	\$ 161,557,670

**NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Governmental Activities
Program Expenses	
Spaceport Development	\$ 21,950,480
Total Expenses	21,950,480
Program Revenue	
Charges for Services	3,368,724
Interest Revenue	125,041
Total Program Revenues	3,493,765
Net Program Revenue (Expense)	(18,456,715)
General Revenues (Expenses)	
Gross Receipts Tax	7,053,257
State General Fund Appropriation	688,900
Severance Tax Bond Appropriations	9,906,078
Total General Revenues	17,648,235
Change in Net Position	(808,480)
Net Position - Beginning of Year	101,987,220
Net Position - End of Year	\$ 101,178,740

**NEW MEXICO SPACEPORT AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	87100	10570	89200	
		Regional Spaceport	Capital	Total Governmental
	General Fund	District Fund	Projects Fund	Funds
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 931,351	-	5,307,514	6,238,865
Other Cash - Held at Trustee	-	1,967,878	-	1,967,878
Restricted Cash	-	7,004,959	-	7,004,959
Due from Other State Agencies	-	-	37,043	37,043
Accounts Receivable	16,601	1,312,030	-	1,328,631
Prepaid Expenses	224,099	-	-	224,099
Inventory	13,939	-	-	13,939
Total Assets	\$ 1,185,990	10,284,867	5,344,557	16,815,414
LIABILITIES				
Accounts Payable	\$ 650,140	-	5,344,557	5,994,697
Accrued Payroll	52,591	-	-	52,591
Unearned Revenue	153,942	-	-	153,942
Due To Other State Agencies	5,000	-	-	5,000
Total Liabilities	861,673	-	5,344,557	6,206,230
FUND BALANCES				
Nonspendable	238,038	-	-	238,038
Restricted	-	10,284,867	-	10,284,867
Assigned	86,279	-	-	86,279
Unassigned	-	-	-	-
Total Fund Balances	324,317	10,284,867	-	10,609,184
Total Liabilities and Fund				
Balances	\$ 1,185,990	10,284,867	5,344,557	16,815,414

**NEW MEXICO SPACEPORT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds		
(Governmental Fund Balance Sheet)	\$	10,609,184

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

Governmental Funds report revenue if it is collected within 60 days of the fiscal year end. The Statement of Activities reports all Accounts Receivable as revenue. The difference in the current period is:		133,107
The allowance for bad debt is:		(4,500)

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		169,152,378
Accumulated Depreciation		(24,538,729)
Total Capital Assets		144,613,649

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		(52,690,000)
Bond Premium (Related to Bond Issuance), Net of \$808,585 Amortization		(1,155,120)
Accrued Interest Payable Related to Bonds		(197,993)
Compensated Absences Payable		(129,587)

Net Position of Governmental Activities (Statement of Net Position)	\$	101,178,740
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NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	87100	10570	89200	
		Regional		Total
	General Fund	Spaceport District Fund	Capital Projects Fund	Governmental Funds
REVENUES				
Gross Receipts Tax	\$ 1,017,704	6,035,553	-	7,053,257
Interest on Deposits	-	125,041	-	125,041
Rental Revenue	2,348,260	-	-	2,348,260
Tours and launch Revenue	906,483	-	-	906,483
Total Revenue	4,272,447	6,160,594	-	10,433,041
EXPENDITURES				
Current:				
Personal Services	1,465,588	-	-	1,465,588
Contractual Services	2,297,137	-	133,147	2,430,284
Other	1,329,637	-	9,772,931	11,102,568
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	3,145,000	-	3,145,000
Interest and Other Charges	-	2,501,672	-	2,501,672
Total Expenditures	5,092,362	5,646,672	9,906,078	20,645,112
EXCESS (DEFICIENCY) OF				
REVENUES OVER (UNDER)				
EXPENDITURES	(819,915)	513,922	(9,906,078)	(10,212,071)
OTHER FINANCING SOURCES (USES)				
State General Fund Appropriation	688,900	-	-	688,900
Severance Tax Bond Appropriation	-	-	9,906,078	9,906,078
Net Other Financing Sources	688,900	-	9,906,078	10,594,978
NET CHANGE IN FUND BALANCES				
Fund Balances - Beginning of Year	(131,015)	513,922	-	382,907
Fund Balances - End of Year	455,332	9,770,945	-	10,226,277
FUND BALANCES - END OF YEAR	\$ 324,317	10,284,867	-	10,609,184

NEW MEXICO SPACEPORT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 382,907

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: (15,976)

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 3,145,000

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 -

Depreciation Expense (4,556,508)

