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**M**      **Chester W. Mattocks**  
**Certified Public Accountant**

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**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**ANNUAL FINANCIAL REPORT AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2009**

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**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
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**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**OFFICIAL ROSTER**  
**AS OF JUNE 30, 2009**

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL**

<u>Name</u>	<u>Position</u>
David Abbey	Director, Legislative Finance Committee
Donald Moya	Deputy Secretary, Public Education Department
Dr. Bruce Perlman	Governor's Office
Lisa Martinez	Director, Construction Industries Division, Regulation and Licensing Department
Katherine Miller	Secretary, Department of Finance & Administration
Joe Guillen	New Mexico School Boards Association
Frances Maestas	Director, Legislative Education Study Committee
Catherine Smith	Member, Public Education Commission
Paula Tackett	Director, Legislative Council Services

**Administration**

<u>Name</u>	<u>Position</u>
Robert Gorrell	Director
Tim Berry	Deputy Director
Jeff Eaton	Chief Financial Officer

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**M** **Chester W. Mattocks**  
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**Albuquerque, New Mexico 87125**  
**(505) 299-5233**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Public School Capital Outlay Council  
State of New Mexico  
Public School Facilities Authority  
Santa Fe, New Mexico

and

Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

I have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparisons of the General Fund and the Bond Proceeds Capital Projects Special Revenue Fund of the State of New Mexico, Public School Facilities Authority (Authority) as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and the individual fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1A, the financial statements of the Authority, are intended to present the financial position and changes of financial position of only that portion of the governmental activities and each major fund and respective budgetary comparisons of the State of New Mexico that are attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009 and the changes in its financial position thereof and respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my 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 Authority at June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons of the General Fund and the Bond Proceeds Capital Projects Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in note 12 to the financial statements, the Authority changed the accounting principle regarding regulations of severance tax bond proceeds from recording severance tax bond proceeds when

the related bonds are sold to recording them when received or when requested and approved but not received at year-end.

In accordance with Government Auditing Standards, I have also issued my report dated December 11, 2009, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Authority has not presented its Management's Discussion and Analysis for the year ended June 30, 2009. The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparisons. The accompanying financial information listed as Additional Information - Supporting Schedule in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements.

*Chester W. Matthews, CPA*

December 11, 2009

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2009**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Current assets:	
Investment account with New Mexico State Treasurer	\$ 19,173,781
Due from other state agencies	4,800,000
Prepaid expenses	112,321
Total current assets	<u>24,086,102</u>
Capital assets:	
Total capital assets, net of accumulated depreciation	<u>6,719,328</u>
Total assets	<u>30,805,430</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Investment account overdraft	736,215
Accounts payable	13,528,519
Accrued payroll	175,299
Compensated absences payable - expected to be paid within one year	219,803
Total current liabilities	<u>14,659,836</u>
Total liabilities	<u>14,659,836</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets	6,719,328
Unrestricted (deficit)	(52,481,130)
Restricted for special appropriations	61,907,396
Total net assets	<u>\$16,145,594</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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	<b><u>Governmental</u></b> <b><u>Activities</u></b>
<b>EXPENSES:</b>	
Education	\$ (195,243,594)
General government:	
Personal services/employee benefits	(3,936,294)
Contractual services	(232,874)
Other costs	(1,141,360)
Depreciation	(435,543)
Total expenses	<u>(200,989,665)</u>
<b>REVENUES:</b>	
General revenues:	
Transfer in-severance tax bond proceeds	142,917,511
Transfer to State of New Mexico General Fund	(58,400,000)
Special appropriations	<u>4,800,000</u>
Total general revenues	<u>89,317,511</u>
Change in net assets	(111,672,154)
Net assets - beginning of year	<u>127,817,748</u>
Net assets - end of year	<u>\$ 16,145,594</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2009**

