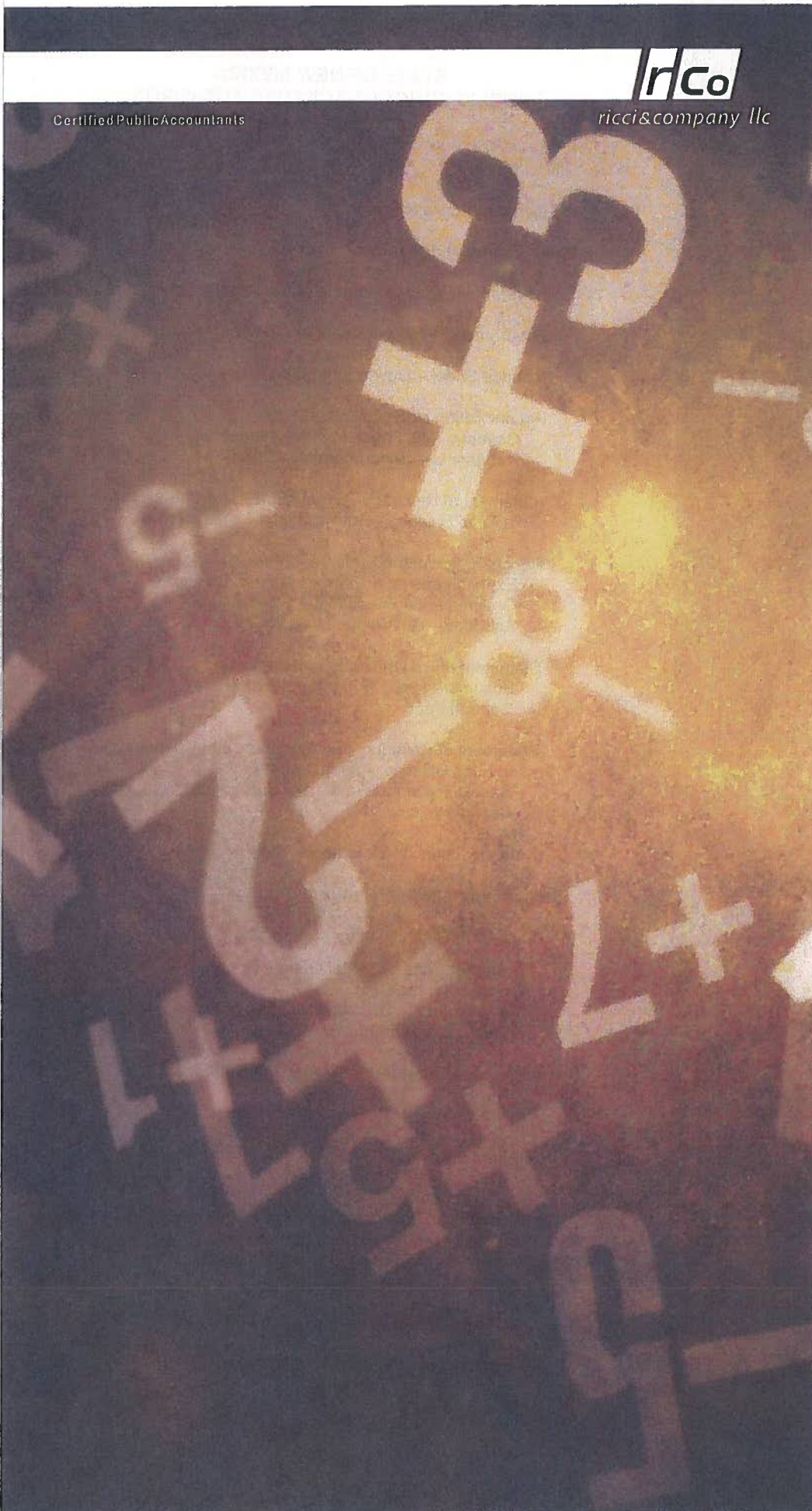




ricci & company llc

Certified Public Accountants



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

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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