Excess of Capital Outlay Over Depreciation Expense (4,556,508)

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: 11,105

Governmental Funds report revenue if it is collected within 60 days of the fiscal year end. The Statement of Activities reports all Accounts Receivable as revenue. The difference in the current period is: 109,480

Change in Net Position of Governmental Activities (Statement of Activities) \$ (808,480)

NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND –
BUDGET AND ACTUAL (BUDGETARY BASIS)
JUNE 30, 2018

GENERAL FUND - OPERATING FUND (87100)				
Revenues	Budgeted Amounts		Actual Amounts	Variance From Final
	Original	Final	(Budgetary Basis)	Budget Positive (Negative)
State General Fund Appropriation	\$ 375,900	688,900	688,900	-
Other Revenue	5,466,600	5,466,600	4,272,447	(1,194,153)
Total Revenues	<u>\$ 5,842,500</u>	<u>6,155,500</u>	<u>4,961,347</u>	<u>(1,194,153)</u>
Expenditures				
Current:				
Personal Services	\$ 1,814,000	1,614,000	1,465,588	148,412
Contractual Services	2,285,700	2,365,700	2,297,137	68,563
Other	1,742,800	1,862,800	1,329,637	533,163
Total Expenditures	<u>\$ 5,842,500</u>	<u>5,842,500</u>	<u>5,092,362</u>	<u>750,138</u>
Total Expenditures			5,092,362	
Excess (Deficiency) of Revenues over (under)			(131,015)	
Expenditures and Other Financing Sources			<u> </u>	
Net Change in Fund Balance			<u>\$ (131,015)</u>	

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.
- Actively promote and assist public and private sector infrastructure development to attract new industries and businesses, thereby creating new job 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 (CAFR). These financial statements present financial information that is attributable to the Authority and does not purport to present the financial position of the State of New Mexico.

NMSA Office of the Executive Director / CEO

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

NOTE 1 DEFINITION OF REPORTING ENTITY (Continued)

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 bonds supported by Gross Receipts tax collected in Dona Ana and Sierra counties. During fiscal years 2009 and 2010, the Spaceport District pledged the GRT revenue for the issuance of Spaceport Revenue Bonds and NMSA issued bonds (through the New Mexico Finance Authority) in FY 2010 and 2011. 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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

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 Non-exchange Transactions, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

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. A budgetary comparison is only presented for the General Fund (87100) and not the other funds as they do not have a legally adopted annual budget.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

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

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

- No later than September 1, NMSA submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, NMSA submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

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.

Inventory

Items held for resale are valued at the lower of cost, using the average cost, or market. The average cost is estimated using the last-in, first-out (LIFO) method. Other costs associated with acquiring, storing and transporting merchandise inventories are expensed as incurred and included in Cost of Goods Sold (COGS). Physical inventory counts are taken on an annual basis at the end of each fiscal year to ensure that the inventory reported in our financial statements is properly stated. A portion of the amount reported in non-spendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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.

Debt

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures and Expenses

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.

The fiduciary fund financial statements are reported using the economic resources measurement focus. Revenue is recognized with the underlying exchange transaction has occurred and the resources are available. The term available means collected within the current period or expected to be collected soon thereafter, not to exceed 60 days.

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.

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, 2018.

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, 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Fund	Investment (Cash)	Fair Value June 30, 2018
Regional Spaceport District Fund	10570	Cash Held at Trustee	\$ 1,967,878
Regional Spaceport District Fund	10570	Restricted Cash	7,004,959
		Total Cash Held at Trustee	<u>\$ 8,972,867</u>

NOTE 4 STATE GENERAL FUND INVESTMENT POOL

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a Statewide Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

All claims as recorded in SHARE shall be honored at face value.

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

Agency claims 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, 2018
General Fund	87100	NM STO General Fund Investment Pool	\$ 931,351
Capital Projects Fund	89200	NM STO General Fund Investment Pool	5,307,514
Total Investment in State General Fund Investment Pool			<u>\$ 6,238,865</u>

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, 2017.

NOTE 6 ACCOUNTS RECEIVABLE

All accounts receivable reported on the governmental funds financial statements have been collected within 60 days of the fiscal year end. The Statement of Activities and the Statement of Net Position reports all accounts receivable as revenue. If any accounts receivable amount on the Statement of Net Position remains uncollected after 12 months, the uncollected amount is held in a contra-account identified as bad debt.

NMSA does not forgive any debt. Per Article IV Section 32 of the New Mexico Constitution [Remission of debts due state or municipalities] provides:

No obligation or liability of any person, association or corporation held or owned by or owing to the state, or any municipal corporation therein, shall ever be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury, or by proper proceeding in court.

