



State of
New Mexico
New Mexico
Public School
Facilities
Authority

Financial Statements
For the Year Ended June 30, 2016



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
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June 30, 2016

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STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Official Roster
 June 30, 2016

Public School Capital Outlay Council

<u>Name</u>	<u>Title</u>
Duffy Rodriguez	Department of Finance & Administration
Paul Aguilar	Public Education Department
Jessica Kelly	Office of the Governor
Gilbert Peralta	Public Education Commission
Joe Guillen	NM School Board Association
David Abbey	Legislative Finance Committee
Rachel Gudgel	Legislative Education Study Committee
Pat McMurray	Construction Industries Division Manufactured Housing Division Regulation and Licensing Department
Raul Burciaga	Legislative Council Service

Administration

<u>Name</u>	<u>Position</u>
Robert Gorrell	PSFA Director
Rocky Kearney	Deputy Director
Casandra Cano	Program Support Manager
Denise Irion	Chief Financial Officer
Lacey Burton	Human Resources & Training Manger
Bryan King	Chief Information Officer
Marticia Casias	Planning & Design Manager
Edward Avila	Interim Senior Facilities Manager
Larry Tillotson	Facilities Maintenance & Operating Support Manager

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Tim Keller
New Mexico State Auditor
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, and the budgetary comparisons for the general fund and major special revenue fund of the New Mexico Public School Facilities Authority (the "Authority"), as of and for the year ended June 30, 2016, 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.

Auditors' 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 of 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 auditors' judgment, including the assessment of 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 Authority'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 Authority'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 financial statement presentation.

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

Basis for Qualified Opinion on Due From Other Agencies, Liabilities, and Revenues and Expenditures Presented in the Governmental Activities and the Bond Proceeds Capital Projects Fund

Material weaknesses in internal controls over project accounting has precluded us from gaining sufficient audit evidence as to whether the due from other agencies balance, liability balances and revenues and expenditures of the governmental activities and the Bond Proceeds Capital Projects Fund of the Authority are fairly presented. Also, we are unable to conclude as to whether the budgetary comparison statement of the Bond Proceeds Capital Projects Fund is fairly presented. The amount that would affect the assets, liabilities, net position/fund balance, revenues and/or expenditures of the governmental activities and the governmental fund statements has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion on Due From Other Agencies, Liabilities, and Revenues and Expenditures Presented in the Governmental Activities and the Bond Proceeds Capital Project Fund paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the Bond Proceeds Capital Projects Fund of the Authority as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison of the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the New Mexico Public School Facilities Authority as of June 30, 2016, and the respective change in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities 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, 2016, and the changes in its financial position, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 18 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.

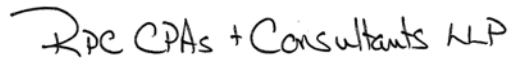
Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The Supporting Schedules I and II required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The introductory section and Schedules I and II have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 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.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 29, 2016

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2016

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, 2016 was \$19,519,841, which is an increase of \$14,165,575 from the fiscal year ended June 30, 2015. \$13,941,173 of that increase was from a prior year restatement for advances receivable.
- As of the close of the fiscal year 2016, the agency's government-wide financial statements showed current assets of \$54,578,692 and net capital assets of \$3,739,428.

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
New Mexico Public School Facilities Authority
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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 24-27 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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2016

In addition to the General Fund, the agency maintains the Bond Proceeds Capital Projects 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 24-27 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 28-45 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
 New Mexico Public School Facilities Authority
 Management's Discussion & Analysis
 June 30, 2016

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, assets exceeded liabilities by \$19,508,193 as of June 30, 2016. Comparative net position is shown below:

	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015
Assets:		
Current assets:		
Investment in State General Fund Investment Pool	\$ -	\$ -
Other current assets	<u>54,578,692</u>	<u>36,171,811</u>
Total current assets	54,578,692	36,171,811
Noncurrent assets:		
Capital assets, net	3,739,428	4,203,327
Other noncurrent assets	<u>7,868,677</u>	<u>-</u>
Total noncurrent assets	<u>11,608,105</u>	<u>4,203,327</u>
Total assets	<u>66,186,797</u>	<u>40,375,138</u>
Liabilities:		
Current liabilities	<u>46,666,956</u>	<u>35,020,872</u>
Total liabilities	<u>46,666,956</u>	<u>33,548,177</u>
Net position:		
Invested in capital assets net of related debt	3,739,428	4,203,327
Unrestricted	<u>15,780,413</u>	<u>1,150,939</u>
Total net position	<u>\$ 19,519,841</u>	<u>\$ 5,354,266</u>

The increase in net position of \$14,165,575 from the previous year is primarily due to the recognition of current and non-current assets for advances made to districts on construction projects in the amount of \$23,938,315.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2016

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

	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015
General revenues		
Severance tax bond proceeds	\$ 183,582,945	\$ 230,155,618
Other miscellaneous revenues	<u>422,770</u>	<u>1,490,376</u>
Total revenues	<u>190,153,393</u>	<u>231,645,994</u>
Expenses		
Education	183,582,945	215,395,085
General Government	<u>6,346,046</u>	<u>5,830,050</u>
Total expenses	<u>189,928,991</u>	<u>221,225,135</u>
Change in net position	224,402	15,855,072
Beginning net position, July 1	<u>5,354,266</u>	<u>(10,500,806)</u>
Beginning net position, July 1 (restated)	<u>19,295,439</u>	<u>-</u>
Ending net position, June 30	<u>\$ 19,519,841</u>	<u>5,354,266</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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2016

Budgetary Highlights

The agency's General Fund budget for fiscal year 2016 was \$6,132,500 (\$4,748,900 Personnel Services and Employee Benefits; \$171,200 Contractual Services; \$1,212,400 Other). Budget Adjustment Request (BAR) was not executed in FY16. At fiscal year end, the agency expended \$5,540,832 reverting back the balance of the fiscal year approved budget to the PSCOC fund \$623,957 which will be recorded in the FY17 fiscal year audit.

