

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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
Michael Heitz	Chief of Staff, Governor's Office
Pat McMurray	Director, Construction Industries Division Manufactured Housing Division Regulations 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
M. Rocky Kearney	Deputy Director
Denise Irion	Chief Financial Officer

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico Public School Facilities Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund of the Authority for the year then ended in conformity with accounting principles generally accepted in the United States of America

## **Other Matters**

### *Emphasis of matter*

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, 2014, 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.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedule required by 2.2.2 NMAC as listed in the Table of Contents as Additional Information - Supporting Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The supporting schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedule required by Section 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 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* in considering the Authority's internal control over financial reporting and compliance.

***Ricci & Company, LLC***

Albuquerque, New Mexico  
December 12, 2014

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

Public School Facilities Authority's discussion and analysis is designed to (a) provide an overview of the Agency's financial activities, its mission and function, (b) provide a description of significant capital assets, (c) provide a brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide, and (d) provide an analysis of the agency's financial position.

**Public School Facilities Authority Mission Statement**

"Partnering with New Mexico's communities to provide quality, sustainable school facilities for our students and educators."

The Public School Facilities Authority is an adjunct agency of the State of New Mexico, created in 2004 under Section NMSA 22-24-9.

**Financial Highlights**

- The Public School Facilities Authority's net position at June 30, 2014 was \$(10,500,806), which is a decrease of \$21,115,234 from the fiscal year ended June 30, 2013.
- As of the close of the fiscal year 2014, the agency's government wide financial statements showed current assets of \$18,437,773 and net capital assets of \$4,609,598.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to The Public School Facilities Authority's basic financial statements. The Public School Facilities Authority's basic financial statements consist of three components: government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of The Public School Facilities Authority's finances, in a manner similar to the private-sector business. These statements consist of the statement of net position and the statement of activities.

The statement of net position presents information on all of the agency's assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Public School Facilities Authority is improving or deteriorating.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

The statement of activities presents information showing how the agency's net positions changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide Statement of Activities of the agency reflects the activities of the agency by its governmental functions. The Statement of Activities identifies financial resources that are directly related to the governmental function. Financial resources that are not specifically related to the governmental functions are shown as general resources in the bottom portion of this statement. The Statement of Activities also shows the change in net position for the fiscal year.

The government-wide financial statements can be found on pages 13-14 of this report.

**Fund Financial Statements - Governmental Funds.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The agency, like other agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the agency are considered *Governmental Funds*.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and resources.

The governmental funds use the modified accrual basis of accounting whereby revenues are recognized when they become available and measurable as net current assets. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide financial statements.



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MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

In addition to the General Fund, the agency maintains the Public School Capital Outlay Fund, considered a major fund. (A fund is considered to be a major fund depending on the amount of its assets, liabilities, revenues, or expenditures.)

The Public School Facilities Authority adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate budget compliance.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 21-39 of this report.

**Budgetary Comparisons.** GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the final approved budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the agency's budgetary basis (modified accrual). Budgetary information is provided at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the agency, liabilities exceeded assets by \$10,500, 806 as of June 30, 2014. Comparative net position is shown below:

	Governmental Activities June 30, 2014	Governmental Activities June 30, 2013
Assets:		
Current assets:		
Investment in State General Fund Investment Pool	\$ 923,144	467,064
Other current assets	<u>17,514,629</u>	<u>21,001,508</u>
Total current assets	18,437,773	21,468,572
Capital assets, net	<u>4,609,598</u>	<u>5,020,346</u>
Total assets	<u>23,047,371</u>	<u>26,488,918</u>
Liabilities:		
Current liabilities	33,548,177	15,874,490
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>33,548,177</u>	<u>15,874,490</u>
Net position:		
Invested in capital assets net of related debt	4,609,598	5,020,346
Restricted for Special Appropriations	-	-
Unrestricted	<u>(15,110,404)</u>	<u>5,594,082</u>
Total net position	<u>\$ (10,500,806)</u>	<u>10,614,428</u>

The decrease of \$21,115,234 from the previous year is primarily due to the increase in accounts payable to recognize the payables for prior year invoices, as well as a prior period adjustment in the amount of \$12,377,751 that reduced the Authority's net position.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