NMSA maintains a collections policy that includes tracking all receivable balances, even those with allowances for bad debt. The agency actively attempts to collect on all outstanding accounts receivables.

During the year ended June 30, 2018, the following changes occurred in the allowance for bad debt on the Statement of Net Position.

Balance June 30, 2017	Increase	(Decrease)	Balance June 30, 2018
\$ -	4,500	-	4,500

NOTE 7 INVENTORIES

Spaceport America started selling branded merchandise in FY17 as part of events held at Spaceport America. Items held for resale are valued at the lower of cost, using the average cost, or market. The average cost is estimated using the last-in, first-out (LIFO) method. Other costs associated with acquiring, storing and transporting merchandise inventories are expensed as incurred and included in Cost of Goods Sold (COGS). Physical inventory counts are taken on an annual basis at the end of each fiscal year to ensure that the inventory reported in our financial statements is properly stated. A portion of the amount reported in non-spendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

NOTE 8 COMPENSATED ABSENCES

During the year ended June 30, 2018, the following changes occurred in the compensated absence liabilities:

Balance			Balance	Amounts Due Within
June 30, 2017	Increase	(Decrease)	June 30, 2018	One Year
\$ 113,611	118,350	(102,373)	129,587	129,587

The portion of compensated absences due after one year is not material, and therefore, not separately presented. Substantially, all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

NOTE 9 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.

[Continued on next page]

NOTE 9 CAPITAL ASSETS (Continued)

A summary of changes in capital assets follows:

	Balance			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
Depreciable assets:				
Buildings	72,818,700	-	-	72,818,700
Improvements Other than Buildings	84,722,762	-	-	84,722,762
Vehicles	1,812,920	-	-	1,812,920
Equipment and Furniture	9,797,996	-	-	9,797,996
Total Capital Assets	169,152,378	-	-	169,152,378
Accumulated Depreciation:				
Buildings	(7,853,813)	(1,855,585)	-	(9,709,398)
Improvements Other than Buildings	(10,405,797)	(2,253,524)	-	(12,659,321)
Vehicles	(704,565)	(181,292)	-	(885,857)
Equipment and Furniture	(1,018,046)	(266,107)	-	(1,284,153)
Total Accumulated Depreciation	(19,982,221)	(4,556,508)	-	(24,538,729)
Net Capital Assets	149,170,157	(4,556,508)	-	144,613,649

Depreciation expense for the fiscal year was \$4,556,508 and was charged to Spaceport Development.

NOTE 10 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, 2018, 2017, and 2016 were \$170,991, \$173,151, and \$176,668, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 11 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

Plan Description. 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 postemployment health care plan that

**NOTE 11 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(Continued)**

provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability 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 liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Funding Policy. NMSA's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$20,129, 20,383, and \$20,797, respectively, which equal the required contributions for each year.

NOTE 12 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 of NMSA's management and legal counsel, no current legal claims will have a material adverse effect on the financial position or results of operations of NMSA.

NOTE 13 TRANSFERS

During the fiscal year (FY18), NMSA received funds that were recorded as "Other Financing Sources" in the financial records. These amounts are included in the table below.

[Continued on next page]

NOTE 13 TRANSFERS (Continued)

Fund Type	Description	SHARE Agency	Transfers In	Transfers Out
	State General Fund			
General Fund 87100	Appropriation	34101	\$ 688,900	-
	Severance Tax Bond			
Capital Projects Fund 89200	Appropriation	34103	9,906,078	-
Total			\$10,594,978	-

NOTE 14 DUE TO/FROM OTHER STATE AGENCIES

During the fiscal year (FY18), NMSA had transactions with other state agencies where the funds were not transferred until the following Fiscal Year (FY19). These amounts were recorded as "Due To" or "Due From" in the financial records. These amounts are included in the table below.

NMSA Fund	Purpose	Agency Name	Agency Fund	Due From	Due To
	Severance Tax				
89200	Draws	DFA	60930	\$ 37,043	-
87100	Fee Transfer	Dept Higher Ed	34400	-	5,000
Total				\$ 37,043	5,000

NOTE 15 OPERATING LEASES

The following is a schedule by year of future minimum lease payments. These include 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, 2018:

<u>Year Ending June 30,</u>		<u>Amount</u>
2019	\$	211,125
2020		212,179
2021		213,264
2022		214,382
2023		215,533
2024 and Thereafter		1,770,091
Total	\$	<u>2,836,574</u>

NOTE 16 DEBT

NMSA currently does not have any unused lines of credit.