	<b>General Fund</b>	<b>Bond Proceeds Capital Projects Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Investment with New Mexico State Treasurer	\$ -0-	\$ 19,173,781	\$ 19,173,781
Due from other state agencies	-0-	4,800,000	4,800,000
Due from other funds	6,362,400	-0-	6,362,400
Prepaid expenses	112,321	-0-	112,321
<b>Total assets</b>	<b>\$ 6,474,721</b>	<b>\$ 23,973,781</b>	<b>\$ 30,448,502</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Investment accounts overdraft	\$ 736,215	\$ -0-	\$ 736,215
Accounts payable	38,877	13,489,642	13,528,519
Accrued payroll and benefits	175,299	-0-	175,299
Due to other funds	-0-	6,362,400	6,362,400
<b>Total liabilities</b>	<b>950,391</b>	<b>19,852,042</b>	<b>20,802,433</b>
Fund balances:			
Unreserved	5,412,009	(57,785,651)	(52,373,642)
Reserved for prepaid expenses	112,321	-0-	112,321
Reserved for special appropriations	-0-	61,907,390	61,907,390
<b>Total fund balances</b>	<b>5,524,330</b>	<b>4,121,739</b>	<b>9,646,069</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,474,721</b>	<b>\$ 23,973,781</b>	<b>\$ 30,448,502</b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2009**

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Total fund balances - Governmental Funds  
(Balance Sheet - Governmental Funds) \$ 9,646,069

Amounts reported for governmental activities  
in the Statement of Net Assets are different  
at June 30, 2009 because:

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

Capital assets	\$ 8,624,423
Less accumulated depreciation	<u>(1,905,095)</u>

Total capital assets, net of accumulated depreciation	6,719,328
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Some liabilities are not due and payable in the  
current period and therefore are not reported  
in the governmental funds:

Compensated absences payable	<u>(219,803)</u>
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Net assets of Governmental activities (Statement of Net Assets)	<u>\$ 16,145,594</u>
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<u>General Fund</u>	<u>Bond Proceeds Capital Projects Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Other	\$ -0-	\$ -0-	\$ -0-
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXPENDITURES			
Current:			
Education	-0-	195,243,594	195,243,594
General government:			
Personal services/employee benefits	3,937,717	-0-	3,937,717
Contractual services	232,874	-0-	232,874
Other costs	1,141,360	-0-	1,141,360
Capital outlay	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>5,311,951</u>	<u>195,243,594</u>	<u>200,555,545</u>
Excess (deficiency) of revenues over Expenditures	<u>(5,311,951)</u>	<u>(195,243,594)</u>	<u>(200,555,545)</u>
Other financing sources (uses):			
Operating transfer in	6,362,400	-0-	6,362,400
Operating transfers out	-0-	(6,362,400)	(6,362,400)
Transfer to State of New Mexico General Fund	-0-	(58,400,000)	(58,400,000)
Special appropriations	-0-	4,800,000	4,800,000
Transfers in- severance tax bond proceeds	<u>-0-</u>	<u>142,917,511</u>	<u>142,917,511</u>
Total other financing sources (uses)	<u>6,362,400</u>	<u>82,955,111</u>	<u>89,317,511</u>
Net change in fund balances	<u>1,050,449</u>	<u>(112,288,483)</u>	<u>(111,238,034)</u>
Fund balances-beginning	<u>4,473,881</u>	<u>116,410,222</u>	<u>120,884,103</u>
Fund balances - ending	<u>\$ 5,524,330</u>	<u>\$ 4,121,739</u>	<u>\$ 9,646,069</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF  
 ACTIVITIES - GOVERNMENTAL ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2009**

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Net change in fund balances (Statement of Revenues,  
 Expenditures and Changes in Fund Balances) \$ (111,238,034)

Amounts reported for governmental activities in the  
 Statement of Activities are different for the year  
 ended June 30, 2009 because:

In the Statement of Activities, certain operating expenses -  
 compensated absences payable - are measured by the amounts  
 earned during the year. In the Governmental Funds, however,  
 expenditures are measured by the amount of financial resources  
 used (essentially the amounts actually paid). The decrease in  
 the liability for compensated absences payable for the year  
 was: 1,423

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

Capital outlay expenditures which were capitalized	\$	-0-	
Depreciation		(435,543)	
			<u>(435,543)</u>
Excess of capital outlay expenditures over depreciation			<u>(435,543)</u>
Change in net assets of Governmental Activities (Statement of Activities)			<u>\$ (111,672,154)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual Amounts - Budgetary Basis</b>	<b>Variance- Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Other	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total revenues	-0-	-0-	-0-	-0-
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Personal svcs/Employee benefits	4,354,600	4,354,600	3,937,717	416,883
Contractual services	355,000	355,000	232,874	122,126
Other costs	1,652,800	1,652,800	1,141,360	511,440
Total expenditures	6,362,400	6,362,400	5,311,951	1,050,449
Excess (deficiency) of revenues over expenditures	(6,362,400)	(6,362,400)	(5,311,951)	1,050,449
Other financing sources (uses):				
Operating transfers in	6,362,400	6,362,400	6,362,400	-0-
Total other financing sources and uses	6,362,400	6,362,400	6,362,400	-0-
Net change in fund balance	\$ -0-	\$ -0-	\$ 1,050,449	\$ 1,050,449

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND -  
BOND PROCEEDS CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Other	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total revenues	-0-	-0-	-0-	-0-
<b>EXPENDITURES:</b>				
Current:				
Education:				
Contractual services	1,854,300	2,094,403	-0-	2,094,403
Other	701,882,935	701,642,832	195,243,594	506,399,238
Total expenditures	703,737,235	703,737,235	195,243,594	508,493,641
Excess (deficiency) of revenues over expenditures	(703,737,235)	(703,737,235)	(195,243,594)	508,493,641
Other financing sources (uses):				
Operating transfer out	(6,362,400)	(6,362,400)	(6,362,400)	-0-
Transfer out to State of New Mexico General Fund	-0-	(58,400,000)	(58,400,000)	-0-
Transfer in- severance tax proceeds	-0-	-0-	147,717,511	147,717,511
Total other financing sources and uses	(6,362,400)	(64,762,400)	82,955,111	147,717,511
Net change in fund balance	(710,099,635)	(768,499,635)	<u>\$(112,288,483)</u>	<u>\$ 656,211,152</u>
Amount required to balance budget from current year and future years bond proceeds appropriations	<u>\$ 710,099,635</u>	<u>\$ 768,499,635</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2009**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Deficiencies Correction Unit (DCU) of the Public Schools Capital Outlay Council was created under Senate Bill 167 of the 2001 laws and was budgeted for the first time for the year ended June 30, 2002. Under Senate Bill 513 of the 2003 laws, the DCU became the State of New Mexico, Public School Facilities Authority (Authority). The new Authority consists of the staff, contracts, and equipment of the DCU and various staff, contracts, and equipment of the State Department of Education Capital Outlay Unit. Currently, the Authority is a fully independent agency vouchering through the State of New Mexico Department of Finance and Administration (DFA).

The State of New Mexico Legislature created the Authority to administer a state-wide program in which the deficiencies in the facilities of each public school district in the State of New Mexico were corrected on a school by school basis.

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on size of government.

The Authority implemented the provisions of GASB #34 effective July 1, 2001. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Authority does not own any infrastructure assets and therefore is unaffected by this requirement. The Authority also implemented the provisions of the later related GASB statements #37 and #38 which affect GASB #34 and its implementation.

**A. Financial Reporting Entity**

Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

GASB 14 defines the financial reporting entity as consisting 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.”

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Authority, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Authority has prepared and issued its own audited, agency Annual Financial Report.

Included within the Authority for this purpose are the following: All of the programs that are administered and/or controlled by the Authority have been included.