**Changes in Net Position:** The overall decrease/increase in the agency's net position is shown in the following schedule:

	Governmental Activities June 30, 2014	Governmental Activities June 30, 2013
General revenues		
Severance tax bond proceeds	145,795,944	133,103,549
Special appropriations	-	-
Other miscellaneous revenues	<u>195,654</u>	<u>-</u>
Total revenues	<u>145,991,598</u>	<u>133,103,549</u>
Expenses		
Education	149,316,002	130,873,991
General Government	<u>5,413,079</u>	<u>5,280,267</u>
Total expenses	<u>154,729,081</u>	<u>136,154,258</u>
Change in net position	(8,737,483)	(3,050,709)
Beginning net position, July 1	10,614,428	13,665,137
Restatement	<u>(12,377,751)</u>	<u>-</u>
Net position, beginning as restated	<u>(1,763,323)</u>	<u>13,665,137</u>
Ending net position, June 30	<u>\$ (10,500,806)</u>	<u>10,614,428</u>

**FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

**Governmental Funds**

The focus of the agency's governmental funds is to provide information on near-term inflows, and balances of expendable resources. Such information is more useful in assessing the agency's financial position than the government-wide statements, because the fund financial statements better reflect the reality that certain revenues are legally restricted for specific purposes and cannot be used to cover the costs of other operations.

At June 30, 2014, the agency had a deficit fund balance in the Capital Outlay Fund of \$(15,679,912).

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PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

**Budgetary Highlights**

The agency's General Fund budget for fiscal year 2014 was \$5,594,000 (\$3,974,600 Personal Services and Employee Benefits; \$238,697 Contractual Services; \$1,380,703 Other). The agency executed a category transfer Budget Adjustment Request (BAR), increasing Contractual Services \$59,197 and reducing Other Operating Costs \$59,197. The BAR was executed as the agency was directed by the PSCOC to enter into a contract for legal services for drafting rules and to enter into a contract to create a web-based award application for PSCOC projects. At fiscal year end, the agency expended \$5,103,300, reverting back the balance of the fiscal year approved budget to the PSCOC fund \$490,700 which will be recorded in the FY15 fiscal year audit.

In FY14, the agency's major fund, the Public School Capital Outlay Fund saw an increase in budgeted inflows of \$110,256,759 from proceeds of the sale of additional Supplemental Severance Tax Bonds.

<b>FY Budgeted</b>	<b>CY Sold</b>	<b>Source</b>	<b>Series</b>	<b>Sale Date</b>	<b>Amount</b>	<b>Description</b>
2014	13Q3	SSTB	2013SE	12/31/2013	\$ 110,000,000	Standards-based Awards
		Fund 94300			256,759	Agency FY13 Reversion

**Total: \$ 110,256,759**

Throughout the course of FY14, the Public School Capital Outlay Fund saw outflows totaling \$181,564,064 for project expenditures.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

**Changes in Assets and Long-Term Liabilities of the Agency**

The PSCOC Capital Asset value of \$4,609,598 is the depreciated value of portable classrooms purchased in 2004. Financial Assets are proceeds from the sale of Supplemental Severance Tax Bonds (SSTBs). Although the Authority oversees and funds various construction projects, the Authority does not maintain ownership; ownership is turned over to the respective school district upon completion of the project..

The Authority also does not carry any of the debt obtained to fund the construction project; the debt resides with the New Mexico Board of Finance.

Long term commitments of the agency are future construction (phase 2) awards as identified in the Public School Capital Outlay Council Financial Plan "Project Encumbrance Schedule Detail". At June 30, 2014, unexpended balances in the fund were \$191,911,082. This is a decrease from June 30, 2013 balances of \$198,619,946. The reduction in balances is a policy goal of the PSCOC and represents a substantial decrease in unexpended balances that once exceeded \$600 million. In FY14, awards totaled approximately \$229.0 million for 179 school construction and roof projects, facility leases, and facility planning needs in 49 school districts, an increase of 1 percent over FY13. Current long-term commitments for phase 2 awards not yet certified are to 54 projects totaling approximately \$530 million (not inclusive of 2015-16 or other out year award cycles.)