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

*Official Roster*

**Public School Capital Outlay Council**

<b><u>Name</u></b>	<b><u>Position</u></b>
David Abbey	Director, Legislative Finance Committee
Paul Aguilar	Deputy Secretary, Public Education Department
Keith Gardner	Chief of Staff, Governor's Office
J. Dee Dennis	Superintendent, Regulation and Licensing Department
Tom Clifford	Secretary, Department of Finance & Administration
Joe Guillen	New Mexico School Boards Association
Frances Maestas	Director, Legislative Education Study Committee
Gene Gant	Member, Public Education Commission
Raul Burciaga	Director, Legislative Council Services

**Administration**

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

**Independent Auditor's Report**

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Mr. Hector Balderas, New Mexico State Auditor  
and  
Members of the Public School Capital Outlay Council  
State of New Mexico Public School Facilities Authority  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue fund of the New Mexico Public Schools Facilities Authority (Authority) as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the multi-year special appropriations for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of the Authority are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information 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 State of New Mexico as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, as of June 30, 2012 and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the multi-year special appropriations for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector Balderas, New Mexico State Auditor  
and  
Members of the Public School Capital Outlay Council  
State of New Mexico  
Public School Facilities Authority  
Albuquerque, New Mexico

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedule 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements and the financial statements of each of the respective individual funds taken as a whole.

*Ricci & Company LLC*

Albuquerque, New Mexico  
December 12, 2012

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2012**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ -
Due from other state agencies	21,166,930
	<hr/>
<b>Total current assets</b>	21,166,930
Capital assets, net of accumulated depreciation of \$3,192,889	5,444,089
	<hr/>
<b>Total assets</b>	<u>26,611,019</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Investment accounts overdraft	72,888
Accounts payable	12,373,583
Accrued salaries payable	67,720
Due to other state agencies	250,000
Compensated absences payable	181,691
	<hr/>
<b>Total current liabilities</b>	<u>12,945,882</u>
<b>NET ASSETS</b>	
Investment in capital assets	5,444,089
Restricted for special appropriations	1,933,659
Unrestricted	6,287,389
	<hr/>
<b>Total net assets</b>	<u>\$ 13,665,137</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

	Governmental Activities
Expenditures	
Education	\$ 136,524,092
General government	
Personal services and employee benefits	3,339,706
Contractual services	268,629
Other costs	1,835,347
	<hr/>
<b>Total expenses</b>	<b>141,967,774</b>
	<hr/>
General Revenues	
Severance tax bond proceeds	211,999,389
Special appropriations	2,615,944
Miscellaneous	89
	<hr/>
<b>Total general revenues</b>	<b>214,615,422</b>
	<hr/>
<b>Change in net assets</b>	<b>72,647,648</b>
Net assets, beginning	<hr/> <b>(58,982,511)</b>
<b>Net assets, ending</b>	<b>\$ 13,665,137</b>
	<hr/> <hr/>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
<b>ASSETS</b>			
Investment with New Mexico State Treasurer	\$ -	-	-
Due from other funds	503,800	-	503,800
Due from other state agencies	4,017	21,162,913	21,166,930
<b>Total assets</b>	<b>\$ 507,817</b>	<b>21,162,913</b>	<b>21,670,730</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Investment accounts overdraft	\$ 30,043	42,845	72,888
Accounts payable	83,309	12,290,274	12,373,583
Accrued salaries payable	67,720	-	67,720
Due to other funds	-	503,800	503,800
Due to other state agencies	-	250,000	250,000
<b>Total liabilities</b>	<b>181,072</b>	<b>13,086,919</b>	<b>13,267,991</b>
<b>Fund Balance</b>			
Restricted for special appropriations	-	1,933,659	1,933,659
Committed	-	6,142,335	6,142,335
Unassigned	326,745	-	326,745
<b>Total fund balance</b>	<b>326,745</b>	<b>8,075,994</b>	<b>8,402,739</b>
<b>Total liabilities and fund balance</b>	<b>\$ 507,817</b>	<b>21,162,913</b>	<b>21,670,730</b>

*The Notes to the Financial Statements are an integral part of this statement.*



**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL ACTIVITIES BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
June 30, 2012**

Total fund balance for the governmental fund (Balance Sheet)	\$ 8,402,739
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore are not reported in the funds.	5,444,089
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(181,691)</u>
<b>Net assets of governmental activities (Statement of Net Assets)</b>	<b><u><u>\$ 13,665,137</u></u></b>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012**