No entities were noted that should be considered component units of the Authority. No entities were specifically excluded from the Authority because no entities were noted as meeting any of the criteria for potential inclusion.

The Authority does not have any fiduciary funds or any component units that are fiduciary in nature. If the Authority did have any such funds, they would not be included in the government-wide financial statements.

#### B. Basic Financial Statements - GASB Statement #34

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority did not have any business-type activities during the year ended June 30, 2009, and the Authority has decided not to apply any FASB pronouncements issued after November 30, 1989.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Authority had no program revenues during the year ended June 30, 2009. The Authority includes only two functions (education and general government).



The net cost (by function or business-type activity) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The Authority does not currently employ indirect cost allocation systems. The Authority's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first.

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

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The General Fund is required to be a major program, and the Special Revenue Fund also is required to be a major fund. Therefore, there are no nonmajor funds. The Authority has no fiduciary funds or component units similar to fiduciary funds, but if the Authority did, they would not be included in the government-wide financial statements.

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

Interfund accounts which are on the fund financial statements have been eliminated in the government-wide financial statements. They consisted of \$6,362,400 at June 30, 2009 which was owed to the General Fund by the Bond Proceeds Capital Projects Special Revenue Fund for the operating transfer related to the budget.

### C. Basis of Presentation

The financial transactions of the Authority are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. All these governmental funds have been classified as major funds by the Authority after considering the criteria for major funds. Only individual governmental or individual enterprise funds can be considered for major fund status.

## 1. Governmental Fund Types

The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Authority.

The Authority reports the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Authority and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is (SHARE FUND #94000-94300) is non-reverting in accordance with NMSA 22-24-5, 1978.

Special Revenue Fund- The Bond Proceeds Capital Projects Special Revenue Fund (SHARE FUND #94000-94700) is the program fund of the Authority. It is used to account for all funding received and for all expenditures made for the operation of the deficiencies correction program. This fund is a non-reverting fund in accordance with NMSA 22-24-5 1978.

## 2. Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

## D. Basis of Accounting

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

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

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 which is considered within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Authority, 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.

E. Budgetary Accounting

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

1. No later than September 1<sup>st</sup>, the Authority prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings are incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The Authority submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the Authority and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Fund.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. 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 must be paid out of the next year's budget. There were none of these accounts payable at June 30, 2009. A reconciliation is not provided because there were no differences between the budgetary basis and the modified accrual basis.

13. 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 the budgeting methodology.

14. The Authority's General Fund and Special Revenue Fund are not reverting funds.

F. Capital Assets

Property, plant and equipment including software, 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 costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software, are added to the capital accounts, is \$5,000 which is a change in policy effective July 1, 2005. However, all capital outlay purchases may not necessarily be capitalized. The Authority does not capitalize any interest in regards to its capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Authority utilizes Internal Revenue Service guidelines to estimate the useful lives on fixed assets as follows:

Equipment	8 years
Computer equipment	4 to 8 years
Leasehold improvements	10 years
Portable classrooms	20 years

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Authority does not own any infrastructure assets.

G. Encumbrances Accounting

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Funds. Encumbrances not recorded as vouchers payable at year end lapse.

H. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50

percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements.

Qualified classified employees, per the schedule approved by the Authority, accumulate annual leave to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
Less than 3 years	3.08
Between 3 and 7 years	3.69
Between 7 and 11 years	4.61
Between 11 and 15 years	5.54
Over 15 years	6.15

I. Due to State of New Mexico General Fund (Reversions)

The Authority does not have any reverting funds.

J. Reservations of Fund Balances

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that cannot be appropriated for future expenditures. The only specific reservation of fund balance accounts at June 30, 2009 was:

Reserved for Prepaid Expenses– This represents funds spent for prepaid expenses that are not available for other uses.

Reserved for Special Appropriations– This reserve was created to indicate that funds are held for unspent Special Appropriations.

K. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. No allowance for doubtful accounts for the Due from other state agencies was necessary because this amount was due from bond proceeds held by another state agency, and it is considered fully collectible by management.

Expenditures are recognized when the related fund liability is incurred.

L. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as invested in fixed assets, restricted and unrestricted (deficit).

**Invested in Capital Assets** - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net

related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority did not have any related debt during the year ended June 30, 2009.

**Unrestricted Net Assets (deficit)** - represent the net assets of the Authority at June 30, 2009 that are not invested in capital assets and that are not restricted.

**Restricted for Special Appropriations** - represents the monies restricted for unspent special appropriations.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

N. Due from Other State Agencies

The \$31,600,000 shown in the financial statements consists of the \$31,600,000 receivable for special appropriations. It is to be used for public school capital outlay or related purposes. The State of New Mexico Department of Finance and Administration (SHARE #34100) owes this amount to the Authority (SHARE #94700).

2. **INVESTMENT (OVERDRAFT) ACCOUNTS AND INVESTMENT POLICY**

Investment (Overdraft) Accounts With State Treasurer

The following is a summary of the investment (overdraft) accounts of the Authority with the New Mexico State Treasurer which represent the Authority's interest in the State of New Mexico General Fund Investment Pool as reported by the New Mexico Department of Finance and Administration (DFA):

	<b>SHARE FUND Number</b>	<b>Financial Statement Balances</b>
General Fund	94000-94300	\$ (736,215)
Bond Proceeds Capital Projects Special Revenue Fund	94000-94700	19,173,781
Total		<u>\$ 18,437,566</u>

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Authority which represent the Authority's interest in the General Fund Investment Pool. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these accounts is disclosed. That report may be obtained by writing to the State of New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, New Mexico 87504-0608. The Authority is not permitted to have any other investments, and the Authority did not have any other investments during the year ended June 30, 2009. There is no custodial risk in relations to the accounts at the Authority's level. The custodial risk would belong to the New Mexico State Treasurer.

### 3. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2009 as follows:

Capital Assets	Balance at 6/30/08	Additions	Deletions	Balance at 6/30/2009
Equipment	\$ 21,350	\$ -0-	\$ -0-	\$ 21,350
Computer equipment	121,973	-0-	-0-	121,973
Portable classrooms	8,481,100		-0-	8,481,100
Total	<u>8,624,423</u>	<u>-0-</u>	<u>-0-</u>	<u>8,624,423</u>
<u>Accumulated Depreciation</u>				
Equipment	(4,002)	(2,669)	-0-	(6,671)
Computer equipment	(84,619)	(8,819)	-0-	(93,438)
Portable classrooms	(1,380,931)	(424,055)	-0-	(1,804,986)
Total accumulated depreciation	<u>(1,469,552)</u>	<u>(435,543)</u>	<u>-0-</u>	<u>(1,905,095)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,154,871</u>	<u>\$ (435,543)</u>	<u>\$ -0-</u>	<u>\$ 6,719,328</u>

Depreciation expense for the year ended June 30, 2009 was \$435,543. All of the depreciation expense of \$435,543 was allocated to the Authority's general government function. All capitalized assets were depreciated during the year ended June 30, 2009.

### 4. COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2009 is as follows:

	<b>Balance June 30, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>	<b>Due Within One Year</b>
Compensated Absences Payable	<u>\$ 221,226</u>	<u>\$ 251,000</u>	<u>\$ (252,423)</u>	<u>\$ 219,803</u>	<u>\$ 219,803</u>

\$219,803 has been classified as a current liability in the Statement of Net Assets. In prior years, the General Fund has been used to liquidate compensated absences. The General Fund is expected to continue to do so in the future.

