

NEW MEXICO SPACEPORT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



SPACEPORTAMERICA®

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NEW MEXICO SPACEPORT AUTHORITY

OFFICIAL ROSTER

AS OF JUNE 30, 2020

Board Members – New Mexico Spaceport Authority

Alicia J. Keyes, Chair of the Board

Howie Morales, NM Lieutenant Governor

Peggy S. Johnson, Member

Eric J. Schindwolf, Member

Ethan Epstein, Member

Laura Conniff, Member

Michelle Coons, Member

New Mexico Spaceport Authority Management

Scott McLaughlin, Executive Director

Melissa Kemper Force, General Counsel

Dr. Bill Gutman, Director Aerospace Operations

Chris Lopez, Director Site Operations



Independent Auditors' Report

To Board of Directors
New Mexico Spaceport Authority
Las Cruces, New Mexico
and
Brian S. Colón, Esq.
New Mexico State Auditor

Report on the 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, 2020, and the related notes to the financial statements, which collectively comprise the Spaceport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Spaceport's 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.

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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, 2020, and the 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, 2020, 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 to 7, 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 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 March 25, 2021 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spaceport's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
March 25, 2021

**NEW MEXICO SPACEPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This Management's Discussion and Analysis presents an overview of the financial activities of the New Mexico Space Authority (NMSA) for the year ended June 30, 2020. It 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.

Authority Overview NMSA is chartered with the development, operation, maintenance and progress of Spaceport America, the world's first purpose-built commercial spaceport. Spaceport America is situated on 18,000 acres of state land in a remote area of southern New Mexico. Its unique location provides several technical advantages over other spaceports in the United States:

- **Access to 6,000 square miles of restricted airspace.** An important asset of Spaceport America is its access to the restricted airspace controlled by the U.S. Army White Sands Missile Range (WSMR), which is located adjacent to the Spaceport. NMSA and WSMR have a long standing collaboration agreement that allows NMSA to utilize the restricted air space from ground level to unlimited.
- **Great weather.** Spaceport America enjoys an average of 340 days of sunshine during the year. Extreme weather is not experienced in the area and low levels of humidity and salinity generate minimal corrosive environments.
- **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 security, fire response, and emergency medical response. Rapid response in a remote location gives launch customers support while offering a high level of privacy.
- **High elevation.** Launches from Spaceport America start in thinner air almost a mile above sea level. This translates to significant performance improvements for vertically launched vehicles.
-

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 to create employment within its areas of influence. NMSA is delivering on that promise. Spaceport America and its tenants supported 163 full time jobs in FY20. These aerospace jobs have more than doubled in the last two years. Increases are driven by the anchor tenant, Virgin Galactic which moved its commercial and space tourism operations to New Mexico, and by two new tenants, SpinLaunch and AeroVironment. SpinLaunch continued with its development program and expects to conduct its first launches in the next fiscal year, AeroVironment constructed a new facility and was within a few weeks of conducting their first flight at the end of FY20.

The spaceport continues to experience increased aerospace activity, reflecting the growing demand from the Commercial Space Industry. At the end of FY 2020, 304 rockets have been launched from Spaceport America. This total includes 246 university student rockets launched during the 2017, 2018, and 2019

Spaceport America Cup events. Fifty-eight commercial rocket launches had been hosted. This number includes university rockets that were launched under individual launch agreements. -Many other system and subsystem tests of rockets and aircraft, and balloon missions also have been hosted. The 2020 Spaceport America Cup had to be cancelled because of corona virus disruption risks. The Cup is the world's largest university level rocket competition, and hosts teams from colleges and universities from the U.S. and abroad. The latest edition of the Cup, held in June 2019, drew more than 1300 students from 14 countries.

NMSA's current customers include:

- **Virgin Galactic.** Virgin Galactic is Spaceport America's anchor tenant. Their mission is to develop and operate a new generation of space vehicles to support a vibrant space tourism business. The company's spaceflight system consists of WhiteKnightTwo, a custom-built carrier aircraft, and the reusable SpaceShipTwo. Since 2013, Virgin Galactic has paid fees for the lease of the Terminal Hangar Facility and for other operational support activities. As noted above, Virgin Galactic significantly increased operations at Spaceport America in FY20.
- **UP Aerospace.** Spaceport America's longest tenant is UP Aerospace Inc, a space launch services company. UPA flies suborbital payloads for customers as a launch provider under the NASA Flight Opportunities Program and for other customers who require suborbital space access. They completed one launch operation in FY20. UP Aerospace also operates a manufacturing facility at the spaceport where they manufacture and test the rocket motors that they use in their program.
- **EXOS Aerospace Systems & Technologies, Inc.** EXOS is the follow-on company to Armadillo Aerospace, a previous Spaceport America customer. The company has conducted four launches, including one launch in FY20.
- **SpinLaunch.** SpinLaunch is developing technology to accelerate launch vehicles to hypersonic speeds using an electrically-powered centrifuge accelerator rather than traditional rocket propulsion. This technology will provide low-cost launch services for the rapidly growing small satellite industry. SpinLaunch broke ground in FY19 on a \$7M construction project for their initial facilities at Spaceport America. At the end of FY20, construction was well underway, and the first flight is expected in FY21.
- **AeroVironment.** AeroVironment is developing high altitude, long endurance solar powered unmanned aerial vehicles. AV developed a new facility near the north end of the Spaceport America runway during the second half of FY20. This facility includes a treated dirt runway that is 4000 ft long by 500 ft wide and a hangar large enough to accommodate two of their 265-foot wingspace aircraft. The first flight from Spaceport America is anticipated in early FY21.
- **Swift Engineering.** Swift Engineering also brought a high altitude, long endurance solar powered unmanned aerial vehicle program to Spaceport America. Swift's requirements did not necessitate development of any new facilities. Their first flight from Spaceport America also is anticipated in early FY21.
- **C6 Launch** C6 Launch is a Canadian company developing rockets for small satellite delivery to space. They will be at Spaceport America in FY21 testing a liquid rocket engine. The agreement allows the engine test stand to stay at Spaceport America as a new facility for future customers.