In FY16, the agency's major fund, the Bond Proceeds Capital Projects Special Revenue Fund saw an increase in budgeted inflows of \$139,478,459 from proceeds of the sale of additional Supplemental Severance Tax Bonds.

Throughout the course of FY16, the Bond Proceeds Capital Projects Fund saw outflows totaling \$183,793,946 for project expenditures.

Changes in Assets and Long-Term Liabilities of the Agency

The PSCOC Capital Asset value of \$3,739,428 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 Awards Schedule". At June 30, 2016, unexpended balances in the fund were \$346,948,723. It is the policy goal of the PSCOC to reduce balances. The unexpended balance represents a substantial decrease in unexpended balances that once exceeded \$600 million. In FY16, awards totaled approximately \$150.1 million for 18 school construction and roof projects, facility leases, and facility planning needs in 4 school districts, a decrease of 3.2 percent over FY15. Current long-term commitments for awards not yet certified are to 29 projects totaling approximately \$191.2 million (not inclusive of 2017-18 or other out year award cycles.)

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New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2016

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 \$2.46 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 32.1% from FY03 to FY16. Substantial progress has been made in equalizing the condition of facilities across the state. Redirecting funds for legislative appropriations and the decline in revenue proceeds 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 FY17 – FY18 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. The State of New Mexico is experiencing a budget deficit for FY17. During the Special Session that was held, Senate Bill 4 and Senate Bill 8 were passed. The fiscal impact to the Public School Capital Outlay Fund reduces the fund \$25.0 million in FY18-FY22. Construction projects may continue to be at risk of delay.

STATE OF NEW MEXICO
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June 30, 2016

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 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. FCI has improved dramatically since 2001.

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@nmopsfa.org. cell: 505-301-4021.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Statement of Net Position
June 30, 2016

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets:	
Due from other state agencies	\$ 38,413,855
Advances receivable	16,069,638
Prepays	95,199
Total current assets	<u>54,578,692</u>
Noncurrent assets:	
Advances receivable	7,868,677
Capital assets, net of accumulated depreciation	3,739,428
Total noncurrent assets	<u>11,608,105</u>
<i>Total assets</i>	<u><u>\$ 66,186,797</u></u>
 Liabilities	
Current liabilities:	
Investment accounts overdraft	\$ 13,755,247
Accounts payable	22,493,085
Unearned revenue	10,094,260
Accrued salaries payable	137,644
Compensated absences payable	186,720
Total current liabilities	<u>46,666,956</u>
<i>Total liabilities</i>	<u>46,666,956</u>
 Net position	
Net investment in capital assets	3,739,428
Unrestricted	15,780,413
<i>Total net position</i>	<u>19,519,841</u>
<i>Total liabilities and net position</i>	<u><u>\$ 66,186,797</u></u>

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

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Statement of Activities
 For the Year Ended June 30, 2016

Exhibit A-2

	Governmental Activities
Expenses	
Education	\$ 183,582,945
General government:	
Personnel services and employee benefits	4,455,865
Contractual services	94,817
Other costs	1,795,364
<i>Total expenses</i>	189,928,991
General revenues	
Severance tax bond proceeds	189,730,623
Miscellaneous	422,770
<i>Total general revenues</i>	190,153,393
Change in net position	224,402
Net position, beginning	5,354,266
Net position, restatement (Note 13)	13,941,173
Net position, beginning as restated	19,295,439
<i>Net position, ending</i>	\$ 19,519,841

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

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit B-1
Page 1 of 2

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
Assets			
Investments in State General Fund Investment Pool	\$ 2,015,041	\$ -	\$ 2,015,041
Due from other state agencies	-	38,413,855	38,413,855
Advances receivable, current	-	16,069,638	16,069,638
Advances receivable, long-term	-	7,868,677	7,868,677
Prepays	51,249	43,950	95,199
	<u>51,249</u>	<u>43,950</u>	<u>95,199</u>
<i>Total assets</i>	<u>\$ 2,066,290</u>	<u>\$ 62,396,120</u>	<u>\$ 64,462,410</u>
 Liabilities and fund balances			
<i>Liabilities</i>			
Investment accounts overdraft	\$ -	\$ 15,770,288	\$ 15,770,288
Unearned revenues	-	10,094,260	10,094,260
Accounts payable	63,922	22,429,163	22,493,085
Accrued salaries payable	137,644	-	137,644
	<u>137,644</u>	<u>-</u>	<u>137,644</u>
<i>Total liabilities</i>	<u>201,566</u>	<u>48,293,711</u>	<u>48,495,277</u>
 <i>Fund balances</i>			
Nonspendable	-	43,950	43,950
Spendable:			
Restricted for special appropriations	-	14,058,459	14,058,459
Unassigned	1,864,724	-	1,864,724
	<u>1,864,724</u>	<u>-</u>	<u>1,864,724</u>
<i>Total fund balances</i>	<u>1,864,724</u>	<u>14,102,409</u>	<u>15,967,133</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,066,290</u>	<u>\$ 62,396,120</u>	<u>\$ 64,462,410</u>