### 5. RETIREMENT PLAN

*Plan Description.* Substantially all of the full-time employees of the Authority 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, 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.42% of their gross salary. The Authority is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contribution to PERA for the years ended June 30, 2009, 2008 and 2007 was \$470,202, \$466,169 and \$444,406, respectively, which was equal to the amount of the required contribution for each year.

## **6. POST-EMPLOYMENT BENEFITS**

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

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

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

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



The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$36,903, \$36,942 and \$34,823 respectively, which equal the required contributions for each year.

## 7. INSURANCE COVERAGE

The Authority obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Authority are covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2008, through June 30, 2009.

## 8. COMMITMENTS - OPERATING LEASES

The Authority leased its office space in Santa Fe and in Albuquerque under operating leases. The Santa Fe lease was renewed as of July 1, 2008 for eight years. The Albuquerque lease was renewed as of March 1, 2007 for an additional one year term expiring February 29, 2008. At that time, it was renewed for the last additional one-year renewal period. However, the Albuquerque office lease was terminated effective June 30, 2008. As the Authority moved to a new location; the Authority's initial term is five years with the Authority having the option to renew for two five-year terms. Total rental expenditures for the year ended June 30, 2009 for operating leases were \$239,901.

Future rental expenditures under these leases are as follows:

Year Ending June 30	Payments		
	Santa Fe	Albuquerque	Total
2010	\$ 74,383	\$ 202,125	\$ 276,508
2011	74,889	202,125	277,014
2012	75,411	207,900	283,311
2013	75,933	207,900	283,833
2014	76,455	-0-	76,455
2015-2016	77,133	-0-	77,133
Total	<u>\$ 454,204</u>	<u>\$ 820,050</u>	<u>\$ 1,274,254</u>

**9. SPECIAL APPROPRIATIONS**

The Authority received a special appropriation in the fiscal year ended June 30, 2007 of \$2,000,000 which was to be used for planning, designing, constructing and renovating schools. It was not spent but was received during the fiscal year ended June 30, 2008. The \$90,000,000 special appropriation is to be used to make local share advances for qualified high-priority projects and was authorized in 2006, and there were no expenditures related to it during the fiscal year ended June 30, 2009. In addition, the Authority was awarded two other special appropriations in the fiscal year ended June 30, 2008. They were \$4,500,000 for Charter School Capital Outlay and \$20,000,000 for Public School Capital Outlay. Both are to be funded through severance tax bond proceeds. Two other special appropriations for \$2,300,000 and \$2,500,000 were received during fiscal year ended June 30, 2009. They were to be passed through to the School for the Deaf and the School for the Blind and Visually Impaired.

The following is a summary of special appropriations still outstanding at June 30, 2009:

Applicable Fiscal Year Period		Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/2009	Due From Other State Agencies at June 30, 2009
2006-2010	Public School High Priority Projects Laws of 2006, Chapter 2, Section 66	\$ 90,000,000	\$ -0-	(\$ 56,800,000)	\$ 33,200,000	\$ -0-
2007-2011	Public School Capital Outlay Council Project, Laws of 2007, Chapter 2, Section 27, Item 1	2,000,000	-0-	(1,600,000)	400,000	-0-
2008-2011	Charter School Capital Outlay Laws of 2007, Chapter 214, Section 25, Item 1	4,500,000	(992,604)	-0-	3,507,396	-0-
2008-2011	Public School Capital Outlay Laws of 2007, Chapter 2, Section 27, Item 2	20,000,000	-0-	-0-	20,000,000	-0-
2009-2011	State of New Mexico School for the Deaf, Laws of 2009, Chapter 125	2,300,000	-0-	-0-	2,300,000	2,300,000
2009-2011	State of New Mexico School of the Blind and Visually Impaired, Laws of 2009, Chapter 125	2,500,000	-0-	-0-	2,500,000	2,500,000
	Totals	\$ 121,300,000	\$ (992,604)	(\$ 58,400,000)	\$ 61,907,396	\$ 4,800,000