**Economic Factors and Budget Outlook**

***Background of Program Funding***

In 1998, the Zuni school district brought a capital funding/facilities suit against the state, Zuni School District v. State, CV-98-14-II (Dist. Ct., McKinley County Oct. 14, 1999), claiming that the funding system for capital items was unconstitutional. The trial court granted partial summary judgment in favor of plaintiffs and ordered the state to "establish and implement a uniform funding system for capital improvements". In response, the Legislature amended the Severance Tax Bonding Act to create a new category of bonds to be funded by severance taxes termed "Supplemental Severance Tax Bonds (SSTB's). Proceeds of SSTB's are earmarked by the Public School Capital Outlay Act to be utilized for public school improvements. Currently 45% of prior fiscal year Bonding Fund revenue can be used for SSTB's. Since 1999, SSTBs have provided \$2.51 billion for public school construction statewide. As a result of this significant investment, the New Mexico average Facilities Condition Index (FCI) for school buildings has decreased from 70.6% to 35.5% from FY03 to FY14. Because the Public School Capital Outlay Act requires a sliding scale for the required local match, substantial progress has been made in equalizing the condition of facilities across the state.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
June 30, 2014**

Redirecting funds for legislative appropriations could have a negative impact on the Public School Capital Outlay Fund. Available funding for current programs under the Public School Capital Outlay Act would be decreased, and currently awarded projects in the design phase that will be ready to begin construction in the FY16 – FY17 time period, may be at risk of delay.

***Revenue Volatility***

Severance tax revenues are derived from the production of oil, natural gas, and other minerals. The value of these products is inherently volatile. Hurricanes, pipeline constraints, new extraction technologies and geopolitical events affect domestic and global supply and demand, causing commodity prices, and hence the valuation base of severance tax collections to fluctuate widely, causing revenue volatility in the public school capital outlay fund. Since 1999, the majority of the revenues generated for the public school capital outlay fund are from the issuance of supplemental severance tax notes – short term notes (1-3 day maturity) sold to the State Treasury. The short term nature of these obligations reduces risk in the Severance Tax Bond program, but a side effect is a more volatile revenue stream to the public school capital outlay fund since long-term issuances are not typically used to stabilize funding.

***New Mexico Average Facilities Condition Index (FCI) for School Buildings***

A key performance measure for public school building condition is the average facilities condition index (FCI). FCI has improved by 47 percent since 2003. FCI indicates the level of repair needed for a facility. If a building costs \$100,000 and has an FCI of 37 percent, that building needs \$37,000 in repairs. Despite significant progress, school facilities in New Mexico remain in less than ideal condition.

**Request for Information**

This financial report is designed to provide a general overview of the agency's finances. Questions concerning any of the information provided in this report or any request for additional financial information should be addressed to Robert Gorrell, Director, 1312 Basehart, Suite 200, Albuquerque, NM 87116. Email: [rgorell@nmmpsfa.org](mailto:rgorell@nmmpsfa.org). cell: 505-301-4021.

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
June 30, 2014**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 923,144
Due from other state agencies	<u>17,514,629</u>
<b>Total current assets</b>	18,437,773
Capital assets, net of accumulated depreciation of \$4,067,638	<u>4,609,598</u>
<b>Total assets</b>	<u>23,047,371</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Investment accounts overdraft	8,960,311
Accounts payable	24,060,840
Accrued salaries payable	117,587
Due to other state agencies	226,846
Compensated absences payable	<u>182,593</u>
<b>Total current liabilities</b>	<u>33,548,177</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,609,598
Restricted for special appropriations	-
Unrestricted	<u>(15,110,404)</u>
<b>Total net position</b>	<u><u>\$ (10,500,806)</u></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, 2014**

	Governmental Activities
Expenditures	
Education	\$ 149,316,002
General government	
Personal services and employee benefits	4,034,043
Contractual services	163,214
Other costs	1,215,822
	<hr/>
<b>Total expenses</b>	<b>154,729,081</b>
	<hr/>
General Revenues	
Severance tax bond proceeds	145,795,944
Miscellaneous	195,654
	<hr/>
<b>Total general revenues</b>	<b>145,991,598</b>
	<hr/>
<b>Change in net position</b>	<b>(8,737,483)</b>
Net position, beginning	10,614,428
Restatement	(12,377,751)
	<hr/>
Net position, beginning as restated	(1,763,323)
	<hr/>
<b>Net position, ending</b>	<b>\$ (10,500,806)</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, 2014