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
<b>Revenues</b>			
Miscellaneous	\$ 89	-	89
<b>Total revenues</b>	<u>89</u>	<u>-</u>	<u>89</u>
<b>Expenditures</b>			
Current:			
Education	-	136,097,541	136,097,541
General government:			
Personal services and employee benefits	3,403,459	-	3,403,459
Contractual services	268,629	-	268,629
Other costs	1,835,347	-	1,835,347
<b>Total expenditures</b>	<u>5,507,435</u>	<u>136,097,541</u>	<u>141,604,976</u>
<b>Deficiency of revenues over expenditures</b>	<u>(5,507,346)</u>	<u>(136,097,541)</u>	<u>(141,604,887)</u>
<b>Other Financing Sources</b>			
Transfers in - severance tax bond proceeds	6,160,200	205,839,189	211,999,389
Transfers in - special appropriations	-	2,615,944	2,615,944
<b>Total other financing sources</b>	<u>6,160,200</u>	<u>208,455,133</u>	<u>214,615,333</u>
<b>Net change in fund balance</b>	652,854	72,357,592	73,010,446
Fund balance, beginning of year	<u>(326,109)</u>	<u>(64,281,598)</u>	<u>(64,607,707)</u>
<b>Fund balance, end of year</b>	<u>\$ 326,745</u>	<u>8,075,994</u>	<u>8,402,739</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

Net change in fund balance - Governmental Fund  
(Statement of Revenues, Expenditures and Changes in Fund Balance) \$ 73,010,446

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

Capital outlays are reported as expenditures in governmental funds.  
However, in the Statement of Activities, the cost of capital assets  
is allocated over their estimated useful lives as depreciation expense.  
In the current period, these amounts are:

Capital outlay	\$	5,075	
Depreciation expense		(431,626)	
Excess depreciation expense over capital outlay			(426,551)

Some items reported in the Statement of Activities do not require the  
use of current financial resources and therefore are not reported  
as expenditures in governmental funds.

Change in compensated absences			63,753

<b>Change in net assets of governmental activities (Statement of Net Assets)</b>			<b><u><u>\$ 72,647,648</u></u></b>
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*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS  
GENERAL FUND (Fund 94300)  
Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Miscellaneous revenues	\$ -	-	89	89
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>89</u>	<u>89</u>
<b>Expenditures</b>				
Current:				
Personal services and employee benefits	3,848,800	3,848,800	3,403,459	445,341
Contractual services	527,892	527,892	268,629	259,263
Other costs	1,575,500	2,079,300	1,835,347	243,953
<b>Total expenditures</b>	<u>5,952,192</u>	<u>6,455,992</u>	<u>5,507,435</u>	<u>948,557</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in				
Severance tax bond proceeds	5,952,192	6,455,992	6,160,200	(295,792)
<b>Excess of revenues over expenditures and other financing sources</b>	<u>\$ -</u>	<u>-</u>	<u>652,854</u>	<u>652,854</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS  
BOND PROCEEDS CAPITAL PROJECTS SPECIAL REVENUE FUND (Fund 94700)  
Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Miscellaneous revenues	\$ -	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Education	523,589,322	757,715,752	136,097,541	621,618,211
<b>Total expenditures</b>	<u>523,589,322</u>	<u>757,715,752</u>	<u>136,097,541</u>	<u>621,618,211</u>
<b>Other Financing Sources</b>				
Transfers in				
Severance tax bond proceeds	519,039,719	753,166,149	205,839,189	(547,326,960)
Special appropriations	4,549,603	4,549,603	2,615,944	(1,933,659)
<b>Total other financing sources</b>	<u>523,589,322</u>	<u>757,715,752</u>	<u>208,455,133</u>	<u>(549,260,619)</u>
<b>Excess of revenues over expenditures and other financing sources</b>	<u>\$ -</u>	<u>-</u>	<u>72,357,592</u>	<u>72,357,592</u>

*The Notes to the Financial Statements are an integral part of this statement.*



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 1. ORGANIZATION**

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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 more significant of the Authority's accounting policies are described below:

**A. Reporting Entity**

The Public School Facilities Authority (Authority) was created under the Public School Capital Outlay Council pursuant to Subsection A of Section 22-24-9 NMSA 1978. Its activities are as provided for by Sections 22-24-1 to 22-24-11 and 22-20-1 NMSA 1978. The Authority is governed by the Public School Capital Outlay Council.