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

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2016

Exhibit B-1
Page 2 of 2

Total fund balance for the governmental fund (Exhibit B-1)	\$ 15,967,133
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.	3,739,428
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>(186,720)</u>
<i>Total net position (Exhibit A-1)</i>	<u><u>\$ 19,519,841</u></u>

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

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2016

Exhibit B-2
 Page 1 of 2

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
<i>Revenues</i>			
Miscellaneous income	\$ 32,289	\$ 390,481	\$ 422,770
<i>Total revenues</i>	<u>32,289</u>	<u>390,481</u>	<u>422,770</u>
<i>Expenditures</i>			
Current:			
Education	-	183,515,957	183,515,957
General government:			
Personnel services and employee benefits	4,456,183	-	4,456,183
Contractual services	103,788	-	103,788
Other costs	1,111,492	277,989	1,389,481
<i>Total expenditures</i>	<u>5,671,463</u>	<u>183,793,946</u>	<u>189,465,409</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,639,174)</u>	<u>(183,403,465)</u>	<u>(189,042,639)</u>
<i>Other financing sources</i>			
Transfers in - severance tax bond proceeds	6,132,500	183,598,123	189,730,623
<i>Total other financing sources</i>	<u>6,132,500</u>	<u>183,598,123</u>	<u>189,730,623</u>
<i>Net change in fund balance</i>	<u>493,326</u>	<u>194,658</u>	<u>687,984</u>
Fund balance, beginning of year	1,371,398	(33,422)	1,337,976
Fund balance, restatement (Note 12)	-	13,941,173	13,941,173
Fund balance, beginning, as restated	<u>1,371,398</u>	<u>13,907,751</u>	<u>15,279,149</u>
<i>Fund balance, end of year</i>	<u>\$ 1,864,724</u>	<u>\$ 14,102,409</u>	<u>\$ 15,967,133</u>

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

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Exhibit B-2
Page 2 of 2

Net change in fund balance - governmental funds	\$ 687,984
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(463,899)
Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:	
Decrease in compensated absences	<u>317</u>
<i>Change in net position (Exhibit A-2)</i>	<u><u>\$ 224,402</u></u>

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

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 General Fund
 For The Year Ended June 30, 2016

Exhibit C-1

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 32,289	\$ 32,289
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>32,289</u>	<u>32,289</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	4,748,900	4,748,900	4,325,552	423,348
Contractual services	171,200	171,200	94,817	76,383
Other costs	1,212,400	1,212,400	1,120,463	91,937
<i>Total expenditures</i>	<u>6,132,500</u>	<u>6,132,500</u>	<u>5,540,832</u>	<u>591,668</u>
<i>Other financing sources</i>				
Transfers in:				
Severance tax bond proceeds	6,132,500	6,132,500	6,132,500	-
<i>Total other financing sources</i>	<u>6,132,500</u>	<u>6,132,500</u>	<u>6,132,500</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,957</u>	<u>\$ 623,957</u>
<i>Reconciliation to GAAP Basis:</i>				
Expenditures, budgetary basis			\$ 5,540,832	
Accrual related to payroll expenditures			<u>130,631</u>	
<i>Expenditures, GAAP basis</i>			<u>\$ 5,671,463</u>	

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

STATE OF NEW MEXICO

Exhibit C-2

New Mexico Public School Facilities Authority
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 Bond Proceeds Capital Projects Special Revenue Fund
 For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 390,481	\$ 390,481
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>390,481</u>	<u>390,481</u>
<i>Expenditures</i>				
Current:				
Education	642,042,232	642,042,232	183,515,957	458,526,275
Other costs	<u>-</u>	<u>-</u>	<u>277,989</u>	<u>(277,989)</u>
<i>Total expenditures</i>	<u>642,042,232</u>	<u>642,042,232</u>	<u>183,793,946</u>	<u>458,248,286</u>
<i>Other financing sources (uses)</i>				
Transfers in:				
Severance tax bond proceeds	<u>170,946,764</u>	<u>170,946,764</u>	<u>183,598,123</u>	<u>12,651,359</u>
<i>Total other financing sources</i>	<u>170,946,764</u>	<u>170,946,764</u>	<u>183,598,123</u>	<u>12,651,359</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ (471,095,468)</u>	<u>\$ (471,095,468)</u>	<u>\$ 194,658</u>	<u>\$ 471,290,126</u>
<i>Reconciliation to GAAP Basis:</i>				
Expenditures, budgetary basis			<u>\$ 183,793,946</u>	
<i>Expenditures, GAAP basis</i>			<u>\$ 183,793,946</u>	

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

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 1 – DEFINITION OF REPORTING ENTITY

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 (the “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

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority’s financial statements. The financial statements and notes are the representation of the Authority’s management who is responsible for their integrity and objectivity. 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 agencies of the government. 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:

During the year ended June 30, 2016, the Department adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statements Nos. 72, 76, and a portion of 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2016.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. Information concerning the investments requiring fair value measurements will be available in the State of New Mexico CAFR, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Financial Reporting Entity

Governmental Accounting Standards Board Statement (GASBS) 14 and 39, *The Financial Reporting Entity*, effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASB 39 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASB 39 apply at all levels to all State and local governments.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB 39 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

The Authority is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR).

