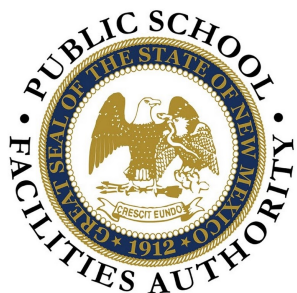




State of
New Mexico
New Mexico
Public School
Facilities
Authority

Financial Statements
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
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June 30, 2017

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STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Official Roster
 June 30, 2017

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>
Rocky Kearney	Interim Director
Cassandra 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

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, 2017, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison of the general fund and the major special revenue 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, 2017, and the changes in its financial position 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 10 through 15 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.

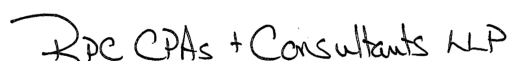
Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The Supporting Schedule 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 Schedule I 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 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
October 12, 2017

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2017

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, 2017 was \$12,650,614, which is a decrease of \$6,869,227 from the fiscal year ended June 30, 2016. The decrease is a result from a prior year restatement for advances receivable in the amount of \$1,808,402 plus \$5,060,825 related to total decrease in expenditures for the fiscal year.
- As of the close of the fiscal year 2017, the agency's government wide financial statements showed current assets of \$16,991,705 and net capital assets of \$3,302,214.

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.

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2017

The government-wide financial statements can be found on pages 18-19 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.

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

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

The basic governmental fund financial statements can be found on pages 20-23 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 26-45 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, 2017

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 \$12,475,825 as of June 30, 2017. Comparative net position is shown below:

	Governmental Activities June 30, 2017	Governmental Activities June 30, 2016
Assets:		
Current assets:		
Investment in State General Fund Investment Pool	\$ -	\$ -
Other current assets	<u>16,991,705</u>	<u>54,578,692</u>
Total current assets	16,991,705	54,578,692
Capital assets, net	3,302,214	3,739,428
Other noncurrent assets	<u>5,949,297</u>	<u>7,868,677</u>
Total noncurrent assets	<u>9,251,511</u>	<u>11,608,105</u>
 Total assets	 <u>26,243,216</u>	 <u>66,186,797</u>
Liabilities:		
Current liabilities	13,592,602	46,666,956
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>13,590,254</u>	<u>46,666,956</u>
Net position:		
Net investment in capital assets	3,302,214	3,739,428
Restricted for special appropriations	7,156,146	-
Unrestricted	<u>2,192,254</u>	<u>15,780,413</u>
Total net position	<u>\$ 12,650,614</u>	<u>\$ 19,519,841</u>

The decrease of \$6,869,227 from the previous year is primarily due to the recognition of current assets and liabilities for receivables and payables related to bond expenditures for capital projects. The Authority processed all goods and services received by June 30, 2017 within the fiscal year thus, resulting in a reduction of the due to/from other state agencies. Also the advance receivable was adjusted for unearned revenue that was booked in the prior year as the district paid PSFA's portion during FY17.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2017

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

	Governmental Activities June 30, 2017	Governmental Activities June 30, 2016
Expenses		
Education	\$ 183,581,661	\$ 183,582,945
General Government	<u>6,033,417</u>	<u>6,346,046</u>
Total expenses	<u>189,615,078</u>	<u>189,928,991</u>
General revenues and transfers		
Inter-agency transfers	174,001,595	183,582,945
Other miscellaneous revenues	<u>10,552,658</u>	<u>422,770</u>
Total general revenues and transfers	<u>184,554,253</u>	<u>190,153,393</u>
Change in net position	(5,060,825)	224,402
Beginning net position, July 1	<u>19,519,841</u>	<u>5,354,266</u>
Beginning net position, July 1 (restated)	<u>17,711,439</u>	<u>19,295,439</u>
Ending net position, June 30	<u>\$ 12,650,614</u>	<u>19,519,841</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.