**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, 2012, and the Authority has decided not to apply any FASB pronouncements issued after November 30, 1989.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements – GASB Statement #34 (Continued)**

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, 2012. The Authority includes only one function (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. Nonmajor 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, but if the Authority did, they would not be included in the government-wide financial statements.

The governmental fund statements are presented on 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 statement's 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.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

These financial statements include all activities over which the Authority has oversight responsibility, including decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability in fiscal matters. There are no organizations that meet the definition of a component unit that should be included in these financial statements. Under GASB Statement 14 (as amended by GASB 39), the Authority 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.

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. Under the requirements of GASB #34, 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 (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.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers revenues to be available if collected within sixty days of the end of the fiscal year. Expenditures are recorded when a liability is incurred as under accrual accounting. The Authority does not have any debt service expenditures. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for any compensated absences in the current year.

**E. Budgetary Process**

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

1. No later than September 1, 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 is 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.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process (Continued)**

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, 2012. 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.

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



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Property and Equipment**

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. Encumbrance Accounting**

Encumbrance 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, 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**

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 semi-annually 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 semi-annual 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.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Compensated Absences (Continued)**

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

Years of Service	Hours Earned Per Pay Period
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. 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, Net of Related Debt* - intended to reflect the portion of net assets which is associated with nonliquid 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, 2012.

*Unrestricted Net Assets (Deficit)* - represents the net assets of the Authority at June 30, 2012 that are not invested in capital assets and that are not restricted.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and the unrestricted resources as they are needed.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Fund Balance**

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There is no balance in this classification for the fiscal year ended June 30, 2012.

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed:* Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

*Assigned:* Consists of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned:* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Reclassifications and Interfund Eliminations**

*Reclassifications* - Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

*Interfund Transactions* - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

During the year ended June 30, 2012, the Capital Projects Fund received severance tax funds that were for general operating expenditures. However, an operating transfer from the Capital Projects to the General Fund never occurred. Therefore, as of June 30, 2012, the following interfund balance exists:

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
Capital Projects	General	\$503,800

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. 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.

**M. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**N. Subsequent Events**

Subsequent events have been evaluated through December 12, 2012, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 3. CASH AND CASH EQUIVALENTS**

**General Fund Investment Pool Not Reconciled**

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July of 2006. The diagnostic report is available in the resources section of the cash control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx). The document title is Current State Diagnostic of Cash Control. Pursuant to state law, the Department of Finance and Administration is the agency responsible for the reconciliation.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Authority's balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)**

**Interest in the General Fund Investment Pool**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office *Investment (Overdraft) Accounts with State Treasurer*. At June 30, 2012, the Department had the following invested in the General Fund Investment Pool:

Account Name	Agency Number	SHARE Fund	Balance per SHARE
General Fund	94000	94300	\$ (30,043)
Bond Proceeds Capital Projects Fund	94000	94700	<u>(42,845)</u>
<b>Total cash accounts</b>			<b><u>\$ (72,888)</u></b>

The Authority reconciles actual activity to revenues and expenditures posted in the SHARE system, which mitigates the risk that the Authority's cash balances would be misstated due to the General Fund Investment Pool not being reconciled as previously mentioned.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investments. 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 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**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The New Mexico State Treasurer pools are not rated for credit risk.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

**NOTE 4. DUE FROM OTHER STATE AGENCY**

The Special Revenue Fund (Agency #94000, Fund #94700) was owed \$21,162,913 by the State of New Mexico at June 30, 2012 for uncollected draw-downs to pay for construction costs for this Fund not yet remitted at June 30, 2012.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 5. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2012 is as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
<b>Capital Assets</b>				
Equipment	\$ 21,350	-	-	21,350
Computer equipment	129,453	5,075	-	134,528
Portable classrooms	8,481,100	-	-	8,481,100
<b>Total capital assets</b>	<u>8,631,903</u>	<u>5,075</u>	<u>-</u>	<u>8,636,978</u>
<b>Accumulated Depreciation</b>				
Equipment	7,643	5,701	-	13,344
Computer equipment	100,524	1,870	-	102,394
Portable classrooms	2,653,096	424,055	-	3,077,151
<b>Total accumulated depreciation</b>	<u>2,761,263</u>	<u>431,626</u>	<u>-</u>	<u>3,192,889</u>
<b>Net capital assets</b>	<u>\$ 5,870,640</u>	<u>(426,551)</u>	<u>-</u>	<u>5,444,089</u>

Depreciation expense for the year ended June 30, 2012 was \$431,626. All of the depreciation expense was allocated to the Authority's general government function.