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority does not have any component units.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Authority's estimates include the useful lives of depreciable assets and accrued compensated absences.

Basic Financial Statements - Government-wide Statements

The Authority's basic financial statements include both information on a government-wide basis and information presented on a fund basis. Government-wide financial statements include two basic financial statements: a statement of net position and a statement of activities. These statements do not include the fiduciary activities as they do not represent resources available to fund the Authority's programs. The Authority has no fiduciary fund activity.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental funds or business-type. 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 does not have any business-type activities at year end June 30, 2016.

The Authority's net position is reported in three parts: invested in capital assets; restricted net position and unrestricted net position. When applicable, the effect of interfund activity is removed from the statement of net position in order to avoid a grossing-up effect on assets and liabilities within the statements.

The objective of the statement of activities is to report the relative financial burden of each of the reporting government's functions on its taxpayers. The format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees or intergovernmental aid.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is 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, 2016. The Authority includes only one function (general government).

The net cost (by function or business-type activities) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous model 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.

Basic Financial Statements - Fund Financial Statements

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

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

The financial transactions of the Authority are recorded in individual 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 reporting model under GASB 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds. Due to the fund structure of the Authority, all funds are considered major funds and are included under as governmental funds. The Authority classifies all of its funds as major funds.

The following fund types are used by the Authority:

Governmental Funds - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and, other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures of fund liabilities.

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.

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.

Measurement Focus, Basis of Accounting and Financial Reporting Presentation

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

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.

All governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period ("available" meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days).

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. However, in the government-wide financial statements, both current and long-term are accrued. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and deferred inflow by the recipient.

Budgets and Budgetary Accounting

These procedures are followed 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).

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

3. DFA makes recommendations and adjustments to the appropriation request, which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
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 principle 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 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. A reconciliation has been provided that reconciles differences between the budgetary basis and the modified accrual basis.
13. Each year the Legislature approves multiple 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
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Property, plant and equipment including software, purchased or acquired, are 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
Portable Classrooms	20 years
Vehicles	5 years

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.

Accrued 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 semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each 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. Authority general fund resources have been used to liquidate accrued compensated absences.

Pensions

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to /deductions from PERA's fiduciary net position, have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position/Fund Equity

In the government-wide financial statements, net position consists of three components: net investment in capital assets; restricted; and unrestricted. The Authority has no debt related to capital assets; therefore, net position invested in capital assets equal the capital assets, net of accumulated depreciation.

Net position is reported as restricted when constraints placed on net position use are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be only for the specific purposes stipulated in the legislation.

Legal enforceability means the government can be impelled by an external party - such as citizens, public interest groups or the judiciary - to use resources for the purposes specified by the legislation.

These resources remaining in net position were received or earned with the explicit understanding between the Authority and the resource provider (grantor, contributor, other government or enabling legislation) that the funds would be used for a specific purpose.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority did not have any items that qualified for reporting in this category as of June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not have any items that were required to be reported in this category as of June 30, 2016.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL

The Authority does not have a separate bank account. For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

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.

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 Public Schools Facilities Authority, 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 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
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2016

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

In FY 2012, management of DFA recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

The Authority has established daily and monthly procedures that mitigate the risk of misstatement of the Authority’s balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is 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.

State law (Section 8-6-3 NMSA 1978) requires the Authority’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Authority’s consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts.

The Authority does not have a separate bank account. The following is a summary of the Authority’s investment account of the State General Fund Investment Pool held by the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

<u>Fund</u>	<u>Type of Account</u>	<u>SHARE Fund No.</u>	<u>Reconciled Balance</u>
General Fund	Investment	94300	\$ 2,015,041
Bond Proceeds Capital Projects Fund	Investment	94700	<u>(15,770,288)</u>
Total share of State General Fund Investment Pool			<u>\$ (13,755,247)</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 State General Fund Investment Pool not being reconciled as previously mentioned.

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 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2016

NOTE 4 – DUE FROM/DUE TO OTHER STATE AGENCIES

Fund 94700 Proceeds Capital Projects	Due From
State of New Mexico 34100/10920	\$ 38,413,855

The Special Revenue Fund was owed \$38,413,855 by the State of New Mexico. \$38,413,855 is due to the Authority for construction costs incurred in this fund not yet received by June 30, 2016.

The Authority is in the process of closing out outstanding projects. As a result of the closeout process, additional receivables or payables to/from school districts may be identified that are not yet recorded on the Authority's financial statements.

NOTE 5 – ADVANCES RECEIVABLE

At June 30, 2016, the Authority had \$23,938,315 in advanced receivables. Advances receivable are approved by resolution through the Public School Capital Outlay Council to award districts a local match advance. Once the Authority awards an advance, the district has four years to repay the advance.