The unexpended balance of \$61,907,396 is shown as reserved for special appropriations in the fund financial statements, and it is shown as restricted for special appropriations in the government-wide financial statements. The \$4,800,000 is due to the Bond Proceeds Capital Projects Special Revenue Fund (Share Agency # 94000, Share Fund # 94700) by the State of New Mexico Department of Finance and Authority (Share Agency #34100)

**10. OPERATING TRANSFERS**

Each year the Authority transfers funds from the Special Revenue Fund (Share Fund# 94700) to the General Fund (Share Fund #94300) to cover operating costs. The transfer is based on the legislatively approved budget. For fiscal year 2009, the amount of the transfer was \$6,362,400.

## **11. TRANSFER TO STATE OF NEW MEXICO GENERAL FUND**

Pursuant to Laws of 2009, Chapter 3, Section 4C, the Authority transferred \$58,400,000 to the State of New Mexico General Fund (Share Agency #34101, Share Fund # 85300) from its Bond Proceeds Capitol Projects Special Revenue Fund. (Share Agency # 94000, Share Fund # 94700) \$56,800,000 of the \$58,400,000 was part of a \$90,000,000 special appropriation which resulted from the Laws of 2006, Chapter 2, Section 66. The remaining \$1,600,000 transferred was part of a \$2,000,000 special appropriation from the Laws of 2007, Chapter 2, Section 27, Item 1. The remaining balances of these special appropriations were transferred back to the State of New Mexico General Fund subsequent to June 30, 2009, pursuant to the Special Session of the New Mexico Legislature held in October 2009.

## **12. CHANGE IN ACCOUNTING PRINCIPLE**

The Authority changed its accounting principle used to recognize bond proceeds in order to comply more closely with GASB Statement # 33. Before the change, bond proceeds were recognized when bonds were sold for the Authority. Now bond proceeds are only recognized when bonds proceeds have been requested by the Authority and approved by the State of New Mexico Department of Finance and Administration (DFA) but not yet disbursed by DFA at year-end or when actually received by the Authority. There was no effect on either net assets or fund balances due to the change as the only beginning fund balance related solely to special appropriations in the Special Revenue Fund and did not include any severance tax bonds proceeds that did not relate to special appropriations. In the prior year, all severance tax bonds proceeds receivable not related to special appropriations were recorded as Due to Project Recipients.

## **13. UNRESERVED (DEFICIT) AND UNRESTRICTED (DEFICIT)**

The unreserved (deficit) in the Bond Proceeds Capital Projects Special Revenue Fund of \$57,785,651 and the unrestricted (deficit) of \$52,481,130 in the Net Assets of the government wide financial statements resulted due to the change in accounting principle because severance tax bonds proceeds are no longer recorded as a due from other state agencies. Severance tax bonds proceeds will be used to eliminate the deficits in the future.

## **14. FUTURE PROJECTS**

The PSCOC certifies to the Board of Finance the need to issue bonds for projects and other uses provided for under the Public School Capital Outlay Act. Bond proceeds therefore support funding needs of project commitments identified on a priority basis by the PSCOC and made on behalf of the State of New Mexico for public school capital improvements statewide. Reallocation of revenue in the fund by the Legislature that is not supplanted by other replacement sources within a short period of time will delay commencement or completion of public school facility improvements the State has committed to participate in.

**ADDITIONAL INFORMATION**  
**-SUPPORTING SCHEDULE**

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**SCHEDULE OF JOINT POWERS AGREEMENTS  
AS OF JUNE 30, 2009**

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<b>District</b>	<b>Responsible Party</b>	<b>Beginning (DFA Approval)</b>	<b>Ending</b>	<b>Amount Applicable</b>	<b>Amount Contributed</b>	<b>Audit Responsibility</b>
<b>Alamogordo</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Albuquerque</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Animas</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Aztec</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Belen</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Bernalillo</b>	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
<b>Bloomfield</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Capitan</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Carlsbad</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Carrizozo</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Central</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Chama</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Cimarron</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Clayton</b>	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
<b>Cloudcroft</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Clovis</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Cobre</b>	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
<b>Corona</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Cuba</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Deming</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
<b>Des Moines</b>	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)  
AS OF JUNE 30, 2009**