**NOTE 6. COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences payable for the year ended June 30, 2012 is as follows:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Due Within One Year
Compensated absences payable	\$ 245,444	177,780	241,533	181,691	181,691

The liability at June 30, 2012 of \$181,691 has been recorded in the basic financial statements and represents the Authority's commitment to fund accrued vacation, sick leave and personal time off costs from future operations.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**A. Plan Description**

Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article II, 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](http://www.pera.state.nm.us).

**B. Funding Policy**

Plan members are required to contribute 10.67% of their gross salary. The Authority is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$361,853 , \$395,218, and \$456,140, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 8. POST-EMPLOYEE BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**A. Plan Description**

The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment health care 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 health care plan and is also authorized optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 8. POST-EMPLOYEE BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**A. Plan Description (Continued)**

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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 post-employment health care plan. The report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**B. 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 health care 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 established the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will raise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY 13	2.000%	1.000%

Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 8. POST-EMPLOYEE BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**B. Funding Policy (Continued)**

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, 2012, 2011 and 2010 were \$49,535, \$43,410, and \$45,806, respectively, which equal the required contributions for each year.

**NOTE 9. RISK MANAGEMENT**

The Authority is subject to various legal proceedings claims and liabilities which arise in the ordinary course of the Authority's operations.

The State of New Mexico Public School Facilities Authority, as a "State Agency" defined in the Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid by the Office of Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for the State of New Mexico employees.

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, 2011 through June 30, 2012.

**NOTE 10. 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, 2006 for ten years. The Albuquerque lease was entered as of July 1, 2008 for an initial term of five years with the Authority having the option to renew for two five-year terms. Total rental expenditures for the year ended June 30, 2012 for operating leases were \$287,308.



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 10. COMMITMENTS – OPERATING LEASES (CONTINUED)**

Future rental expenditures under these leases are as follows:

Year Ending June 30,	Payments		
	Santa Fe	Albuquerque	Total
2013	\$ 75,948	207,900	283,848
2014	76,502	-	76,502
2016	77,072	-	77,072
<b>Total</b>	<b>\$ 229,522</b>	<b>207,900</b>	<b>437,422</b>

**NOTE 11. SPECIAL APPROPRIATIONS**

The following is a summary of special appropriations still outstanding at June 30, 2012:

Applicable Fiscal Year Period	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/12
2008-2011 Charter School Capital Outlay Laws of 2007, Chapter 214, Section 25, Item 1	\$ 4,500,000	3,148,101	(1,351,899)	-
2009-2011 State of New Mexico School for the Deaf, Laws of 2009, Chapter 125	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	566,341	-	1,933,659
<b>Totals</b>	<b>\$ 9,300,000</b>	<b>6,014,442</b>	<b>(1,351,899)</b>	<b>1,933,659</b>

The unexpended balance of \$1,933,659 is shown as restricted for special appropriations in the fund financial statements, and it is shown as restricted for special appropriations in the government-wide financial statements.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 12. 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.

Engineering, architecture and construction contracts relating to construction or major repairs of educational facilities aggregated approximately \$493,000,000 as of June 30, 2012. The remaining commitment on these contracts was approximately \$101,000,000. These contracts will be paid in future periods as work is performed. Payment will be made with proceeds from severance tax bonds and contributions from respective school districts.

**NOTE 13. CONTINGENT LIABILITIES AND SETTLED LITIGATION**

The Agency at times may be involved in various claims for damages arising in the normal course of business. Although the outcome of these claims is not presently determinable, it is the opinion of the Authority that resolution of these matters will not have a material adverse effect on the financial condition of the Authority or the Public School Capital Outlay Fund.