NOTE 6 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2016 is as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets being depreciated:				
Equipment	\$ 72,945	\$ -	\$ 21,350	\$ 51,595
Computer equipment	134,528	-	-	134,528
Portable Classrooms	8,481,100	-	-	8,481,100
Vehicles	247,065	-	-	247,065
Total capital assets being depreciated	8,935,638	-	21,350	8,914,288
Less accumulated depreciation:				
Equipment	39,995	12,899	21,350	31,544
Computer equipment	120,641	2,239	-	122,880
Portable Classrooms	4,349,316	424,055	-	4,773,371
Vehicles	222,359	24,706	-	247,065
Total accumulated depreciation	4,732,311	463,899	21,350	5,174,860
Capital assets, net of accumulated depreciation	\$ 4,203,327	\$ (463,899)	\$ -	\$ 3,739,428

Depreciation expense for the year ended June 30, 2016 was \$463,899. All depreciation expense was allocated to the Authority's general governmental function.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 7 – SPECIAL APPROPRIATIONS

Appropriations below are from the unexpended proceeds of taxable supplemental severance tax bonds that are not 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 project and create a budget. The following is a summary of special appropriations still outstanding at June 30, 2016:

Laws	Applicable Fiscal Year Period	Description	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/16
2014 HB55 Section 45	2014-2018	New Mexico School for the Blind and Visually Impaired Projects - Appropriations from the Public School Capital Outlay Fund. Appropriations 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. Projects are:				
	P14-021	Ditzler Auditorium and recreation center and the library building, including demolition of the Bert Reeves Learning Center (plan, design, construct, renovate, equip and furnish).	\$ 4,116,993	\$ 235,584	\$ -	\$ 3,881,409
	P14-019	Quimby gymnasium and natatorium (plan, design, construct, renovate, equip and furnish).	1,844,015	-	-	1,844,015
	P14-020	Sacramento Dormitory (plan, design, construct, renovate, equip and furnish residential cottages, including demolition)	2,294,411	-	-	2,294,411
	Total		\$ 8,255,419	\$ 235,584	\$ -	\$ 8,019,835

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 7 – SPECIAL APPROPRIATIONS (CONTINUED)

Laws	Applicable Fiscal Year Period	Description	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/16
2014 HB55 Section 46	2014-2018	New Mexico School for the Deaf Project - Appropriations from the Public School Capital Outlay Fund. Appropriations 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. Projects are:				
	P15-010	Cartwright Hall (plan, design, construct, renovate, equip and furnish).	\$ 7,038,365	\$ 304,296	\$ -	\$ 6,734,069
		Total	\$ 7,038,365	\$ 304,296	\$ -	\$ 6,734,069
2014 HB55 Section 47	2014-2018	Public Education Department Projects - Appropriations from the Public School Capital Outlay Fund. Appropriations 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. Projects are:				
		Pre-K (renovate and construct).	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -
		School buses (purchase statewide).	7,395,000	7,395,000	-	-
		Educational technology infrastructure at public schools (minimum network speed of less than five kilobytes per second per student to ensure these schools are able to administer computer-based assessments by the 2014-2015 school year.	5,000,000	5,000,000	-	-
		Total	\$ 14,895,000	\$ 14,895,000	\$ -	\$ -
2013 SB60 Section 52	2013-2017	New Mexico School for the Deaf Project - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
	P13-008	NMSD - Site Improvements	\$ 7,000,000	\$ 4,797,865	\$ -	\$ 2,202,135
	C10-001	NMSD - Dillion Hall	1,000,000	1,000,000	-	-
		Total	\$ 8,000,000	\$ 5,797,865	\$ -	\$ 2,202,135

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
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NOTE 7 – SPECIAL APPROPRIATIONS (CONTINUED)

Laws	Applicable Fiscal Year Period	Description	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/16
2013 SB60 Section 53	2013-2017	Public Education Department - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
		Pre-K (renovate and construct)	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -
		School Busses (purchase statewide)	13,000,000	13,000,000	-	-
		Total	\$ 15,500,000	\$ 15,500,000	\$ -	\$ -
2013 SB60 Section 54	2013-2017	New Mexico School for the Blind and Visually Impaired - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
		P13-016 NMSBVI - Jack Hall and the Health Services Buildings (relocate the library)	\$ 838,000	\$ 557,158	\$ -	\$ 280,842
		P13-015 NMSBVI - Site Improvements to the campus	2,900,000	1,986,667	-	913,333
		P14-025 NMSBVI - Watkins Education Center (renovate and equip and to demolish San Andres Building)	5,500,000	518,904	-	4,981,096
		Total	\$ 9,238,000	\$ 3,062,729	\$ -	\$ 6,175,271
2015 SB1 Section 75	2015-2019	Public Education Department - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
		Pre-K (renovate and construct)	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
		School Busses (purchase statewide)	4,000,000	4,000,000	-	-
		Total	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2016

NOTE 7 – SPECIAL APPROPRIATIONS (CONTINUED)

Laws	Applicable Fiscal Year Period	Description	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/16
2012 HB219 Section 40	2016-2020	Public Education Department - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
		Pre-K (renovate and construct)	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
		School Busses (purchase statewide)	7,000,000	7,000,000	-	-
		Total	\$ 12,000,000	\$ 7,000,000	\$ -	\$ 5,000,000
		TOTALS	\$ 79,926,784	\$ 51,795,474	\$ -	\$ 28,131,310

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016	Due within one Year
Compensated absences	\$ 187,037	\$ 217,937	\$ 218,254	\$ 186,720	\$ 186,720

Compensated absences payable – The liability at June 30, 2016 has been recorded in the basic financial statements and represents the Authorities commitment to fund accrued vacation, sick leave and personal time off costs from future operations. The compensated absence liability of the governmental fund is expected to be liquidated by the General Fund.