Spaceport America's strategic goals are to 1) attract and capture best-fit companies from the emerging commercial suborbital space launch industry; 2) support NASA and DoD space requirements when possible and to the extent that those requirements are compatible with Spaceport America capabilities; and 3)

capture additional elements of the aerospace industry's testing and operations requirements that are compatible with capabilities and availability of airspace and other resources, such as unmanned aerial system testing and rocket engine testing. Significant progress toward these goals already has been made. . Spaceport America is already successful in the suborbital space launch market at least partly enabled by high elevation and access to restricted airspace. One of the top providers of suborbital launch services to NASA, UP Aerospace, has conducted numerous launches to altitudes above the Kármán Line. Virgin Galactic and EXOS Aerospace, both currently active at the spaceport, expect to conduct suborbital launches in the near future. Testing of high altitude, long endurance unmanned aircraft for which the groundwork was laid in FY20 is expected to begin early in FY21. Eventually, it may be possible to launch to orbit from Spaceport America, but that capability must await development of suitable launch systems.

STEM education initiatives are an important component of the mission of Spaceport America. STEM activities continue with the goal to inspire the next generation of students, and build the workforce needed to support spaceport operations. NMSA conducts numerous STEM events, directly reaching over 2000 sixth graders throughout New Mexico through in-school programs. Staff members visit classrooms in person to inspire students about science through space videos and science demonstrations. Virtual classroom programs connect classrooms through an online portal with questions and answers and provides the students with a virtual tour of the spaceport. Spaceport America also hosts field trips of student groups to the spaceport.

The Visitor Experience spaceport tours are provided via shuttle bus from the Spaceport America Visitor Center in Truth or Consequences. New tours departing from Las Cruces were started in FY19.

Capital Outlay expenses for FY19 total ?? on several projects. The following projects, totaling an estimated \$20M budget, are still in progress:

- **Southern road construction.** (\$14M) The Southern Road is an essential 23.7 mile road from the south to the spaceport (from Exit 32 on I-25). In June 2018, the road construction was in the final stages of construction and the road was drivable. The project continues with final construction and cultural mitigation.
- **Fuel farm construction.** (\$5M) This construction provides necessary upgrades to the Spaceport America fuel farm to support increasing customer aerospace operations. The new fuel farm and fuel trucks provide pumping facilities for Jet-A, AvGas, Gasoline and Diesel fuels. Construction started in FY19 and continues into FY20.
- **Payload processing facility design.** (\$500k) This new facility at Spaceport America would support economic development by providing companies leasable space to prepare and process scientific payloads for launches. Initial conceptual design has been completed, but the project has been put on hold pending further review of return on investment.
- **General spaceport improvements.** (\$500k) Spaceport America facilities are now several years old and require regular capital investment. This capital outlay project addresses immediate needs for capital improvements at Spaceport America. This project started in FY19 and continues into FY20.
- **STARC.** The Spaceport Technology And Reception Center is a new building that will house the funded IT center, act as a visitor reception area, a triage and security area, a package drop-off area, and a public-facing interface to the spaceport. Currently visitors must come to the SOC, which presents certain security risks, since the SOC is behind the aviation operations area.

- **Launch Rail.** A new vertical rocket launch rail will support more and safer launches from the Vertical Launch Area (VLA). The 40' rail has elevation and azimuth control and can be pointed in real-time to compensate for wind. It will allow customers to come to Spaceport America and launch without the added expense and complication of developing and bringing their own rail.
- **SOC Repairs.** The Spaceport Operations Center has foundation issues for the support dome and the interior steel frame building. Water drainage has been determined to be the cause. A RFP will be released in FY21 to have a contractor redo the drainage around the building.
- **VLA Improvements.** Several improvements will be made to the Vertical Launch Area (VLA) including roads, electrical, water, and new concrete pads. This will help attract new customers as well as improve operations at that location for all events.

Additionally, NMSA has developed a \$19M plan for capital outlay needs in FY20 that are fully funded.

STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental</u> <u>Activities</u>
ASSETS	
<i>Current:</i>	
Cash and cash equivalents	\$ 2,677,378
Restricted Cash	7,147,629
Investment in State General Fund Investment Pool	20,765,033
Accounts Receivable	2,104,523
Prepaid expenses	60,000
Inventory	<u>28,625</u>
<i>Total current assets</i>	<u>32,783,188</u>
<i>Noncurrent assets:</i>	
Capital assets, net accumulated depreciation	<u>140,877,458</u>
<i>Total noncurrent assets</i>	<u>140,877,458</u>
 <i>Total assets</i>	 \$ <u><u>173,660,646</u></u>

STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental</u> <u>Activities</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	\$ 2,348,304
Accrued Payroll and Other Liabilities	115,058
Bank overdraft	125,047
Compensated Absences Payable Due Within One Year	276,092
Interest Payable	174,139
Current Portion of Long-Term Obligations, including premium of \$115,512	<u>3,680,512</u>
<i>Total current liabilities</i>	<u>6,719,152</u>
<i>Noncurrent liabilities:</i>	
Non-Current Portion of Long-Term Obligations, including premium of \$808,584	<u>43,228,584</u>
<i>Total noncurrent liabilities</i>	<u>43,228,584</u>
<i>Total liabilities</i>	<u>49,947,736</u>
NET POSITION	
Net Investment in Capital Assets, Net of Related Debt	93,852,850
Restricted - Capital Projects and Debt Service	29,315,237
Unrestricted	<u>544,823</u>
<i>Total net position</i>	<u>123,712,910</u>
<i>Total liabilities and net position</i>	<u>\$ 173,660,646</u>

STATE OF NEW MEXICO
 NEW MEXICO SPACEPORT AUTHORITY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities</u>
Program Expenses	
Spaceport Development	\$ 16,716,412
<i>Total Expenses</i>	<u>16,716,412</u>
Program Expenses	
Charges for Services	5,535,866
Interest Revenue	<u>153,060</u>
<i>Total Program Revenues</i>	<u>5,688,926</u>
Net Program Revenue (Expense)	(11,027,486)
General Revenues	
Gross Receipts Tax	7,721,959
State General Fund Appropriation	17,175,400
Severance Tax Bond Appropriation	4,303,434
Other Financing Sources	25,900
Miscellaneous	-
<i>Total General Revenues</i>	<u>29,226,693</u>
Change in Net Position	18,199,207
Net Position - Beginning of Year	<u>105,513,703</u>
Net Position - End of Year	<u>\$ 123,712,910</u>

STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund 87100	Regional Spaceport District Fund 10570	Capital Projects Fund 89200	Capital Projects Fund 93100	Total Governmental Funds
ASSETS					
<i>Current:</i>					
Investment in State General Fund Investment Pool	\$ 2,067,372	-	-	18,697,661	20,765,033
Other Cash - Held at Trustee	-	2,677,378	-	-	2,677,378
Restricted Cash	-	7,147,629	-	-	7,147,629
Accounts Receivable	298,063	1,337,747	468,713	-	2,104,523
Prepaid expenses	60,000	-	-	-	60,000
Inventory	28,625	-	-	-	28,625
<i>Total current assets</i>	<u>\$ 2,454,060</u>	<u>11,162,754</u>	<u>468,713</u>	<u>18,697,661</u>	<u>32,783,188</u>
LIABILITIES AND FUND BALANCE					
<i>Current liabilities:</i>					
Accounts payable	\$ 1,339,005	-	375,496	633,803	2,348,304
Accrued Payroll	115,058	-	-	-	115,058
Bank overdraft	-	-	125,047	-	125,047
<i>Total current liabilities</i>	<u>1,454,063</u>	<u>-</u>	<u>500,543</u>	<u>633,803</u>	<u>2,588,409</u>
FUND BALANCE (DEFICIT)					
Nonspendable	88,625	-	-	-	88,625
Restricted	-	11,162,754	-	18,063,858	29,226,612
Assigned	911,372	-	-	-	911,372
Unassigned	-	-	(31,830)	-	(31,830)
<i>Total fund balance (deficit)</i>	<u>999,997</u>	<u>11,162,754</u>	<u>(31,830)</u>	<u>18,063,858</u>	<u>30,194,779</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 2,454,060</u>	<u>11,162,754</u>	<u>468,713</u>	<u>18,697,661</u>	<u>32,783,188</u>

STATE OF NEW MEXICO
 NEW MEXICO SPACEPORT AUTHORITY
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020

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

Fund balances - total governmental funds	\$ 30,194,779
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	140,877,458
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	(45,985,000)
Bond Premium (Related to Bond Issuance), Net of amortization	(924,096)
Accrued Interest Payable Related to Bonds	(174,139)
Compensated absences	<u>(276,092)</u>
Net Position of Governmental Activities (Statement of Net Position)	<u>\$ 123,712,910</u>

STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund 87100	Regional Spaceport District Fund 10570	Capital Projects Fund 89200	Capital Projects Fund 93100	Total Governmental Funds
<i>Revenues:</i>					
Gross Receipts					
taxes	\$ -	7,804,632	-	-	7,804,632
Interest on Deposits	-	153,060	-	-	153,060
Rental Revenue	3,674,972	-	-	-	3,674,972
Tours and launch revenue	1,860,894	-	-	-	1,860,894
Miscellaneous	-	-	-	-	-
Total revenues	5,535,866	7,957,692	-	-	13,493,558
<i>Expenditures:</i>					
Current					
Personal Services and Benefits	2,331,618	-	-	-	2,331,618
Contractual Services	4,807,553	-	933,644	240,067	5,981,264
Other	1,542,435	-	-	-	1,542,435
Capital outlay	127,685	-	3,401,620	506,075	4,035,380
Debt service					
Principal	-	3,425,000	-	-	3,425,000
Interest	-	2,223,926	-	-	2,223,926
Total expenditures	8,809,291	5,648,926	4,335,264	746,142	19,539,623
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,273,425)</u>	<u>2,308,766</u>	<u>(4,335,264)</u>	<u>(746,142)</u>	<u>(6,046,065)</u>
<i>Other financing sources (uses):</i>					
State General Fund Appropriation	1,335,400	-	-	15,840,000	17,175,400
Severance Tax Bond Appropriation	-	-	4,303,434	-	4,303,434
<i>Other Financing Sources</i>	25,900	-	-	-	25,900
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,361,300	-	4,303,434	15,840,000.00	21,504,734
Net change in fund balances	(1,912,125)	2,308,766	(31,830)	15,093,858	15,458,669
Fund balances (deficit)- beginning of year	<u>2,912,122</u>	<u>8,853,988</u>	<u>-</u>	<u>2,970,000</u>	<u>14,736,110</u>
Fund balances (deficit) - end of year	<u>\$ 999,997</u>	<u>11,162,754</u>	<u>(31,830)</u>	<u>18,063,858</u>	<u>30,194,779</u>

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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

Net change in fund balances - total governmental funds	\$ 15,458,669
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year.

In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amount actually paid).

The net increase in the liabilities for the year was:	(67,789)
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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:

Capital expenditures	4,035,379
Depreciation expense	(4,696,901)

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 on notes and bonds	3,425,000
Amortization of bond premiums recorded as a reduction of interest expense in the Statement of Activities	115,512

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:	12,010
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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:	<u>(82,673)</u>
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Change in net position	<u>\$ 18,199,207</u>
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STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
GENERAL FUND - 87100
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
State General Fund Appropriation	985,400	985,400	1,335,400	350,000
Other Revenue	9,345,025	9,345,025	5,177,806	(4,167,219)
<i>Total revenues</i>	<u>10,330,425</u>	<u>10,330,425</u>	<u>6,513,206</u>	<u>(3,817,219)</u>
Expenditures				
Current				
Personal Services	2,850,200	2,254,400	2,331,688	(77,288)
Contractual Services	4,182,500	5,265,000	4,839,161	425,839
Other	2,805,800	2,811,025	1,670,120	1,140,905
<i>Total expenditures</i>	<u>9,838,500</u>	<u>10,330,425</u>	<u>8,840,969</u>	<u>1,489,456</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>491,925</u>	<u>-</u>	<u>(2,327,763)</u>	<u>(2,327,763)</u>
Net changes in fund balances	\$ <u>491,925</u>	<u>-</u>	<u>(2,327,763)</u>	<u>(2,327,763)</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			383,960	
Adjustments to expenditures			<u>31,678</u>	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(1,912,125)</u>	

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

Emphasis in the fund financial statements is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. NMSA considers all funds to be significant and, therefore, they are all reflected as major funds in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how NMSA's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the government-wide presentation.