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<b>Dexter</b>	PSFA Director	12/05/06	06/30/10	N/A	N/A	School District
<b>Dora</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Dulce</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Elida</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Estancia</b>	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
<b>Eunice</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Farmington</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Fort Sumner</b>	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
<b>Gadsden</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Gallup</b>	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
<b>Grady</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Grants</b>	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
<b>Hagerman</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Hatch</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Hobbs</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Hondo</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>House</b>	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
<b>Jemez Mountain</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)  
AS OF JUNE 30, 2009**

<b>Jemez Valley</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Las Cruces</b>	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
<b>Las Vegas City</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Logan</b>	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
<b>Lordsburg</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Los Alamos</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Los Lunas</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Lovington</b>	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
<b>Magdalena</b>	PSFA Director	12/07/06	06/30/10	N/A	N/A	School District
<b>Maxwell</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Melrose</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Mesa Vista</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Moriarty</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Mosquero</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Mountainair</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Pecos</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Penasco</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Pojoaque</b>	PSFA Director	09/25/07	06/30/10	N/A	N/A	School District
<b>Portales</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Questa</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Raton</b>	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
<b>Reserve</b>	PSFA Director	12/07/06	06/30/10	N/A	N/A	School District
<b>Rio Rancho</b>	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
<b>Roswell</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY**

**SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)  
AS OF JUNE 30, 2009**

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<b>Roy</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Ruidoso</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>San Jon</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Santa Fe</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Santa Rosa</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Silver City</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Socorro</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
<b>Springer</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Texico</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>T or C</b>	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
<b>Tucumcari</b>	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
<b>Tularosa</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Vaughn</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Wagon Mound</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>West Las Vegas</b>	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
<b>Zuni</b>	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District

Note: These joint power agreements do not have monetary amounts within them but enable the Authority to work with the various school districts.



**OTHER REPORT**

C  
W  
M **Chester W. Mattocks**  
**Certified Public Accountant**

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**Albuquerque, New Mexico 87125**  
**(505) 299-5233**

**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**

Members of the Public School Capital Outlay Council  
State of New Mexico  
Public School Facilities Authority  
Santa Fe, New Mexico

and

Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

I have audited the financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the General Fund and the Bond Proceeds Capital Projects Special Revenue Fund of the State of New Mexico, Public School Facilities Authority (Authority) as of and for the year ended June 30, 2009 which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated December 11 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Council of the Authority, the management of the Authority, the State of New Mexico, Public School Capital Outlay Council, the State of New Mexico Department of Finance and Administration, the State of New Mexico Office of the State Auditor, the State of New Mexico Legislative Finance Committee, and the State of New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Chester W. Matthews, CPA*

December 11, 2009

**STATE COMPLIANCE SECTION**

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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2007-3- Negative Investment Accounts – Resolved.

2008-1 Member of Governing Board at Exit Conference- Resolved.

**STATE OF NEW MEXICO**  
**PUBLIC SCHOOL FACILITIES AUTHORITY**

**EXIT CONFERENCE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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An exit conference was held on December 14, 2009. Attending were the following:

State of New Mexico, Public School Facilities Authority

Dr. Peter Winograd, Member of Public School Capitol Outlay Council  
Mr. Robert Gorrell, Director  
Mr. Tim Berry, Deputy Director  
Mr. Jeffery Eaton, Chief Financial Officer  
Mr. LeRoy Marquez, Contractor

Independent Auditor

Chester W. Mattocks, CPA

Note: The financial statements presented in this report were substantially prepared by the independent auditor, Chester W. Mattocks, CPA.