NOTE 9 – PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2016. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

Disclosure requirements including schedules of required supplementary information and related notes for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Department’s enterprise funds and therefore not reported in the Department’s Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
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June 30, 2016

NOTE 10 – POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

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

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

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, 2016, 2015 and 2014 were \$60,735, \$57,391, and \$51,891, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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, 2016 for operating leases were \$188,732.

The following is a schedule by years of future minimum lease rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2016.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2017	\$ 196,350
2018	<u>196,350</u>
	<u>\$ 392,700</u>

Risk Management

The Authority obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Authority are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2015 through June 30, 2016. There have been no settlements in excess of insurance coverage as of June 30, 2016.

NOTE 12 – TRANSFERS FROM OTHER AGENCIES

<u>Department</u> <u>Fund</u>	<u>Agency</u>	<u>Agency</u> <u>Number</u>	<u>Fund</u> <u>Number</u>	<u>Amount</u>	<u>Purpose</u>
Governmental funds:					
94300	State Of New Mexico	34100	10920	\$ 6,132,500	Severance Tax Bond Proceeds
94700	State Of New Mexico	34100	10920	<u>183,598,123</u>	Severance Tax Bond Proceeds
Total governmental funds				<u>\$ 189,730,623</u>	

NOTE 13 – PRIOR PERIOD RESTATEMENT

At June 30, 2016, a prior period restatement was recorded for governmental activities and the Bond Proceeds Capital Projects Special Revenue Fund related to advances made to school districts for construction projects not recorded by the Authority in the prior year. When the Public School Capital Outlay Council (PSCOC) awards an advance, the school district has four years in which to repay the advance to the Public School Facility Authority or to pay expenses on the Public School Facility Authority’s behalf. In order to account for repayments of these advances, the amounts advanced to the school districts were identified and recorded as a current or long term receivable in the general ledger. Amounts due within one year are considered current and amounts due in more than one year are considered long term. The amount of the advances receivables is \$24,035,433, with \$10,094,260 recorded as an unearned revenue and \$13,941,173 as a prior period adjustment to Bond Proceeds Capital Projects fund balance and governmental activities net position.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 14 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

- The Authority did not have deficit fund balance at year end June 30, 2016.
- The Authority did not exceed approved budget at year end June 30, 2016.
- The Authority did not have any funds in which designated cash appropriations were in excess of available budget.

NOTE 15 – SUBSEQUENT PRONOUNCEMENTS

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Department's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Department is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2017. The Department is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

NOTE 16 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2016, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2016

NOTE 17 – 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 \$931,173,369 as of June 30, 2016. The remaining commitment on these contracts was approximately \$124,369,036. 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, 2016, the Authority had approximately \$332,336,784 of certified and issued Severance Tax Bonds that remain unspent.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Schedule of Joint Powers Agreements
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District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Alamogordo	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Albuquerque	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Animas	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Aztec	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Belen	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Bernalillo	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Bloomfield	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Capitan	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Carlsbad	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Carrizozo	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Central	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Chama	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Cloudcroft	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Clovis	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Cobre	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Corona	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Cuba	PSFA Director	09/08/10	Indefinitely	NA	NA	School District

See independent auditors' report.

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District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Deming	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Des Moines	PSFA Director	03/17/11	Indefinitely	NA	NA	School District
Dexter	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Dora	PSFA Director	01/12/11	Indefinitely	NA	NA	School District
Elida	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Espanola	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Estancia	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Eunice	PSFA Director	03/25/11	Indefinitely	NA	NA	School District
Farmington	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Floyd	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Fort Sumner	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Gadsden	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Gallup	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Grady	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Grants	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Hagerman	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Hatch	PSFA Director	01/06/11	Indefinitely	NA	NA	School District

See independent auditors' report.

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District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Hobbs	PSFA Director	03/04/11	Indefinitely	NA	NA	School District
Hondo	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
House	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Jal	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Jemez Mountain	PSFA Director	10/25/10	Indefinitely	NA	NA	School District
Jemez Valley	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Lake Arthur	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Las Cruces	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Las Vegas City	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Logan	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Lordsburg	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Los Alamos	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Los Lunas	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Loving	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Lovington	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Magdalena	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Maxwell	PSFA Director	09/08/10	Indefinitely	NA	NA	School District

See independent auditors' report.