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,

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

NMSA uses the following funds:

- **Fund 87100. General Fund.** The general fund is the chief operating fund of NMSA. The General Fund is funded through earned revenue from sales, rentals, launches, gross receipts bond proceeds, and appropriations from the State of New Mexico General Fund. At the end of the 2020 fiscal year, fund balance of the general fund was \$999,997. This is an increase of \$1,912,125 from the FY19 year end fund balance of \$2,912,122. The majority of fund balances are from cash received at the end of FY20 that is assigned to fund operations in FY21.
- **Fund 10570. Regional Spaceport District Fund.** This fund 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.
- **Fund 89200. Capital Projects Fund.** This fund was established at the beginning of FY 2012 to track capital projects funded by NM Severance Tax Bonds. This is a major capital projects fund.
- **Fund 93100. Capital Projects Fund.** This fund was established in FY 2019 and is used for capital outlay projects funded by NM State General Fund Appropriations.

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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value.

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

Due To/From Other Funds

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

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, gross receipts tax bond proceeds, interest earned upon any money in the Fund; and revenues earned by the Agency as described in the Spaceport Development Act [Section 58-31-17 NMSA 1978].

Regional Spaceport District Fund (Fund (10570) – The source of these funds includes 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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

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

Revenues, Expenditures and Expenses

The government-wide 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

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

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, 2020.

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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

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, 2020
Regional Spaceport District Fund	10570	Cash Held at Trustee	\$ 2,677,378
Regional Spaceport District Fund	10570	Restricted Cash	7,147,629
		Total Cash Held at Trustee	\$ 9,825,007

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 when agency cash receipts are deposited and later pooled into a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when amounts are greater than immediate needs, the amounts 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 are 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, has been completed for fiscal year 2020. This process has been previously reviewed 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 reconciliation requirements.

As of June 30, 2020, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 STATE GENERAL FUND INVESTMENT POOL (Continued)

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, 2020
General Fund	87100	NM STO General Fund Investment Pool	\$ 2,067,372
Capital Projects Fund	93100	NM STO General Fund Investment Pool	18,697,661
		Total Investment in State General Fund Investment Pool	<u>\$ 20,765,033</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, 2020.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the following changes occurred in the allowance for bad debt on the Statement of Net Position.

Balance June 30, 2019	Increase	(Decrease)	Balance June 30, 2020
\$ 77,664	-	(33,542)	44,122

NOTE 7 INVENTORY

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 the 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, 2020, the following changes occurred in the compensated absence liabilities:

Balance June 30, 2019	Increase	(Decrease)	Balance June 30, 2020	Amounts Due Within One Year
\$ 208,302	216,418	(148,629)	276,092	276,092

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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

A summary of changes in capital assets follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Non Depreciable assets:				
Construction in Progress	952,458	123,385	(841,234)	234,610
Depreciable assets:				
Buildings	72,818,700	318,086	-	73,136,785
Improvements Other than Buildings	84,851,374	4,044,748	-	88,896,122
Vehicles	1,863,598	-	-	1,863,598
Equipment and Furniture	10,156,271	390,394	-	10,546,665
Total Capital Assets	169,689,943	4,876,613	(841,234)	174,677,780
Accumulated Depreciation:				
Buildings	(11,564,983)	(1,857,010)	-	(13,421,993)
Improvements Other than Buildings	(14,917,621)	(2,343,515)	-	(17,261,136)
Vehicles	(1,067,571)	(186,360)	-	(1,253,931)
Equipment and Furniture	(1,553,246)	(310,016)	-	(1,863,262)
Total Accumulated Depreciation	(29,103,421)	(4,696,901)	-	(33,800,322)
Net Capital Assets	141,538,980	179,712	(841,234)	140,877,458

Depreciation expense for the fiscal year was \$4,696,901 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, 2020, 2019, and 2018 were \$279,799, \$227,103, and \$170,991, respectively, which equal the amount of the required contributions for each fiscal year.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2019.

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 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, 2020 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, 2020, 2019, and 2018 were \$32,472, \$26,733, and 20,129, 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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 TRANSFERS

During the fiscal year (FY20), NMSA received funds that were recorded as “Other Financing Sources” in the financial records. These amounts are included in the table below.

Fund Type	Description	SHARE Agency	Transfers In	Transfers Out
General Fund 87100	State General Fund Appropriation	34101	\$ 1,335,400	-
Capital Projects Fund 89200	Severance Tax Bond Appropriation	34103	4,303,434	-
Capital Projects Fund 93100	State General Fund Appropriation	34101	<u>15,840,000</u>	-
Total			<u>\$ 21,478,834</u>	-

NOTE 14 DUE TO/FROM OTHER STATE AGENCIES

During the fiscal year (FY20), NMSA had no transactions with other state agencies where the funds were not transferred until the following Fiscal Year (FY20). These amounts are normally recorded as “Due To” or “Due From” in the financial records.

NOTE 15 OPERATING LEASES

The following is a schedule by year of future minimum lease payments. In FY19, NMSA signed a new ten-year office lease in Las Cruces. The list below also includes 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, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 283,833
2022	285,586
2023	287,391
2024	292,447
2025	328,925
2026 and Thereafter	<u>1,538,581</u>
Total	<u>\$ 3,016,763</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.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 DEBT (Continued)

- 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 \$7,147,629. 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.
- 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 NMSA'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 \$2,223,926.

NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 DEBT (Continued)

The changes in long-term balances for fiscal year 2020 are as follows:

	Balance June 30, 2019	Increase	(Decrease)	Current Liability June 30, 2020	Long-term Liability June 30, 2020	Balance June 30, 2020
2009 Series C Issuance	\$ 33,865,000	-	(2,740,000)	2,855,000	28,270,000	31,125,000
Premium	1,039,608	-	(115,512)	115,512	808,584	924,096
2009 Series C Total	34,904,608	-	(2,855,512)	2,970,512	29,078,584	32,049,096
2010 Series	15,545,000	-	(685,000)	710,000	14,150,000	14,860,000
Total	\$ 50,449,608	-	(3,540,512)	3,680,512	43,228,584	46,909,096

Maturities of the bond issuances for the next five years and thereafter as of June 30, 2020 are as follows:

2009 Series C:	Balance Principal	Interest	Balance Total
2021	\$ 2,855,000	1,516,886	4,371,885
2022	2,985,000	1,390,368	4,375,368
2023	3,120,000	1,253,418	4,373,418
2024	3,275,000	1,100,855	4,375,855
2025	3,425,000	949,706	4,374,705
2026-2029	15,465,000	2,027,832	17,492,833
	\$ 31,125,000	8,239,065	39,364,065

2010 Series C:	Balance Principal	Interest	Balance Total
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	780,000	491,338	1,271,338
2025	810,000	462,550	1,272,550
2026-2029	11,075,000	1,365,567	12,440,567
	\$ 14,860,000	3,947,260	18,807,259

Pledged revenues provided 1.261x coverage of the principal and interest requirements for FY20. Comparison of pledged revenue to bond obligations:

Pledged Revenue Recognized FY20	Principal and Interest Requirements	Excess Pledged Revenue FY20
\$ 7,804,632	5,648,926	2,155,706

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 follows:

	<u>Amount</u>
General Fund - 87100	
Fund Balances:	
Unrestricted:	
Nonspendable	\$ 88,625
Assigned	911,372
Debt Service Fund - 10570	
Fund Balances:	
Restricted for:	
GRT Bond Construction Expenditures, 2009 Series C Public Projects and	11,162,754
GRT Bond Construction Expenditures, 2010 Series Public Projects	
Capital Projects Fund – 89200	
Fund Balances:	
Unrestricted:	
Unassigned	(31,830)
Capital Projects Fund – 93100	
Fund Balances:	
Restricted for:	
Capital Outlay Construction Expenditures	18,063,858
 Total Fund Balances	 <u><u>\$ 30,194,779</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>
2021	\$ 3,207,618
2022	3,147,798
2023	3,090,166
2024	3,090,365
2025	3,090,566
2026 and Thereafter	23,165,020
Total	<u><u>\$ 38,791,533</u></u>

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, and Boiler & Machinery. These coverages are designed to satisfy the requirements of the State Tort Claims Act.

NOTE 20 RECENT PRONOUNCEMENTS

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance was issued May 2020 and is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018 and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No. 84, Fiduciary Activities

GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement 90, Majority Equity Interests

GASB Statement 91, Conduit Debt Obligations

GASB Statement 92, Omnibus 2020

GASB Statement 93, Replacement of Interbank Offered Rates

The effective date of GASB Statement No. 87, Leases, is postponed by 18 months.

NOTE 21 NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2020.

GASB Statement No. 84, Fiduciary Assets

GASB Statement No. 87, Leases

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

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

GASB Statement No. 91, Conduit Debt Obligations.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 21 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 92, Omnibus 2020

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 95, Subscription-Based Information Technology Arrangements

The Agency will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Agency believes that the above listed new GASB pronouncements will not have a significant financial impact to the Agency or in issuing its financial statements.

**NEW MEXICO SPACEPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SEVERANCE TAX APPROPRIATIONS
JUNE 30, 2020

Project Number	Project Description	Amount Appropriated	Amount Reverted	Art in Public Places	Expenditures Reported Prior Years (unaudited)
A084780	Originally authorized in Laws of 2008; Chapter 92, Subsection C of Section 76; Extended in Laws of 2012, Chapter 63, Section 62 and again in Laws 2014, Chapter 64, Section 27 and again in Laws 2016, Chapter 83, Section 69 and again in Laws 2018, Chapter 68, Section 83 and again in Laws 2019, Chapter 280, Section 68	4,872,295	-	-	3,797,648
A18C2600	Laws of 2018, Chapter 80 Section 31/1	500,000	-	-	68,700
A18C2601	Laws of 2018, Chapter 80 Section 31/2	500,000	-	-	111,223
A18C2602	Laws of 2018, Chapter 80 Section 31/3	5,000,000	-	-	844,861
A19D3267	Laws of 2019, Chapter 277, Section 69	16,000,000	-	160,000	-
A19D3578	Laws of 2019, Chapter 277, Section 69	3,000,000	-	30,000	-
ZC5554	Originally authorized in Subsection 54 of Section 5 of Chapter 73 of Laws 2018 and reauthorized in Subsection 64 of Section 5 of Chapter 271 of Laws 2019	10,000,000	-	-	-
A20E2807	Laws of 2019, Chapter 277, Section 37	10,000,000	-	-	-

Reversion Date	Expenditures Reported Current Year	Encumbrance	30-Jun-20
6/30/2021	781,138	79,945	213,564
6/30/2022	375,433	41,181	14,686
6/30/2022	388,777	-	-
6/30/2022	3,246,489	195,544	713,106
6/30/2023	346,288	116,732	15,536,980
6/30/2023	578,419	117,596	2,303,985
6/30/2023	-	-	10,000,000
6/30/2024	-	-	10,000,000

STATE OF NEW MEXICO
 NEW MEXICO SPACEPORT AUTHORITY
 SUPPLEMENTAL SCHEDULE OF CASH ACCOUNTS INCLUDING INVESTMENTS
 JUNE 30, 2020

<u>Name of Depository</u>	<u>Fund Typ</u>	<u>SHARE Fund No.</u>	<u>Type of Account</u>	<u>Totals</u>
General Fund	General	87100	State Treasury	\$ 2,067,372
Regional Spaceport District Fund (Held at Trustee - NMFA)	Debt Service	10570	State Treasury	9,825,007
Capital Projects Fund	Capital Projects	93100	State Treasury	<u>18,697,661</u>
				\$ <u><u>30,590,040</u></u>

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

To Brian S. Colón, Esq.
New Mexico State Auditor

Board of Directors
New Mexico Spaceport Authority
Las Cruces, New Mexico

We have audited, 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, 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, 2020, and the related notes to the financial statements, which collectively comprise the Spaceport’s basic financial statements, and have issued our report thereon dated March 25, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Spaceport’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Spaceport’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as items 2020-005 and 2020-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Spaceport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as items 2020-001, 2020-002, 2020-003, and 2020-004.