NMSA's long term debt consists of two bonds:

- 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 bond obligation is scheduled to continue until Fiscal year 2029.

Revenue pledged for semi-annual bond payments (principal and interest) is from local Spaceport Gross Receipts tax of 0.25% collected in Dona Ana and Sierra counties. Out of the total Spaceport Gross Receipts tax collected, 75% of the tax revenues are pledged toward the repayment of bond debt, and 25% is granted to county schools for STEM education. Revenue is pledged until the completion of the bond obligation. There is no sunset of the Spaceport Gross Receipts tax.

Assets pledged as collateral for long term debt include cash held in reserve accounts by the New Mexico Finance Authority in the amount of \$7,004,959. The reserve accounts will be maintained in the debt service fund.

Terms specified in debt agreements related to significant:

- 1) events of default with finance-related consequences include: Nonpayment of Principal, Nonpayment of Interest, Default of any Provision, Bankruptcy. Upon the occurrence and continuation of any of the events of default, the bond holder may proceed against NMSA to protect and enforce their rights.
- 2) termination events with finance-related consequences include: The 2009 series bonds may be subject to redemption prior to maturity at NMSA's option on and after June 1, 2019. The 2010 series bonds may be subject to redemption prior to maturity at NMSA's option on and after December 1, 2020.

NOTE 16 DEBT (Continued)

3) subjective acceleration clauses. There are no subjective acceleration clauses.

Both the 2009 and 2010 series bonds were a direct placement of debt with the New Mexico Finance Authority. These bonds were the agency's first bonds issued, and were not transferred from other debt.

The premium will be amortized using the straight-line method over the life of the bond. 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.

The interest rates (average coupon) are:

- 2009 Series C bonds: 4.7935%
- 2010 Series bonds: 3.7326%

Interest expense for the current fiscal year was \$2,629,233.

The changes in long-term balances for fiscal year 2018 are as follows:

	Balance			Current Liability	Long-term Liability	Balance
	June 30, 2017	Increase	(Decrease)	June 30, 2018	June 30, 2018	June 30, 2018
2009 Series C	\$ 38,975,000	-	(2,495,000)	2,615,000	33,865,000	36,480,000
Issuance Premium	1,270,632	-	(115,512)	115,512	1,039,608	1,155,120
2009 Series C Total	40,245,632	-	(2,610,512)	2,730,512	34,904,608	37,635,120
2010 Series	16,860,000	-	(650,000)	665,000	15,545,000	16,210,000
Total	\$ 57,105,632	-	(3,260,512)	3,395,512	50,449,608	53,845,120

Maturities of the bond issuances for the next five years and thereafter as of June 30, 2018 are as follows:

2009 Series C:	Balance Principal	Interest	Balance Total
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	2,985,000	1,390,368	4,375,368
2023	3,120,000	1,253,418	4,373,418
2024-2028	18,000,000	3,869,000	21,869,000
2029	4,165,000	209,393	4,374,393
	\$ 36,480,000	11,637,136	48,117,136

NOTE 16 DEBT (Continued)

2010 Series C:	Balance Principal	Interest	Balance Total
2019	\$ 665,000	605,816	1,270,816
2020	685,000	587,440	1,272,440
2021	710,000	566,394	1,276,394
2022	730,000	543,203	1,273,203
2023	755,000	518,208	1,273,208
2024-2028	4,215,000	2,147,075	6,362,075
2029	8,450,000	172,380	8,622,380
	<u>\$ 16,210,000</u>	<u>5,140,516</u>	<u>21,350,516</u>

Pledged revenues provided 1.249x coverage of the principal and interest requirements for FY18. Comparison of pledged revenue to bond obligations:

Pledged Revenue Recognized FY18	Principal and Interest Requirements	Excess Pledged Revenue FY18
\$ 7,053,257	5,646,672	1,406,585

NOTE 17 FUND BALANCE CLASSIFICATIONS

The Department's fund balances represent: 1) Nonspendable, which include balances for inventories and prepaid expenses that are not available expendable resources for Department programs. 2) 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; 3) 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; 4) 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. NMSA has no unassigned fund balance. A summary of the nature and purpose of these reserves by fund type at June 30, 2018 follows:

[Continued on next page]

NOTE 17 FUND BALANCE CLASSIFICATIONS (Continued)

	<u>Amount</u>
General Fund - 87100	
Fund Balances:	
Unrestricted:	
Nonspendable	\$ 238,038
Assigned	86,279
Debt Service Fund - 10570	
Fund Balances:	
Restricted for:	
GRT Bond Construction Expenditures, 2009 Series C Public Projects and	10,284,867
GRT Bond Construction Expenditures, 2010 Series Public Projects	
Capital Projects Fund - 89200	
Fund Balances:	
Unrestricted:	
Unassigned	-
Total Fund Balances	<u><u>\$ 10,609,184</u></u>