In March 2012, the Authority and a school district entered into arbitration with a contractor over faulty work and unapproved change orders. The arbitrator's results had an adverse effect on the Authority. In April 2012, the Authority entered into a settlement for \$1,965,000. Since the settlement costs were specifically identified as construction costs, it was included in the total project costs.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MULTI-YEAR CAPITAL OUTLAY APPROPRIATIONS  
CHARTER SCHOOL CAPITAL OUTLAY  
Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Fund balance	\$ 1,351,899	1,351,899	1,351,899	-
<b>Total revenues</b>	<u>1,351,899</u>	<u>1,351,899</u>	<u>1,351,899</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	1,351,899	-	-	-
Other costs	-	-	-	-
<b>Total expenditures</b>	<u>1,351,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources and Uses</b>				
Transfers out:				
Reversion	-	(1,351,899)	(1,351,899)	-
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses) \$</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MULTI-YEAR CAPITAL OUTLAY APPROPRIATIONS  
SCHOOL FOR THE DEAF  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Fund Balance	\$ 2,146,366	2,146,366	2,146,366	-
<b>Total revenues</b>	<u>2,146,366</u>	<u>2,146,366</u>	<u>2,146,366</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	2,146,366	2,146,366	2,146,366	-
Other costs	-	-	-	-
<b>Total expenditures</b>	<u>2,146,366</u>	<u>2,146,366</u>	<u>2,146,366</u>	<u>-</u>
<b>Other Financing Sources and Uses</b>				
Transfers out:				
Reversion	-	-	-	-
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses) \$</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MULTI-YEAR CAPITAL OUTLAY APPROPRIATIONS  
SCHOOL OF THE BLIND AND VISUALLY IMPAIRED  
Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Fund Balance	\$ 2,403,237	2,403,237	2,403,237	-
	<u>2,403,237</u>	<u>2,403,237</u>	<u>2,403,237</u>	<u>-</u>
<b>Total revenues</b>	<u>2,403,237</u>	<u>2,403,237</u>	<u>2,403,237</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	2,403,237	2,403,237	469,578	1,933,659
Other costs	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>2,403,237</u>	<u>2,403,237</u>	<u>469,578</u>	<u>1,933,659</u>
<b>Other Financing Sources and Uses</b>				
Transfers out:				
Reversion	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>				
<b>Expenditures and Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>-</u>	<u>1,933,659</u>	<u>(1,933,659)</u>

*The Notes to the Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - MULTI-YEAR CAPITAL OUTLAY APPROPRIATIONS  
GEOGRAPHIC INFORMATION SYSTEM  
Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Fund Balance	\$ 295,792	295,792	295,792	-
<b>Total revenues</b>	<u>295,792</u>	<u>295,792</u>	<u>295,792</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	295,792	295,792	125,028	170,764
Other costs	-	-	-	-
<b>Total expenditures</b>	<u>295,792</u>	<u>295,792</u>	<u>125,028</u>	<u>170,764</u>
<b>Other Financing Sources and Uses</b>				
Transfers out:				
Reversion	-	-	-	-
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>-</u>	<u>170,764</u>	<u>(170,764)</u>

*The Notes to the Financial Statements are an integral part of this statement.*

STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SCHEDULE OF JOINT POWERS AGREEMENTS  
June 30, 2012

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Alamogordo	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Albuquerque	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Animas	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Aztec	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Belen	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Bernalillo	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Bloomfield	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Capitan	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Carlsbad	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Carrizozo	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Central	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Chama	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Cloudcroft	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Clovis	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Cobre	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Corona	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Cuba	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Deming	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Des Moines	PSFA Director	03/17/11	Indefinite	N/A	N/A	School District
Dexter	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Dora	PSFA Director	01/12/11	Indefinite	N/A	N/A	School District
Elida	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Espanola	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Estancia	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Eunice	PSFA Director	03/25/11	Indefinite	N/A	N/A	School District
Farmington	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Floyd	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Fort Sumner	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Gadsden	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Gallup	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Grady	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Grants	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Hagerman	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Hatch	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Hobbs	PSFA Director	03/04/11	Indefinite	N/A	N/A	School District
Hondo	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
House	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Jal	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Jemez Mountain	PSFA Director	10/25/10	Indefinite	N/A	N/A	School District
Jemez Valley	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Lake Arthur	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Las Cruces	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Las Vegas City	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Logan	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Lordsburg	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SCHEDULE OF JOINT POWERS AGREEMENTS  
June 30, 2012**