Spaceport's Response to Findings

The Spaceport's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Spaceport's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
March 25, 2021

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

SUMMARY OF AUDIT RESULTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS

2020-001 Travel and Per Diem (Other Non-Compliance)

Condition: During our testing of travel and per diem disbursements, we noted the following:

- 25 travel reimbursements totaling \$19,453.72 out of 25 travel reimbursements tested did not contain a signature acknowledging employee travel exceeding the \$1,500 threshold and were not properly approved.
- 11 travel reimbursements totaling \$13,206.62 out of 25 travel reimbursements tested exceeded the nightly room rate allowed by New Mexico Travel and Per Diem Statutes
- 3 travel reimbursements totaling \$6,198.72 out of 25 travel reimbursements tested had airfare that was booked no more than 2 days prior to travel
- 1 travel reimbursement totaling \$1,547.13 out of 25 travel reimbursements did not contain documentation to determine when airfare was booked
- 1 travel reimbursement totaling \$1,408.16 out of 25 travel reimbursements tested contained payment for two hotel rooms reserved for the same night for the same individual

Criteria: The Department should have policies and procedures to ensure travel and per diem disbursements are made in compliance with Section 10-8-4 NMSA. In addition, section 10-8-5 NMSA states that any person who is not an employee, appointee, or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled, and the executive, judicial, or legislative purpose served by the travel.

Cause: The Agency did not submit the required notification for individuals whose travel exceeded \$1,500. In addition, the Agency did not obtain the required approval prior to travel for hotel rooms that exceeded the allowable per diem rate.

Effect: The Agency is not in compliance with NM State Statutes.

Recommendation: We recommend management establish a review process over travel authorizations to ensure rates are in compliance with state statutes and the proper authorizations are obtained for all travel.

Management Response: FY20 presented New Mexico Spaceport Authority (NMSA) with difficult challenges within and outside of the organization. The forensic investigation conducted between July and November of 2020 clearly identified performance deficiencies of the former Executive Director and Chief Financial Officer who did not encourage full compliance with, nor continuously adhere to, the existing internal controls that had been set in place pursuant to State Statutes, DFA's Model Accounting Principles, and NMSA's own processes. Unfortunately, the former NMSA Board also did not recognize the errors and shortcomings of these executives in a timely manner.

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS - CONTINUED

2020-001 Travel and Per Diem (Other Non-Compliance) - continued

NMSA recently announced the official hiring of a new Executive Director, who was serving as the interim director for the past 8 months. The agency is also currently recruiting a competent and qualified leader for the position of Chief Financial Officer which has been vacant and covered on interim basis since June 2020.

It is going to be a difficult task to extricate the agency from the loss of public trust that emerged because of the performance of the former Executive Director and Chief Financial Officer. Note, however, that the renewed Board of Directors and executive team are committed to expeditiously achieving – and exceeding – the required levels of compliance. The agency is determined to rigorously and immediately address the correction of each finding and to re-establishing internal controls that were allowed to be ignored.

The agency will review and comply with all travel authorization and processing procedures as outlined in NM State Statutes. Management intends to implement technology to transparently monitor workflow and create time-stamped, auditable approvals and signatures.

Timeline for corrective action: June 30, 2021

Responsible Party: Management

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-002 Compliance over Open Meetings Act

Condition: During our review of the Agency’s meeting minutes, we identified the following:

- Minutes were not approved at the next meeting in which a quorum was present.
- Minutes were not transcribed and posted to the Agency’s website.

Criteria: Per NMSA 10-15-1(g), the board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body. Per NMSA 10-15-1(i) If any meeting is closed pursuant to the exclusions contained in Subsection H of this section: the closure, if made in an open meeting, shall be approved by a majority vote of a quorum of the policymaking body; the authority for the closure and the subject to be discussed shall be stated with reasonable specificity in the motion calling for the vote on a closed meeting; the vote shall be taken in an open meeting; and the vote of each individual member shall be recorded in the minutes. Only those subjects announced or voted upon prior to closure by the policymaking body may be discussed in a closed meeting; or (2) if a closure is called for when the policymaking body is not in an open meeting, the closed meeting shall not be held until public notice, appropriate under the circumstances, stating the specific provision of the law authorizing the closed meeting and stating with reasonable specificity the subject to be discussed is given to the members and to the general public. NMSA 10-15-1(j) Following completion of any closed meeting, the minutes of the open meeting that was closed or the minutes of the next open meeting if the closed meeting was separately scheduled shall state that the matters discussed in the closed meeting were limited only to those specified in the motion for closure or in the notice of the separate closed meeting. This statement shall be approved by the public body under Subsection G of this section as part of the minutes.

Cause: The Agency’s Board did not follow the open meeting act requirements.

Effect: The Agency is not in compliance with the Open Meetings Act.

Recommendation: We recommend the Agency’s board establish policies and procedures to ensure they follow the requirements of the Open Meetings Act.

Management Response: FY20 presented New Mexico Spaceport Authority (NMSA) with difficult challenges within and outside of the organization. The forensic investigation conducted between July and November of 2020 clearly identified performance deficiencies of the former Executive Director and Chief Financial Officer who did not encourage full compliance with, nor continuously adhere to, the existing internal controls that had been set in place pursuant to State Statutes, DFA’s Model Accounting Principles, and NMSA’s own processes. Unfortunately, the former NMSA Board also did not recognize the errors and shortcomings of these executives in a timely manner.

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-002 Compliance over Open Meetings Act - continued

NMSA recently announced the official hiring of a new Executive Director, who was serving as the interim director for the past 8 months. The agency is also currently recruiting a competent and qualified leader for the position of Chief Financial Officer which has been vacant and covered on interim basis since June 2020.

It is going to be a difficult task to extricate the agency from the loss of public trust that emerged because of the performance of the former Executive Director and Chief Financial Officer. Note, however, that the renewed Board of Directors and executive team are committed to expeditiously achieving – and exceeding – the required levels of compliance. The agency is determined to rigorously and immediately address the correction of each finding and to re-establishing internal controls that were allowed to be ignored.

NMSA agrees to shortcomings of two minor violations (concerning minutes). Regarding minutes, the Board will properly record, approve, and post meetings in a timely manner, and continue to comply with the Open Meetings Act.

Timeline for corrective action: June 30, 2021

Responsible Party: Management (executive team) and Board of Directors

**STATE OF NEW MEXICO
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Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-003 Anti-Donation (Other Non-Compliance)

Condition: During our audit we identified a reimbursement for \$75 for a Distinguished Civilian Banquet paid by the Agency for the Executive Director.