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District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Melrose	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Mesa Vista	PSFA Director	03/16/12	Indefinitely	NA	NA	School District
Mora	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Moriarty	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Mosquero	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Mountainair	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Pecos	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Penasco	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Pojoaque	PSFA Director	01/26/13	Indefinitely	NA	NA	School District
Portales	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Questa	PSFA Director	03/08/13	Indefinitely	NA	NA	School District
Raton	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Reserve	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Rio Rancho	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Roswell	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Roy	PSFA Director	03/04/11	Indefinitely	NA	NA	School District
Ruidoso	PSFA Director	09/08/10	Indefinitely	NA	NA	School District

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Schedule of Joint Powers Agreements
 For the Year Ended June 30, 2016

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
San Jon	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Santa Fe	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Santa Rosa	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Silver City	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Socorro	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Springer	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Taos	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Tatum	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Texico	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
T or C	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Tucumcari	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Tularosa	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Vaughn	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Wagon Mound	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
West Las Vegas	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Zuni	PSFA Director	09/21/10	Indefinitely	NA	NA	School District
NM School for the Deaf	PSFA Director	10/27/09	Indefinitely	NA	NA	School District

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Schedule of Joint Powers Agreements
 For the Year Ended June 30, 2016

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
NM School for the Blind	PSFA Director	11/20/09	Indefinitely	NA	NA	School District
Academy of Trades & Technology	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
ACE Leadership HS	PSFA Director	08/30/11	Indefinitely	NA	NA	School District
Albuquerque Sign Language Academy	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Aldo Leopold HS	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Alma d'arte	PSFA Director	03/11/11	Indefinitely	NA	NA	School District
Amy Biehl HS	PSFA Director	04/16/13	Indefinitely	NA	NA	School District
The ASK Academy	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Cesar Chavez Community School	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Cien Aguas International School	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Cottonwood Classical Preparatory School	PSFA Director	09/21/10	Indefinitely	NA	NA	School District
East Mountain HS	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Gilbert Sena Charter HS	PSFA Director	04/24/13	Indefinitely	NA	NA	School District
Horizon Academy West	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
International School of Mesa del Sol	PSFA Director	05/23/13	Indefinitely	NA	NA	School District
J. Paul Taylor Academy	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
La Promesa Charter School	PSFA Director	10/05/10	Indefinitely	NA	NA	School District

See independent auditors' report.

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STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Schedule of Joint Powers Agreements
 For the Year Ended June 30, 2016

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
The Masters Program	PSFA Director	07/21/11	Indefinitely	NA	NA	School District
Media Arts Collaborative CS	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Montessori ES	PSFA Director	04/16/13	Indefinitely	NA	NA	School District
New Mexico School for the Arts	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
North Valley Academy	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
School of Dreams	PSFA Director	01/12/11	Indefinitely	NA	NA	School District
South Valley Preparatory School	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
SW Intermediate Learning Center	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
SW Primary Learning Center	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
SW Secondary Learning Center	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Taos Academy Charter School	PSFA Director	10/05/10	Indefinitely	NA	NA	School District
Taos Integrated School for the Arts	PSFA Director	01/06/11	Indefinitely	NA	NA	School District
Tierra Adentro	PSFA Director	09/23/10	Indefinitely	NA	NA	School District
Village Academy	PSFA Director	09/08/10	Indefinitely	NA	NA	School District

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2016

Prepared by Agency: New Mexico Public School Facilities Authority

Bid/RFP #	Name and Physical Address per the procurement documentation of All Vendor(s) that responded	Awarded Yes/No
15-940-0000-EDAC1	THE UNIVERSITY OF NEW MEXICO Earth Data Analysis Center MSC01 1110 1 Univerisity of New Mexico Albuquerque NM 87131-+0001	Yes
	THE UNIVERSITY OF NEW MEXICO Real Estate Office 2811 Campus Blvd NE MSC06 3595 Albuquerque NM 87131-0001	Yes
15-940-0000-0000-7	E-BUILDER 1800 NW 69th Ave Ste 201 Plantation FL 33313	Yes
16-940-0000-00005	VFA INC 10801-2 N Mopac EXWY Ste 400 Austin TX 78759	Yes
PSFA ERCS-11-2015	INFINITY COMMUNICATION & CONSULTING 4909 Calloway Drive, Ste 102 Bakersfield CA 93313	No
PSFA ERCS-11-2015	FUNDS FOR LEARNING 2575 Kelley Pointe Parkway Ste 200 Edmond OK 73013	No
PSFA ERCS-11-2015	TEL/LOGIC INC 400 Post Avenue Ste 410 Westbury NY 11590-2291	Yes
GS-35F-446AA	HEWLETT PACKARD PO Box 101149 Atlanta GA 30392-1149	Yes
PSFA ISPBA-02-2015	Columbia Telecommunication Corp. (CTC) 10613 Concord Street Kensington MD 20895	Yes

See independent auditors' report.

\$ Amount of Awarded Contract	\$ Amount of Amended Contract	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
\$ 88,726.00	NA	NA	NA	BDCP ISP SERVICES & DATA MAPPING ANALYSIS
\$ 190,575.00	NA	NA	NA	RENT
\$ 175,800.00	NA	NA	NA	CONSTRUCTION INFORMATION MANAGEMENT SYSTEM
\$ 211,904.67	NA	NA	NA	FACILITES ASSESSMENT DATABASE
\$ -	NA	NA	NA	E-RATE CONSULTING SERVICES
\$ -	NA	NA	NA	E-RATE CONSULTING SERVICES
\$ 212,089.69	NA	NA	NA	E-RATE CONSULTING SERVICES
\$ 65,112.83	NA	NA	NA	ADDITIONAL PORTALS ACCESS & SUPPORT
\$ 230,000.00	NA	NA	NA	ISP/Broadband Infrastructure Study & Modeling Service (ISP/BISM)

See independent auditors' report.