NOTE 18 RENTAL INCOME

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

<u>Year Ending June 30,</u>		<u>Amount</u>
2019	\$	3,087,283
2020		3,087,447
2021		3,087,618
2022		3,087,798
2023		3,090,166
2024 and Thereafter		29,345,951
Total	\$	<u><u>44,786,263</u></u>

NOTE 19 RISK MANAGEMENT

NMSA obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes insurance for Worker's Comp, General Liability, Civil Rights Liability, Auto Liability, Airport Liability, Event Coverage, Environmental, Property, Auto Physical Damage, Boiler & Machinery, and Fine Arts. These coverages are designed to satisfy the requirements of the State Tort Claims Act.

NOTE 20 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. 84, Fiduciary Activities

Effective Date: For reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

NOTE 21 NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 85, Omnibus 2017

Effective Date: For reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 86, Certain Debt Extinguishment Issues

Effective Date: For reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 87, Leases

Effective Date: For reporting periods beginning after December 15, 2019.

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

NOTE 21 NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Effective Date: For reporting periods beginning after June 15, 2018. Earlier application is encouraged.

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

Effective Date: For reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61

Effective Date: For reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

NOTE 21 NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61 (Continued)

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

SUPPLEMENTARY INFORMATION (SI)

**NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX APPROPRIATIONS
JUNE 30, 2018**

Project Number	Project Description	Amount Appropriated	Amount Reverted	Art in Public Places	Amount Available
A084780	Originally authorized in Laws of 2008, Chapter 92, Subsection C of Section 76; Extended in 2018 Regular Session SB245 Section 83	\$ 4,872,295	-	-	4,872,295
A131812	Laws of 2013, Chapter 226, Section 33, Extended in 2017 Regular Session SB362 Section 73	3,000,000	-	-	3,000,000
A142028	Laws of 2014, Chapter 66, Section 24/1, Extended in 2018 Regular Session SB245 Section 82	6,400,000	-	-	6,400,000
	TOTAL	\$ 14,272,295	-	-	14,272,295

[continued on next page]

NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX APPROPRIATIONS (Continued)
JUNE 30, 2018

Project Number	Expenditures Reported Prior Years (Unaudited)	Reversion Date	Expenditures Reported Current Year	Authorized Advance Amounts Received (Deferred Revenue)	June 30, 2018 Balance Available (Restricted Fund Balance)
A084780	\$ -	6/30/2018	2,651,010	-	2,221,285
A131812	375,093	6/30/2019	818,026	-	1,806,881
A142028	-	6/30/2018	6,400,000	-	0
	\$ 375,093	-	9,869,036	-	4,028,166

**NEW MEXICO SPACEPORT AUTHORITY
 SUPPLEMENTAL SCHEDULE OF CASH ACCOUNTS INCLUDING INVESTMENTS
 JUNE 30, 2018**

Name of Depository	Fund Type	SHARE Fund No.	Type of Account	Balance
General Fund	General	87100	State Treasury	\$ 931,351
Regional Spaceport District Fund (Held at Trustee - New Mexico Finance Authority)	Debt Service	10570	State Treasury	8,972,837
Capital Projects Fund	Capital Projects	89200	State Treasury	<u>5,307,514</u>
				<u><u>\$ 15,211,702</u></u>

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

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. Wayne Johnson
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of the New Mexico Spaceport Authority (“the Spaceport”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Spaceport’s basic financial statements, and have issued our report thereon dated October 29, 2018.

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 combination of deficiencies, in internal controls 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 Institute’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 Spaceport’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 Spaceport’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
October 29, 2018

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2018**

Section A – Financial Statement Findings

No matters were reported

STATUS OF PRIOR YEAR FINDINGS

2017-001 Prior Period Adjustment (Significant Deficiency) - Resolved

2017-002 Cash Disbursements- Lack of Internal Control (Compliance and Other Matters) - Resolved

2017-003 P-Card Control Process - (Compliance and Other Matters) - Resolved

EXIT CONFERENCE

An exit conference was held on October 25, 2018 to discuss the current report. Those individuals in attendance were as follows:

Audit Committee: Rick Holdridge, Davin Lopez, Nathan LaFont

Spaceport Director: Dan Hicks

Chief Financial Officer: Zach De Gregorio

Axiom: Jaime Rumbaoa, Partner