Criteria: Per Article IX Section 14, neither the state nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make donations to or aid of any person, association, or public or private corporation.

Cause: The Agency reimbursed an employee for a banquet that was personal in nature and not related to the operations of the Agency.

Effect: The Agency violated the Anti-Donation Clause.

Recommendation: We recommend the Agency implement a review process of reimbursement requests to ensure all requests are essential and related to the Agency's operations before approval.

Management Response: FY20 presented New Mexico Spaceport Authority (NMSA) with difficult challenges within and outside of the organization. The forensic investigation conducted between July and November of 2020 clearly identified performance deficiencies of the former Executive Director and Chief Financial Officer who did not encourage full compliance with, nor continuously adhere to, the existing internal controls that had been set in place pursuant to State Statutes, DFA's Model Accounting Principles, and NMSA's own processes. Unfortunately, the former NMSA Board also did not recognize the errors and shortcomings of these executives in a timely manner.

NMSA recently announced the official hiring of a new Executive Director, who was serving as the interim director for the past 8 months. The agency is also currently recruiting a competent and qualified leader for the position of Chief Financial Officer which has been vacant and covered on interim basis since June 2020.

It is going to be a difficult task to extricate the agency from the loss of public trust that emerged because of the performance of the former Executive Director and Chief Financial Officer. Note, however, that the renewed Board of Directors and executive team are committed to expeditiously achieving – and exceeding – the required levels of compliance. The agency is determined to rigorously and immediately address the correction of each finding and to re-establishing internal controls that were allowed to be ignored.

The agency and new CFO will review all reimbursements and prohibit any violations to assure compliance with State Statutes, and will utilize better checks and balances to not allow Anti-Donation activities.

Timeline for corrective action: June 30, 2021

Responsible Party: Management (executive team) and CFO

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-004 Violation of NM Code of Conduct (Other Non-Compliance)

Condition: During our audit we noted an individual gained unauthorized access to other employee’s state email accounts.

Criteria: Per NMSA 1978 10-16, NM Governmental Code of Conduct, “you shall not access or attempt to access IT resources for which you do not have authorization by means of user accounts, valid passwords, file permissions, or other legitimate access and authentication methods. “Access” means the ability to read, change, or enter data using a computer or an information system.

Cause: Management override of internal controls

Effect: The Agency is not in compliance with NM State Statutes.

Recommendation: We recommend management establish policies and procedures related to IT to identify who has access and authority to access email accounts after an employee is terminated or resigns from the Agency.

Management Response: FY20 presented New Mexico Spaceport Authority (NMSA) with difficult challenges within and outside of the organization. The forensic investigation conducted between July and November of 2020 clearly identified performance deficiencies of the former Executive Director and Chief Financial Officer who did not encourage full compliance with, nor continuously adhere to, the existing internal controls that had been set in place pursuant to State Statutes, DFA’s Model Accounting Principles, and NMSA’s own processes. Unfortunately, the former NMSA Board also did not recognize the errors and shortcomings of these executives in a timely manner.

NMSA recently announced the official hiring of a new Executive Director, who was serving as the interim director for the past 8 months. The agency is also currently recruiting a competent and qualified leader for the position of Chief Financial Officer which has been vacant and covered on interim basis since June 2020.

It is going to be a difficult task to extricate the agency from the loss of public trust that emerged because of the performance of the former Executive Director and Chief Financial Officer. Note, however, that the renewed Board of Directors and executive team are committed to expeditiously achieving – and exceeding – the required levels of compliance. The agency is determined to rigorously and immediately address the correction of each finding and to re-establishing internal controls that were allowed to be ignored.

Agency Management and the new IT Officer will review policies and procedures related to IT in conjunction with the NM Department of Information Technology (DoIT) to ensure compliance with applicable rules and regulations, and to prevent unauthorized access to other employee’s state e-mail accounts.

Timeline for corrective action: June 30, 2021

Responsible Party: Management (executive team) and CFO

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-005 Cash Disbursements (Significant Deficiency)

Condition: During our audit we noted the following:

- 15 transactions totaling \$138,171 out of 25 transactions tested were not reviewed and approved by the board of directors.

Criteria: Per NMSA 1978, §58-31-5(A)(5), “the Spaceport Authority, commonly referred to as simply the “Board”, must review all contracts, unless rules are promulgated by the Board granting authority to the Executive Director to make purchases at a different level.” In addition, per an Agency requirement through the Open Meetings Act, the Spaceport Board should review and approve all purchases over \$2,500.

Cause: Purchases were approved by Agency management.

Effect: The Agency is not in compliance with State Statutes or their policies and procedures over the disbursement process.

Recommendation: We recommend management establish policies and procedures over the disbursement process to ensure all items reviewed and approved at the appropriate level.

Management Response: FY20 presented New Mexico Spaceport Authority (NMSA) with difficult challenges within and outside of the organization. The forensic investigation conducted between July and November of 2020 clearly identified performance deficiencies of the former Executive Director and Chief Financial Officer who did not encourage full compliance with, nor continuously adhere to, the existing internal controls that had been set in place pursuant to State Statutes, DFA’s Model Accounting Principles, and NMSA’s own processes. Unfortunately, the former NMSA Board also did not recognize the errors and shortcomings of these executives in a timely manner.

NMSA recently announced the official hiring of a new Executive Director, who was serving as the interim director for the past 8 months. The agency is also currently recruiting a competent and qualified leader for the position of Chief Financial Officer which has been vacant and covered on interim basis since June 2020.

It is going to be a difficult task to extricate the agency from the loss of public trust that emerged because of the performance of the former Executive Director and Chief Financial Officer. Note, however, that the renewed Board of Directors and executive team are committed to expeditiously achieving – and exceeding – the required levels of compliance. The agency is determined to rigorously and immediately address the correction of each finding and to re-establishing internal controls that were allowed to be ignored.

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-005 Cash Disbursements (Significant Deficiency) - CONTINUED

The Agency will comply with NMSA 1978, §58-31-5(A)(5), and follow rules promulgated by the Board, specifically to address what level of approval authority applies regarding the Board and Management. Management further intends to implement technology to transparently monitor workflow and create time-stamped, auditable approvals and signatures.