Budgetary Highlights

The agency's General Fund budget for fiscal year 2017 was \$6,039,700 (\$4,689,100 Personnel Services and Employee Benefits; \$161,200 Contractual Services; \$1,189,400 Other). Budget Adjustment Request (BAR) was not executed in FY17. At fiscal year end, the agency expended \$5,606,465 reverting back the balance of the fiscal year approved budget to the PSCOC fund \$433,235 which will be recorded in the FY18 fiscal year audit.

In FY17, the agency's major fund, the Bond Proceeds Capital Projects Special Revenue Fund saw a decrease in budgeted inflows of \$9,771,318 from reduced intra-agency transfers of Supplemental Severance Tax Bonds.

Throughout the course of FY17, the Bond Proceeds Capital Projects Fund saw outflows totaling \$183,581,661 for project expenditures.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2017

Changes in Assets and Long-Term Liabilities of the Agency

The PSCOC Capital Asset value of \$3,302,214 is the depreciated value of portable classrooms purchased in 2004. Financial Assets are Intra-agency transfers 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, 2017, unexpended balances in the fund were \$216,016,823. 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 FY17, awards totaled approximately \$64.7 million for 10 school construction projects and 21 facility planning needs in 24 school districts, a decrease of 43.1 percent over FY16. Current long-term commitments for awards not yet certified are to 18 projects totaling approximately \$98.1 million (not inclusive of 2018-19 or other out year award cycles.) The Public School Capital Outlay Council awarded 103 charter schools in 22 districts \$15.7 million in lease assistance awards.

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 \$2.56 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 34.43% from FY03 to FY17. 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.

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 experienced 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
New Mexico Public School Facilities Authority
Management's Discussion & Analysis
June 30, 2017

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 is a ratio of needed repairs, including life cycle renewal requirements divided by replacement value. For example, assume you own a \$100,000 house that needs a new \$15,000 roof. The FCI is reached by dividing the cost of repair by the cost of the house $\$15,000/\$100,000 = 15\%$ FCI.

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 Denise A. Irion, CFO, 1312 Basehart, Suite 200, Albuquerque, NM 87116. Email: dirion@nmopsfa.org. Phone number: (505)-843-6272.

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Statement of Net Position
June 30, 2017

Exhibit A-1

	Governmental Activities
Assets	
Current assets:	
Investment in State Treasurer's General Fund Investment Pool	\$ 14,348,594
Advances receivable	2,169,269
Due from other state agencies	160,227
Due from local governments	313,615
Total current assets	<u>16,991,705</u>
Noncurrent assets:	
Advances receivable	5,949,297
Capital assets, net of accumulated depreciation	3,302,214
Total noncurrent assets	<u>9,251,511</u>
<i>Total assets</i>	<u><u>\$ 26,243,216</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 10,610,315
Unearned revenue	200,000
Accrued salaries payable	151,845
Due to local governments	2,453,984
Compensated absences payable	176,458
Total current liabilities	<u>13,592,602</u>
<i>Total liabilities</i>	<u>13,592,602</u>
Net position	
Net investment in capital assets	3,302,214
Restricted for special appropriations	7,156,146
Unrestricted	2,192,254
<i>Total net position</i>	<u>12,650,614</u>
<i>Total liabilities and net position</i>	<u><u>\$ 26,243,216</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, 2017

Exhibit A-2

	Governmental Activities
Expenses	
Education	\$ 183,581,661
General government:	
Personnel services and employee benefits	4,289,067
Contractual services	97,716
Other costs	1,646,634
<i>Total expenses</i>	189,615,078
General revenues and transfers	
Inter-agency transfers	174,001,595
Miscellaneous	10,552,658
<i>Total general revenues and transfers</i>	184,554,253
Change in net position	(5,060,825)
Net position, beginning	19,519,841
Net position, restatement (Note 15)	(1,808,402)
Net position, beginning as restated	17,711,439
<i>Net position, ending</i>	\$ 12,650,614