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
<b>ASSETS</b>			
Investment with New Mexico State Treasurer	\$ 923,144	-	<b>923,144</b>
Due from other state agencies	-	17,514,629	<b>17,514,629</b>
<b>Total assets</b>	<b>\$ 923,144</b>	<b>17,514,629</b>	<b>18,437,773</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Investment accounts overdraft	\$ -	8,960,311	<b>8,960,311</b>
Accounts payable	89,506	23,971,334	<b>24,060,840</b>
Accrued salaries payable	81,537	36,050	<b>117,587</b>
Due to other state agencies	-	226,846	<b>226,846</b>
<b>Total liabilities</b>	<b>171,043</b>	<b>33,194,541</b>	<b>33,365,584</b>
Fund Balance			
Restricted for special appropriations	-	-	-
Committed	-	(15,679,912)	<b>(15,679,912)</b>
Unassigned	752,101	-	<b>752,101</b>
<b>Total fund balance</b>	<b>752,101</b>	<b>(15,679,912)</b>	<b>(14,927,811)</b>
<b>Total liabilities and fund balance</b>	<b>\$ 923,144</b>	<b>17,514,629</b>	<b>18,437,773</b>

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

**STATE OF NEW MEXICO  
PUBLIC SCHOOL FACILITIES AUTHORITY  
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT  
OF NET POSITION - GOVERNMENTAL FUNDS  
June 30, 2014**

Total fund balance for the governmental fund (Balance Sheet)	\$ (14,927,811)
Amounts reported for governmental activities in the Statement of Net Position is different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore are not reported in the funds.	4,609,598
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>(182,593)</u>
<b>Net position of governmental activities (Statement of Net Position)</b>	<b><u><u>\$ (10,500,806)</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, 2014**

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
Revenues			
Miscellaneous	\$ 200	195,454	<b>195,654</b>
	<hr/>		
<b>Total revenues</b>	200	195,454	<b>195,654</b>
	<hr/>		
Expenditures			
Current:			
Education	-	148,905,254	<b>148,905,254</b>
General government:			
Personal services and employee benefits	4,046,567	-	<b>4,046,567</b>
Contractual services	163,214	-	<b>163,214</b>
Other costs	1,215,822	-	<b>1,215,822</b>
	<hr/>		
<b>Total expenditures</b>	5,425,603	148,905,254	<b>154,330,857</b>
	<hr/>		
<b>Deficiency of revenues over expenditures</b>	(5,425,403)	(148,709,800)	<b>(154,135,203)</b>
	<hr/>		
Other Financing Sources			
Transfers in - severance tax bond proceeds	5,594,000	140,201,944	<b>145,795,944</b>
Transfers in - special appropriations	-	-	-
	<hr/>		
<b>Total other financing sources</b>	5,594,000	140,201,944	<b>145,795,944</b>
	<hr/>		
<b>Net change in fund balance</b>	168,597	(8,507,856)	<b>(8,339,259)</b>
	<hr/>		
Fund balance, beginning of year	583,504	5,205,695	<b>5,789,199</b>
Restatement	-	(12,377,751)	<b>(12,377,751)</b>
	<hr/>		
Fund balance, beginning of year as restated	583,504	(7,172,056)	<b>(6,588,552)</b>
	<hr/>		
<b>Fund balance, end of year</b>	\$ 752,101	(15,679,912)	<b>(14,927,811)</b>
	<hr/> <hr/>		

*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  
STATEMENT OF ACTIVITIES - GOVERNMENT WIDE  
Year Ended June 30, 2014

Net change in fund balance - Governmental Fund  
(Statement of Revenues, Expenditures and Changes in Fund Balance) \$ (8,339,259)

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	\$ 28,890	
Depreciation expense	<u>(439,638)</u>	
Excess depreciation expense over capital outlay		(410,748)

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		<u>12,524</u>
--------------------------------	--	---------------