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COMPLIANCE SECTION

**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 AUDITORS' REPORT

Tim Keller
New Mexico State Auditor
Members of the Public School Capital Outlay Council
State of New Mexico Public School Facilities Authority
Albuquerque, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund and major special revenue fund of the New Mexico Public School Facilities Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2016.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. Therefore, material weakness or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item FS 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

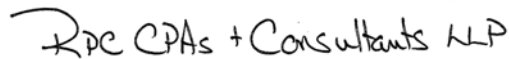
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Authority's Responses to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 29, 2016

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Schedule of Findings and Responses
June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Qualified |
| 2. Internal Control over financial Reporting | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | None Noted |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

FS 2015-001- Lack of Internal Controls over Reconciliations of Project Expenditures (Material Weakness) **(Repeated/Modified)**

Condition: During our audit of various transaction cycles we noted to the following:

- We noted that there are numerous projects not closed out that could result in funds due to the Authority or funds due to school districts.
- We noted revenues and expenditures related to prior periods recorded in the current year.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring.

Effect: Without a project closeout in place, the Authority may not be able to adequately track amounts due to the Authority or due to the Districts in a timely manner. These balances are potentially material in nature. This deficiency could lead to a misstatement of receivables, liabilities, revenues and expenditures in a given period, and, resulted in a qualified opinion for fiscal year 2016.

Cause: The Authority is still in the process of closing out all outstanding projects. When this project is complete the Authority will have accurate financial data to support due to the Authority or due to the District balances. At this point, while the closeout project is significantly complete, the accounting records do not allow for a recording or estimation of these balances. There are a variety of reasons the closeouts have not occurred timely. There are various manual procedures that are required and performed to account for the activity and a sufficient history of activity is not available because appropriate codes to track and report within SHARE were not utilized. In addition, the turnover in the accounting department transpired in the prior years resulted in a lapse of duties. This turnover has also created a situation in which there is a backlog of work, making it difficult for current employees to perform reconciliations of projects and issues from the prior years.

Auditors' Recommendation: The Authority should ensure that there are sufficient accounting and reporting abilities set up within its general ledger to properly track and account for transactions, and, take into account the unique operating environment of the Authority. The status of the advances, repayments, and outstanding balances within the subsidiary ledger by School District should be reconciled to SHARE general ledger monthly. Lastly, we recommend that the Authority complete their closeout process and in the future continue to perform timely project close outs to allow for the respective percentages of shared projects to be audited for each project and any settlement of total projects costs timely remitted.

Agency's Response: Management agrees with the finding and understands the need for internal control within processes to consist of the five critical elements of COSO (The Committee of Sponsoring Organizations). This has been an ongoing effort by the Authority, in which gaps were recognized and processes were implemented to properly capture and account for project expenditures. The Authority recognizes that, although it will be a lengthy process to perform reconciliations of projects and issues from prior years, this is nonetheless a core responsibility of the Authority that must be performed timely and accurately. The following are actions we have implemented or are in the process of implementing to address the deficiencies cited in the audit report.

The Authority keeps a subsidiary ledger within the financial plan that reports the advance activity monthly to the Public School Capital Outlay Council (PSCOC) for approval. The monthly reconciliations will continue and the Authority has worked with the Department of Finance and Administration (DFA) to properly record the advances to the general ledger (SHARE) timely.

Beginning July 1, 2014 the Authority implemented budgeting at a project level basis in accordance with accounting standards. The capital budgeting process currently implemented was agreed upon between the Authority and DFA. The Authority has developed a system reconciliation process and reporting from SHARE with DFA that has reduced the amount of manual procedures currently required. Projects prior to July 1, 2014 still require a manual reconciliation process to determine if project expenditures and revenues reconcile. This reconciliation process will continue until the projects are financially closed out.

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 2015-001- Lack of Internal Controls over Reconciliations of Project Expenditures (Material Weakness) (Repeated/Modified) (continued)

The Authority implemented a financial close out process and is currently developing and documenting the procedures to ensure reconciliation occurs between E-Builder and SHARE. During FY17, the Public School Capital Outlay Council tasked the Authority to financially close out projects. The Authority anticipates completion of the financial closeouts by December 2016 and the SHARE general journal entries by fiscal year end. These processes will ensure the recognition of a due to or due from the Districts during the fiscal year end closing process.

SECTION III – PRIOR YEAR FINDINGS

FS 2015-001 Lack of Internal Control over Monitoring of Draw Requests, Advanced Payments to Districts and Reconciliation of Project Expenditures – Repeated

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Other Disclosures
June 30, 2016

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 29, 2016. The following individuals were in attendance.

Representing New Mexico Public School Facilities Authority:

Public Schools Capital Outlay Council

David Abbey Legislative Finance Committee

Department of Finance and Administration

Stephanie Clark Deputy Director

Representing the Public Schools Facilities Authority

Rocky Kearney Deputy Director

Denise A. Irion Chief Financial Officer

Representing RPC CPAs + Consultants, LLP:

Robert Cordova, CPA Audit Partner

Danny Martinez, CPA, CGFM, CGMA Audit Manager

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of the Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.