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, 2017

Exhibit B-1
 Page 1 of 2

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
Assets			
Investments in State General Fund Investment Pool	\$ 2,546,493	\$ 11,802,101	\$ 14,348,594
Advances receivable, current	-	2,169,269	2,169,269
Advances receivable, long-term	-	5,949,297	5,949,297
Due from other state agencies	-	160,227	160,227
Due from local governments	-	313,615	313,615
	<u>2,546,493</u>	<u>20,394,509</u>	<u>22,941,002</u>
<i>Total assets</i>	<u>\$ 2,546,493</u>	<u>\$ 20,394,509</u>	<u>\$ 22,941,002</u>
 Liabilities and fund balances			
<i>Liabilities</i>			
Accounts payable	\$ 25,936	\$ 10,584,379	\$ 10,610,315
Unearned revenues	-	200,000	200,000
Accrued salaries payable	151,845	-	151,845
Due to local governments	-	2,453,984	2,453,984
	<u>177,781</u>	<u>13,238,363</u>	<u>13,416,144</u>
<i>Total liabilities</i>	<u>177,781</u>	<u>13,238,363</u>	<u>13,416,144</u>
 <i>Fund balances</i>			
Restricted for special appropriations	-	7,156,146	7,156,146
Unassigned	2,368,712	-	2,368,712
	<u>2,368,712</u>	<u>7,156,146</u>	<u>9,524,858</u>
<i>Total fund balances</i>	<u>2,368,712</u>	<u>7,156,146</u>	<u>9,524,858</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,546,493</u>	<u>\$ 20,394,509</u>	<u>\$ 22,941,002</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, 2017

Exhibit B-1
Page 2 of 2

Total fund balance for the governmental fund (Exhibit B-1)	\$ 9,524,858
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.	3,302,214
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>(176,458)</u>
<i>Total net position (Exhibit A-1)</i>	<u><u>\$ 12,650,614</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, 2017

Exhibit B-2
Page 1 of 2

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
<i>Revenues</i>			
Miscellaneous income	\$ 70,753	\$ 10,481,905	\$ 10,552,658
<i>Total revenues</i>	<u>70,753</u>	<u>10,481,905</u>	<u>10,552,658</u>
<i>Expenditures</i>			
Current:			
Education	-	183,581,661	183,581,661
General government:			
Personnel services and employee benefits	4,299,329	-	4,299,329
Contractual services	97,716	-	97,716
Other costs	1,209,420	-	1,209,420
<i>Total expenditures</i>	<u>5,606,465</u>	<u>183,581,661</u>	<u>189,188,126</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,535,712)</u>	<u>(173,099,756)</u>	<u>(178,635,468)</u>
<i>Other financing sources (uses)</i>			
Interfund transfers	6,039,700	(6,039,700)	-
Inter-agency transfers	-	174,001,595	174,001,595
<i>Total other financing sources</i>	<u>6,039,700</u>	<u>167,961,895</u>	<u>174,001,595</u>
<i>Net change in fund balance</i>	<u>503,988</u>	<u>(5,137,861)</u>	<u>(4,633,873)</u>
Fund balance, beginning of year	1,864,724	14,102,409	15,967,133
Fund balance, restatement (Note 15)	-	(1,808,402)	(1,808,402)
Fund balance, beginning, as restated	<u>1,864,724</u>	<u>12,294,007</u>	<u>14,158,731</u>
<i>Fund balance, end of year</i>	<u>\$ 2,368,712</u>	<u>\$ 7,156,146</u>	<u>\$ 9,524,858</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, 2017