**Change in net position of governmental activities (Statement of Activities)** \$ (8,737,483)

*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 - GENERAL FUND (Fund 94300)  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Miscellaneous revenues	\$ -	-	200	200
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
Expenditures				
Current:				
Personal services and employee benefits	3,974,600	3,974,600	4,046,567	(71,967)
Contractual services	179,500	238,697	154,507	84,190
Other costs	1,439,900	1,380,703	1,208,121	172,582
<b>Total expenditures</b>	<u>5,594,000</u>	<u>5,594,000</u>	<u>5,409,195</u>	<u>184,805</u>
Other Financing Sources (Uses)				
Transfers in				
Severance tax bond proceeds	5,594,000	5,594,000	5,594,000	-
<b>Excess of revenues over expenditures and         other financing sources</b>	<u>\$ -</u>	<u>-</u>	<u>185,005</u>	<u>185,005</u>
Reconciliation to GAAP Basis				
Expenditures, budgetary basis			\$ 5,409,195	
Accounts payable that required requests to pay prior year bills out of the FY 2015 budget			<u>16,408</u>	
Revenues, GAAP basis			<u>\$ 5,425,603</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 - SPECIAL REVENUE FUND - BOND PROCEEDS CAPITAL PROJECTS (Fund 94700)  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Miscellaneous revenues	\$ -	-	195,454	195,454
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>195,454</b>	<b>195,454</b>
Expenditures				
Current:				
Education	214,044,597	214,044,597	141,973,070	72,071,527
<b>Total expenditures</b>	<b>214,044,597</b>	<b>214,044,597</b>	<b>141,973,070</b>	<b>72,071,527</b>
Other Financing Sources				
Transfers in				
Severance tax bond proceeds	214,044,597	214,044,597	140,201,944	(73,842,653)
Special appropriations	-	-	-	-
<b>Total other financing sources</b>	<b>214,044,597</b>	<b>214,044,597</b>	<b>140,201,944</b>	<b>(73,842,653)</b>
<b>Excess (deficiency) of revenues over expenditures and other financing sources</b>	<b>\$ -</b>	<b>-</b>	<b>(1,575,672)</b>	<b>(1,575,672)</b>
Reconciliation to GAAP Basis				
Expenditures, budgetary basis			\$ 141,973,070	
Accounts payable that required requests to pay prior year bills out of the FY 2015 budget			6,932,184	
Revenues, GAAP basis			<u>\$ 148,905,254</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, 2014**

**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. Government-Wide and Fund Financial Statements**

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 Position, 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, 2014.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

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

**B. Government-Wide and Fund Financial Statements (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, 2014. 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, 2014

**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, 2014**

**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. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place.

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.

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

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

**E. Budgetary Process (Continued)**

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 at the appropriation unit level.
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 \$6,948,592 of these accounts payable at June 30, 2014. A reconciliation has been provided that reconciles 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, 2014**

**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. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. 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, 2014

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 Position

The governmental activities financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, in accordance with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued by the Governmental Accounting Standards Board. Net position is displayed in three components as follows:

Net Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, less outstanding capital asset related debt.

Restricted - This category reflects the component of net position that have constraints placed on the use of net position from external resource providers, imposed by law through constitutional provisions or enabling legislation. The accompanying statement of net position reports no restricted net position.

Unrestricted - This category reflects the component of net position not restricted for any project or other purposes or included in the determination of net investment in capital assets, net of related debt.

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

STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**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, 2014.

*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, 2014**

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

**K. Interfund Balances and Transactions**

Interfund transactions 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, 2014, 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, 2014**

**NOTE 3. CASH AND CASH EQUIVALENTS**

**General Fund Investment Pool Not Reconciled**

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

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis; however, it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

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

The Cash Management Remediation close out report dated April 29, 2013 indicates the project was able to deliver to the State, the New Mexico Department of Finance and Administration (DFA), and the New Mexico Department of Information Technology (Procuring Agency) strategic initiatives by working to improve data security, client service, and business performance through information technology solutions. Project accomplishments included improved financial data processing functionality and system integration and reduced reliance on manual processes and system customizations.