Timeline for corrective action: June 30, 2021

Responsible Party: Management (executive team) and CFO

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-006 Procurement (Significant Deficiency)

Condition: During our procurement and disbursement testwork we noted the following:

- We identified significant disbursements to a vendor for professional services provided during the fiscal year. After further review, we noted that the payments to the vendor exceeded the amount authorized per the approved contract on file. The approved contract was for \$25,000 however payments to the vendor totaled \$29,860.
- The Agency notified a vendor they were selected as the winning submission, before the contract was approved by DFA and the Board of Directors. The contract awarded totaled \$219,375.
- We identified significant disbursements to a vendor for professional services provided during the fiscal year. After further review, we were unable to determine if the Board approved renewal of the contract for FY20. The contract totaled \$146,843. In addition, we noted the contract was awarded as a multiple bid award without support from the Agency justifying the reason for the multiple awards.
- We identified significant disbursements to a vendor for professional services provided during the fiscal year. After further review, we were unable to determine if the Board approved renewal of the contract for FY20. The contract totaled \$105,225. In addition, we noted the contract was awarded as a multiple bid award without support from the Agency justifying the reason for the multiple awards.
- We identified significant disbursements to a vendor for professional services provided during the fiscal year. After further review, we were unable to determine if the Board approved renewal of the contract for FY20. The contract totaled \$126,344. In addition, we noted the contract was awarded as a multiple bid award without support from the Agency justifying the reason for the multiple awards.
- We identified significant disbursements to a vendor for professional services provided during the fiscal year. After further review, we were unable to determine if the Board approved renewal of the contract for FY20. The contract totaled \$25,978. In addition, we noted the contract was awarded as a multiple bid award without support from the Agency justifying the reason for the multiple awards.
- We identified significant disbursements to a vendor for professional services provided during the fiscal year. After further review, we were unable to determine if the Board approved renewal of the contract for FY20. The contract totaled \$25,000. In addition, we noted the contract was awarded as a multiple bid award without support from the Agency justifying the reason for the multiple awards.
- The Agency awarded a vendor a sole source contract however there is no documentation supporting the sole source award. The Agency paid the vendor \$148,942 during FY20.
- We were unable to determine if proposed statements of work or scopes of work for contracts were presented to the board as required.

Criteria: Per NMSA 1978, §58-31-5(A)(5), “the Spaceport Authority, commonly referred to as simply the “Board”, must review all contracts, unless rules are promulgated by the Board granting authority to the Executive Director to make purchases at a different level.” Per NMSA 1978, §13-1-153, “a multiple source award may be made pursuant to section 83 of the Procurement Code when awards to two or more bidders or offerors are necessary for adequate delivery or service. Multiple source awards shall not be made when a

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
Schedule of Findings and Responses
Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-006 Procurement (Significant Deficiency) - continued

single award will meet the needs of the state agency or a local public body without sacrifice of economy or service. Awards shall be limited to the least number of suppliers in one geographical area necessary to meet the requirements of the state agency or a local public body. A multiple source award shall be based upon the lowest responsible bid or proposal received in each geographical area.” In addition, per NMSA 1978, §13-1-154, “the state purchasing agent or central purchasing office shall make a determination setting forth the reasons for a multiple source award”. Per §13-1-126, “A contract may be awarded without competitive sealed bids or competitive sealed proposals regardless of the estimated cost when the state purchasing agent or a central purchasing office makes a determination, after conducting a good-faith review of available sources and consulting the using agency, that there is only one source for the required service, construction or item of tangible personal property. The State purchasing agent or a central purchasing office shall conduct negotiations, as appropriate, as to price, delivery and quantity in order to obtain the price most advantageous to the state agency of a local public body.” In addition, per §13-1-128, “all central purchasing offices shall maintain, for a minimum of three years, records of sole source and emergency procurements. The record of each such procurement shall be public record and shall contain: A) the contractor’s name and address; B) the amount and term of the contract; C) a listing of the services, construction or items of tangible personal property procured under the contract; and D) the justification for the procurement method.

Cause: The Agency awarded multiple contracts without proper documentation for determination of sole source or multiple award reasoning. The Agency did not properly monitor vendor payments to ensure contract thresholds were not exceeded.

Effect: The Agency is not in compliance with State Statutes or their policies and procedures over the procurement process.

Recommendation: We recommend management establish procedures to ensure compliance.

Management Response: FY20 presented New Mexico Spaceport Authority (NMSA) with difficult challenges within and outside of the organization. The forensic investigation conducted between July and November of 2020 clearly identified performance deficiencies of the former Executive Director and Chief Financial Officer who did not encourage full compliance with, nor continuously adhere to, the existing internal controls that had been set in place pursuant to State Statutes, DFA’s Model Accounting Principles, and NMSA’s own processes. Unfortunately, the former NMSA Board also did not recognize the errors and shortcomings of these executives in a timely manner.

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**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
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Year Ended June 30, 2020**

SECTION B – FINANCIAL STATEMENT FINDINGS – CONTINUED

2020-006 Procurement (Significant Deficiency) – continued

required levels of compliance. The agency is determined to rigorously and immediately address the correction of each finding and to re-establishing internal controls that were allowed to be ignored.

The Agency and new CFO will implement and follow established procedures over the procurement process. In some cases (where appropriate), Management intends to implement technology to transparently monitor workflow and create time-stamped, auditable approvals and signatures.

Timeline for corrective action: June 30, 2021

Responsible Party: Management (executive team) and CFO

**STATE OF NEW MEXICO
NEW MEXICO SPACEPORT AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2020**

STATUS OF PRIOR YEAR FINDINGS

No matters were reported

**NEW MEXICO SPACEPORT AUTHORITY
EXIT CONFERENCE
JUNE 30, 2020**

The contents of this report were discussed in the exit conference held on March 25, 2021, with the following in attendance:

Representing the New Mexico Spaceport Authority:

Alicia Keyes	Chair of the Board
Scott McLaughlin	Executive Director
Doreen Sieburg	CFO
Jon Clark	Deputy Cabinet Secretary, Economic Development Department

Representing Pattillo, Brown & Hill, L.L.P.:

Chris Garner	Partner
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The financial statements were prepared with the assistance of Pattillo, Brown & Hill, L.L.P. from the books and records of the New Mexico Spaceport Authority.