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Los Alamos	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Los Lunas	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Loving	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Lovington	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Magdalena	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Maxwell	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Melrose	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Mesa Vista	PSFA Director	03/16/12	Indefinite	N/A	N/A	School District
Mora	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Moriarty	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Mosquero	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Mountainair	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
NM School for the Deaf	PSFA Director	10/27/09	Indefinite	N/A	N/A	School District
NM School for the Blind	PSFA Director	11/20/09	Indefinite	N/A	N/A	School District
Pecos	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Penasco	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Portales	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Raton	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Reserve	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Rio Rancho	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Roswell	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Roy	PSFA Director	03/04/11	Indefinite	N/A	N/A	School District
Ruidoso	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
San Jon	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Santa Fe	PSFA Director	11/01/10	Indefinite	N/A	N/A	School District
Santa Rosa	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
Silver City	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Socorro	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Springer	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Taos	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
Tatum	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Texico	PSFA Director	01/06/11	Indefinite	N/A	N/A	School District
T or C	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Tucumcari	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Tularosa	PSFA Director	09/23/10	Indefinite	N/A	N/A	School District
Vaughn	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Wagon Mound	PSFA Director	09/08/10	Indefinite	N/A	N/A	School District
West Las Vegas	PSFA Director	10/05/10	Indefinite	N/A	N/A	School District
Zuni	PSFA Director	09/21/10	Indefinite	N/A	N/A	School District



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SCHEDULE OF JOINT POWERS AGREEMENTS  
June 30, 2012**

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Academy of Trades and Technology	PSFA Director	11/1/2010	Indefinite	N/A	N/A	Charter School
ACE Leadership HS	PSFA Director	8/30/2011	Indefinite	N/A	N/A	Charter School
Albuquerque Sign Language Academy	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
Aldo Leopold HS	PSFA Director	10/5/2010	Indefinite	N/A	N/A	Charter School
Alma D'Arte	PSFA Director	3/11/2011	Indefinite	N/A	N/A	Charter School
Cesar Chavez	PSFA Director	1/6/2011	Indefinite	N/A	N/A	Charter School
Cien Aquas International School	PSFA Director	10/5/2010	Indefinite	N/A	N/A	Charter School
East Mountain HS	PSFA Director	9/23/2010	Indefinite	N/A	N/A	Charter School
Horizon Academy West	PSFA Director	1/6/2011	Indefinite	N/A	N/A	Charter School
J. Paul Taylor Academy	PSFA Director	1/6/2011	Indefinite	N/A	N/A	Charter School
Media Arts Collaborative CS	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
NM School for the Arts	PSFA Director	9/26/2010	Indefinite	N/A	N/A	Charter School
North Valley Academy	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
School of Dreams	PSFA Director	1/12/2011	Indefinite	N/A	N/A	Charter School
South Valley Preparatory School	PSFA Director	1/6/2011	Indefinite	N/A	N/A	Charter School
SW Intermediate Learning Center	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
SW Primary Learning Center	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
SW Secondary Learning Center	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
Taos Academy Charter School	PSFA Director	10/5/2010	Indefinite	N/A	N/A	Charter School
The Masters Program	PSFA Director	7/21/2011	Indefinite	N/A	N/A	Charter School
Tierra Adentro	PSFA Director	9/23/2010	Indefinite	N/A	N/A	Charter School
Village Academy	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School

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

**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***

Mr. Hector Balderas, New Mexico State Auditor  
and  
Members of the Public School Capital Outlay Council  
State of New Mexico  
Public School Facilities Authority  
Albuquerque, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the budgetary comparisons for the Special Revenue Bond Proceeds Fund presented as supplemental information of the Public Schools Facilities Authority (Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*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.

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

Mr. Hector Balderas, New Mexico State Auditor  
and  
Members of the Public School Capital Outlay Council  
State of New Mexico  
Public School Facilities Authority  
Albuquerque, New Mexico

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying Schedule of Findings and Responses as Findings 12-01 and 12.02.

The agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Authority, the Board of Directors, Office of the State Auditor, New Mexico Department of Finance and Administration, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

*Ricci & Company, LLC*

Albuquerque, New Mexico  
December 12, 2012

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2012**

10-01	Timeliness of Deposits & Lack of Supporting Documentation	Resolved
11-01	Deficit Fund Balance	Resolved
11-02	Audit Report Not Submitted Timely	Resolved

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2012**

**A. FINDINGS – COMPLIANCE AND OTHER MATTERS**

**12-01 Timely Payment of Invoices**

**CRITERIA**

Per 13-1-158( c ) and 13-1-158 (d) NMSA 1978 upon certification by the using agency that the services, construction, or items of tangible personal property have been received and accepted, payment shall be tendered to contractors within thirty days of the date of certification. If the using agency finds that the services, construction, or items of tangible personal property are not acceptable, it shall, within thirty days of written notice from the contractor that payment is requested for services or construction completed or items of tangible personal property delivered on site, provide to the contractor a letter of exception explaining the defect or objection to the services along with details of how the contractor may proceed to provide remedial action.

**CONDITION**

During our cash disbursement internal control test work, we noted one instance of noncompliance related to the timely payment of invoices. The invoice was in the amount of \$314.25 dated July 14, 2011, certified on August 26, 2011 and a warrant was issued on September 13, 2011.

**CAUSE**

The documentation reviewed related to the invoice did not indicate that the invoice was received in an untimely manner. Since the invoice did not contain documentation showing the date the invoice was received, we cannot conclude that the invoice was paid timely.

**EFFECT**

Without further documentation and based on the dates above, the Authority may not be in compliance with New Mexico State Statutes.

**RECOMMENDATION**

We recommend that management develop procedures related to the receipt and approval of invoices which will allow them to identify vendors that do not submit invoices timely.

**MANAGEMENT RESPONSE**

Management is reviewing with the regional manager the timeline related to this invoice and if it was disputed. Non-compliance with the prompt payment provisions in statute is an interest charge on unpaid, undisputed amounts. While the vendor has not requested interest penalties as of the time of this response, PSFA will investigate and take appropriate action if necessary to ensure it maintains its good record of prompt payments to vendors. PSFA's new CIMS system requires all contractors to submit invoices through the web-based system which date stamps and provides ball-in-court reminders to PSFA regional managers to review and approve or return to contractor for revision/correction.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2012**

**A. FINDINGS – COMPLIANCE AND OTHER MATTERS**

**12-02 Travel and Per Diem**

**CRITERIA**

Pursuant to 10-8-4 NMSA 1978, individuals must obtain supervisor approval prior to completing overnight travel.

**CONDITION**

During our travel and per diem internal control test work, we noted one instance of noncompliance related to the approval of travel.

**CAUSE**

The travel reimbursement was filled out by an employee traveling on behalf of the Authority and processed for payment without the approval of the travel by the Authority's designee.

**EFFECT**

The Authority may reimburse employees for travel expenses that were not authorized by the Authority.

**RECOMMENDATION**

We recommend that management develop additional procedures related to the approval of travel reimbursements for all employees' and their supervisors.

**MANAGEMENT RESPONSE**

PSFA employs a procedure whereby travel reimbursements are received by accounting staff and submitted for approval to the employees supervisor. Reimbursement requests requiring supervisor approval are designated with a stamp indicating approval is required. In the case of this reimbursement, the stamp was not applied and the accounting staff overlooked the signature requirement as a result. PSFA will review procedures and consider in the future alternative processing procedures to strengthen the oversight of travel reimbursement requests.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITY AUTHORITY  
EXIT CONFERENCE  
For the Year Ended June 30, 2012**

**Exit Conference**

An exit conference was held on December 11, 2012 to discuss the annual financial report. Attending were the following:

**Representing the Public Schools Capital Outlay Council:**

David Abbey, Chair, Public Schools Capital Outlay Council  
MaryKay Root, representative for J. Dee Dennis

**Representing the Public Schools Facilities Authority:**

Bob Gorrell, Director  
Tim A. Berry, Deputy Director  
Jeff Eaton, Chief Financial Officer  
Tom Bush, Chief Information Officer  
Gerald Pertner, Financial Specialist  
Norma Ahlskog, Financial Specialist  
Casandra Cano, Field Analyst

**Representing the Independent Auditor:**

Herman Chavez, CPA

Note: Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor.