Section 6-5-2.1(J) NMSA 1978 requires DFA to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies. The Commission adheres to the standards established in the Cash Management Function of the Manual of Model Accounting Practices which was issued by the New Mexico Department of Finance and Administration – Financial Control Division. The Authority has established procedures and internal controls to mitigate the statewide cash reconciliation issue described above by performing cash reconciliations on a monthly basis.

**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, 2014, 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	\$ 923,144
Bond Proceeds Capital Projects Fund	94000	94700	<u>(8,960,311)</u>
<b>Total cash accounts</b>			<u>\$ (8,037,167)</u>

The overdraft in the Bond Proceeds Capital Projects Fund is directly related to the timing of when funds are requested from the New Mexico State Board of Finance, (a division of the Department of Finance and Administration), and not an over budget or unfunded cash position.

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.

STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

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

**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, a division of the Department of Finance and Administration.

**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, 2014.

**NOTE 4. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2014 is as follows:

	Balance 6/30/13	Additions	Deletions	Transfers	Balance 6/30/14
Capital Assets					
Equipment	\$ 21,350	28,890	-	11,368	61,608
Computer equipment	145,896	-	-	(11,368)	134,528
Portable classrooms	8,481,100	-	-	-	8,481,100
Total capital assets	8,648,346	28,890	-	-	8,677,236
Accumulated Depreciation					
Equipment	(16,012)	(9,477)	-	(356)	(25,845)
Computer equipment	(110,782)	(6,106)	-	356	(116,532)
Portable classrooms	(3,501,206)	(424,055)	-	-	(3,925,261)
Total accumulated depreciation	(3,628,000)	(439,638)	-	-	(4,067,638)
<b>Net capital assets</b>	<b>\$ 5,020,346</b>	<b>(410,748)</b>	<b>-</b>	<b>-</b>	<b>4,609,598</b>

Depreciation expense for the year ended June 30, 2014 was \$439,638. All of the depreciation expense was allocated to the Authority's general government function.

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PUBLIC SCHOOLS FACILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5. COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences payable for the year ended June 30, 2014 is as follows:

	Balance			Balance	Due
	6/30/13	Increases	Decreases	6/30/14	Within One Year
Compensated absences payable	\$ 195,117	142,197	(154,721)	182,593	182,593

The liability at June 30, 2014 of \$182,593 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.

**NOTE 6. 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 8.92% 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 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, 2014, 2013 and 2012 were \$429,681, \$395,728, and \$361,853, respectively, which equal the amount of the required contributions for each fiscal year.

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PUBLIC SCHOOLS FACILITIES AUTHORITY  
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**NOTE 7. 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.

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).

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**NOTE 7. POST-EMPLOYEE BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**B. Funding Policy (Continued)**

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$51,891, \$52,481, and \$49,535, respectively, which equal the required contributions for each year.

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**NOTE 8. RISK MANAGEMENT**

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

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, 2013 through June 30, 2014.

**NOTE 9. COMMITMENTS – OPERATING LEASES**

The Authority leased its office space in Santa Fe and in Albuquerque under operating leases. The Santa Fe lease was renewed in May 2011 for an indefinite amount of time and since it is in a State owned building, there are no lease payments. The Authority is responsible for the building's maintenance and utility costs. The Albuquerque lease was entered as of July 1, 2008 for an initial term of five years. In July 2013, the Authority renewed for a second five-year term. Total rental expenditures for the year ended June 30, 2014 for operating leases were \$184,400.

Future rental lease payments are as follows:

Year Ending June 30,	Albuquerque
2015	\$ 184,800
2016	190,575
2017	196,350
2018	196,350
2019	<u>0</u>
<b>Total</b>	<b><u>\$ 768,075</u></b>

**STATE OF NEW MEXICO  
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**NOTE 10. SPECIAL APPROPRIATIONS**

Appropriations below are from the unexpended proceeds of taxable supplemental severance tax bonds that are no longer needed for the projects for which the bonds were issued. Therefore, for the identified special appropriations there is not a budget to actual financial statement. These appropriations require an amended certification and resolution to start the projects and create a budget. The following is a summary of special appropriations still outstanding at June 30, 2014:

Applicable Fiscal Year Period		Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/14
2014-2018	State of New Mexico School of the Blind and Visually Impaired, Laws of 2014, HB55 Section 45	\$ 8,255,419	-	-	8,255,419
2014-2018	State of New Mexico School for the Deaf Laws of 2014, HB55 Section 46	7,038,365	-	-	7,038,365
2014-2018	State of New Mexico Public Education Department Laws of 2014, HB55 Section 47	14,895,000	-	-	14,895,000
<b>Totals</b>		<u>\$ 30,188,784</u>	<u>-</u>	<u>-</u>	<u>30,188,784</u>

**NOTE 11. DUE FROM/DUE TO OTHER STATE AGENCIES**

	Due From	Due To
<b><u>Fund 94700 – Bond Proceeds Capital Projects</u></b>		
State of New Mexico 34100/10920	<u>\$ 17,514,629</u>	
The Regulation & Licensing Department 42000/43300		<u>\$ 226,846</u>

The Special Revenue Fund was owed \$17,514,629 by the State of New Mexico of which \$10,582,444 was owed for uncollected draw-downs to pay for construction costs for this Fund not yet remitted at June 30, 2014, the remaining \$6,932,185 is due to the Authority for invoices received subsequent to the reporting cutoff but are also related to construction costs for this Fund not yet remitted at June 30, 2014.

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**NOTE 12. TRANSFERS TO/FROM OTHER AGENCIES**

Fund No.	Transfers To	Transfers From	Purpose
<b><u>Fund 94300 – General Fund</u></b>			
State of New Mexico 34100/10920	\$ _____ -	<u>5,594,000</u>	Severance Tax Bond Proceeds
<b><u>Fund 94700 – Bond Proceeds Capital Projects</u></b>			
State of New Mexico 34100/10920	\$ _____ -	<u>140,201,944</u>	Severance Tax Bond Proceeds

**NOTE 13. 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 \$729,500,000 as of June 30, 2014. The remaining commitment on these contracts was approximately \$181,600,000. 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. At June 30, 2014, the Authority had approximately \$434,500,000 of certified and issued Severance Tax Bonds that remain unspent. In addition, as of June 30, 2014, the certified but unissued Severance Tax Bonds is approximately \$83,200,000.

**NOTE 14. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS**

GASB No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*, approved in June 2012, and is effective for fiscal years beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s



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fiduciary net position. As a result, the June 30, 2015 financial statements are expected to include a material net position liability.

**NOTE 15. PRIOR PERIOD ADJUSTMENTS**

As a result of a prior year audit finding regarding trial balance maintenance, an internal review of the Authority’s trial balances was performed and it was determined that errors in balances existed, that were caused by incorrect postings of subsequent receipts to revenues instead of relieving the associated accounts receivable balances. Accordingly, the beginning fund balance of the Bond Proceeds Capital Projects fund has been restated on the fund basis financial statements to record a prior period adjustment to correct balances recorded in prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the Bond Proceeds Capital Projects fund is as follows:

Beginning fund balance	\$ 5,205,695
Adjustments to correct balances	<u>(12,377,751)</u>
Beginning fund balance, as restated	<u>\$ (7,172,056)</u>

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has also been restated. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

Beginning net position	\$ 10,614,428
Adjustments to correct balances	<u>(12,377,751)</u>
Beginning fund balance, as restated	<u>\$ (1,763,323)</u>

**NOTE 16. DEFICIT FUND BALANCE**

The Authority had the following deficit fund balance:

Bond Proceeds Capital Projects Fund (94700)	\$15,679,912
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The Authority is anticipating using future revenues to correct this fund balance.

STATE OF NEW MEXICO  
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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

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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
Pojoaque	PSFA Director	03/08/13	Indefinite	N/A	N/A	School District
Portales	PSFA Director	09/29/10	Indefinite	N/A	N/A	School District
Questa	PSFA Director	03/08/13	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

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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
Amy Biehl HS	PSFA Director	4/6/2013	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
Cottonwood Classical Preparatory Preparatory School	PSFA Director	9/21/2010	Indefinite	N/A	N/A	Charter School
East Mountain HS	PSFA Director	9/23/2010	Indefinite	N/A	N/A	Charter School
Gilbert Sena Charter HS	PSFA Director	4/24/2013	Indefinite	N/A	N/A	Charter School
Horizon Academy West	PSFA Director	1/6/2011	Indefinite	N/A	N/A	Charter School
International School of Mesa del Sol	PSFA Director	5/23/2013	Indefinite	N/A	N/A	Charter School
J. Paul Taylor Academy	PSFA Director	1/6/2011	Indefinite	N/A	N/A	Charter School
La Promesa Charter School	PSFA Director	10/5/2010	Indefinite	N/A	N/A	Charter School
Media Arts Collaborative CS	PSFA Director	9/8/2010	Indefinite	N/A	N/A	Charter School
Montessori ES	PSFA Director	4/16/2013	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
Taos Integrated School for the Arts	PSFA Director	1/6/2011	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.

# Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS  
6200 UPTOWN BLVD. NE - SUITE 400  
ALBUQUERQUE, NM 87110

## **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***

### **Independent Auditor's Report**

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 budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico Public School Facilities Authority (Authority) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 12, 2014. 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**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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* and which are described in the accompanying schedule of findings and responses as item 2014-001.

## **Management's Responses to Findings**

The responses from management to the findings identified in our audit are described in the accompanying schedule of findings and responses. These responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Ricci & Company, LLC*

Albuquerque, New Mexico  
December 12, 2014

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SUMMARY OF FINDINGS AND RESPONSES  
Year Ended June 30, 2014**

**A. STATUS OF PRIOR YEAR FINDINGS**

FS 2013-001 [2013-01]	Receipts Held in Suspense	Resolved
FS 2013-002 [2013-02]	Trial Balance Maintenance	Resolved
FS 2013-003 [2013-03]	Payment of Inter-fund Liabilities	Resolved
FS 2013-004 [2013-04]	IPA Form and Audit Contract	Resolved

**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2014**

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

**2014-001 Policies & Procedures FIN 3.1 Interagency Transactions (Findings that do not rise to the level of a significant deficiency)**

**CRITERIA**

To assure accurate reporting, all interagency transactions should be properly prepared, reconciled, and entered into SHARE. This policy establishes the requirement that all state agencies involved in interagency transactions shall properly classify those interagency transactions to accurately reflect the financial events being recorded in the financial records.

**CONDITION**

The Authority improperly reported \$6,948,592 in invoices that were received subsequent to year end, that are true accounts payable at June 30, 2014, to the Department of Finance and Administration.

**CAUSE**

The Authority did not follow the Department of Finance and Administration’s instructions on how to report payables received subsequent to the mandated cutoff date.

**EFFECT**

The Authority is in violation of applicable regulations and policies established by the State and Department of Finance and Administration.

**RECOMMENDATION**

We recommend that management implement procedures to properly report invoices received subsequent to year end that should be accrued in accounts payable according to the Department of Finance and Administration’s instructions.

**MANAGEMENT RESPONSE**

PSFA followed the request to pay prior year invoices process and did not follow the Board of Finance procedures to indicate on the draw request form that these invoices related to FY14. Procedures to report on the draw request form were not clear as this is a different process than what is required to pay the invoices. Management is aware of the process for both the accounts payable and the draw request and will ensure at year end both processes are followed to adequately capture the payables each year end.



**STATE OF NEW MEXICO  
PUBLIC SCHOOLS FACILITY AUTHORITY  
EXIT CONFERENCE  
For the Year Ended June 30, 2014**

**A. Exit Conference**

An exit conference was held on December 12, 2014 to discuss the annual financial report. Attending were the following:

Representing the Public Schools Capital Outlay Council:

Tom Clifford, Member  
Gene Gant, Member  
Michael Heitz, Member  
Katie Chavez, Legislative Analyst  
Kathy Pacheco-Dofflemeyer, designee for Raul Burciga, Member

Representing the Legislative Finance Committee:  
Katie Chavez, Fiscal Analyst

Representing the Department of Finance and Administration:  
Cinthia Martinez, Budget Analyst, DFA

Representing the Public Schools Facilities Authority:

Bob Gorrell, Director  
Denise Irion, Chief Financial Officer  
M. Rocky Kearney, Deputy Director

Representing the Independent Auditor:

Sandy Ricci, CPA  
Shawn Mortensen, CPA

**B. Auditor Prepared Financial Statements**

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