Exhibit B-2
Page 2 of 2

Net change in fund balance - governmental funds	\$ (4,633,873)
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	(437,214)
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>10,262</u>
<i>Change in net position (Exhibit A-2)</i>	<u><u>\$ (5,060,825)</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 (94300)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 70,753	\$ 70,753
<i>Total revenues</i>	-	-	70,753	70,753
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	4,689,100	4,689,100	4,299,329	389,771
Contractual services	161,200	161,200	97,716	63,484
Other costs	1,189,400	1,189,400	1,209,420	(20,020)
<i>Total expenditures</i>	6,039,700	6,039,700	5,606,465	433,235
<i>Other financing sources</i>				
Transfers in:				
Interfund transfers	6,039,700	6,039,700	6,039,700	-
<i>Total other financing sources</i>	6,039,700	6,039,700	6,039,700	-
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	\$ -	\$ -	\$ 503,988	\$ 503,988

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
 Bond Proceeds Capital Projects Special Revenue Fund (94700)
 For the Year Ended June 30, 2017

Exhibit C-2

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 10,481,905	\$ 10,481,905
<i>Total revenues</i>	-	-	10,481,905	10,481,905
<i>Expenditures</i>				
Current:				
Education	699,190,953	699,190,953	183,581,661	515,609,292
Other costs	-	-	-	-
<i>Total expenditures</i>	699,190,953	699,190,953	183,581,661	515,609,292
<i>Other financing sources (uses)</i>				
Transfers in:				
Inter-agency transfers	170,946,764	170,946,764	173,826,805	2,880,041
Transfers out:				
Interfund transfers	(6,039,700)	(6,039,700)	(6,039,700)	-
<i>Total other financing sources (uses)</i>	164,907,064	164,907,064	167,787,105	2,880,041
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ (534,283,889)</u>	<u>\$ (534,283,889)</u>	<u>\$ (5,312,651)</u>	<u>\$ 528,971,238</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, 2017

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 governmental agencies. 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:

Financial Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. 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.

GASB 80 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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

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 the current portion of 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, 2017.

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.

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, 2017. The Authority includes only one function (general government).

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

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, 2017

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, 2017

NOTE 2. Summary of Significant Accounting Policies (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, 2017

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

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.

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

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, represents a consumption of net position that applies to 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, 2017.

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, 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, 2017.

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.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 3. State General Fund Investment Pool (continued)

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.

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	\$ 2,546,493
Bond Proceeds Capital Projects Fund	Investment	94700	<u>11,802,101</u>
Total share of State General Fund Investment Pool			<u>\$ 14,348,594</u>

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 4. Due from/Due to Other State Agencies

Authority's cash balances would be misstated due to the State General Fund Investment Pool not being reconciled as previously mentioned.

Fund 94700 Proceeds Capital Projects	Due From
State of New Mexico 34100/10920	\$ 160,227

The Special Revenue Fund was owed \$160,227 by the State of New Mexico. \$160,227 is due to the Authority for construction costs incurred in this fund not yet received by June 30, 2017.

NOTE 5. Due from/Due to Local Governments

The Special Revenue Fund was owed \$313,615 by and was liable for \$2,453,984 to various School Districts within the State of New Mexico. \$313,615 is due to the Authority for construction costs incurred in this fund not yet received by June 30, 2017. \$2,453,984 is owed to the various school districts for construction cost incurred and not yet paid to the school districts.

NOTE 6. Advances Receivable

At June 30, 2017, the Authority had \$8,118,566 in advances receivable. 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 7. Capital Assets

The capital assets activity for the year ended June 30, 2017 is as follows:

	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets being depreciated:				
Equipment	\$ 51,595	\$ -	\$ -	\$ 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	8,914,288	-	-	8,914,288
Less accumulated depreciation:				
Equipment	31,544	12,188	-	43,732
Computer equipment	122,880	971	-	123,851
Portable Classrooms	4,773,371	424,055	-	5,197,426
Vehicles	247,065	-	-	247,065
Total accumulated depreciation	5,174,860	437,214	-	5,612,074
Capital assets, net of accumulated depreciation	\$ 3,739,428	\$ (437,214)	\$ -	\$ 3,302,214

Depreciation expense for the year ended June 30, 2017 was \$437,214. 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, 2017

NOTE 8. Special Appropriations

Appropriations below are from the unexpended proceeds of inter-agency transfers 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, 2017:

Laws	Applicable Fiscal Year Period	Description	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/17
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	\$ 1,515,680	\$ -	\$ 2,601,313
	P14-019	Quimby gymnasium and natatorium (plan, design, construct, renovate, equip and furnish).	1,844,015	33,432	-	1,810,583
	P14-020	Sacramento Dormitory (plan, design, construct, renovate, equip and furnish residential cottages, including demolition)	2,294,411	-	-	2,294,411
	Subtotal		\$ 8,255,419	\$ 1,549,112	\$ -	\$ 6,706,307

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 8. 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 6/30/17
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
		Subtotal	<u>\$ 7,038,365</u>	<u>\$ 304,296</u>	<u>\$ -</u>	<u>\$ 6,734,069</u>
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	-	-
		Subtotal	<u>\$ 14,895,000</u>	<u>\$ 14,895,000</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 8. 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 6/30/17
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	\$ 4,982,784	\$ -	\$ 2,017,216
		C10-001 NMSD - Dillion Hall	1,000,000	1,000,000	-	-
		Subtotal	\$ 8,000,000	\$ 5,982,784	\$ -	\$ 2,017,216
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) School Busses (purchase statewide)	\$ 2,500,000	\$ 1,507,102	\$ 992,898	\$ -
			13,000,000	12,999,351	649	-
		Subtotal	\$ 15,500,000	\$ 14,506,454	\$ 993,546	\$ -
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	\$ 569,259	\$ -	\$ 268,741
		P13-016 NMSBVI - Jack Hall and the Health Services Buildings (relocate the library)	335,008	335,008	-	-
		P13-015 NMSBVI - Site Improvements to the campus	1,486,180	500,487	-	985,693
		P13-015 NMSBVI - Site Improvements to the campus	1,486,180	1,486,180	-	-
		P14-025 NMSBVI - Watkins Eduction Center (renovate and equip and to demolish San Andres Building)	5,500,000	4,254,672	-	1,245,328
		Subtotal	\$ 9,645,368	\$ 7,145,606	\$ -	\$ 2,499,762

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 8. 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 6/30/17
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	-	-
		Subtotal	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -
2016 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	-	-
		Subtotal	\$ 12,000,000	\$ 7,000,000	\$ -	\$ 5,000,000

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 8. 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 6/30/17
2016 SB4 Section 2 Paragraph N	2018-2022	Instructional Material or Transportation Distribution Fund - Appropriations from the Public School Capital Outlay Fund, declaring an emergency.				
	2018	Instructional Material Fund or Transportation Distribution Fund	\$ 25,000,000	\$ -	\$ -	\$ 25,000,000
	2019	Instructional Material Fund or Transportation Distribution Fund	25,000,000	-	-	25,000,000
	2020	Instructional Material Fund or Transportation Distribution Fund	25,000,000	-	-	25,000,000
	2021	Instructional Material Fund or Transportation Distribution Fund	25,000,000	-	-	25,000,000
	2022	Instructional Material Fund or Transportation Distribution Fund	25,000,000	-	-	25,000,000
2016 SB4 Section 3	2017	Instructional Material or Transportation Distribution Fund - Appropriations from the Public School Capital Outlay Fund, declaring an emergency.				
	2017	Instructional Material Fund or Transportation Distribution Fund	12,500,000	12,500,000	-	-
	Subtotal		\$ 137,500,000	\$ 12,500,000	\$ -	\$ 125,000,000
2016 SB8 Section 6	2017	General Fund Restore Allotments- Appropriations from the Public School Capital Outlay Fund from the unexpended proceeds of supplemental severance tax bonds that are no longer needed for the projects for which bonds were issued.				
	2017	General Fund Restore Allotments - Project Reversions	\$ 12,368,629	\$ 12,368,629	\$ -	\$ -
	Subtotal		\$ 12,368,629	\$ 12,368,629	\$ -	\$ -
TOTALS			\$ 230,202,781	\$ 81,251,881	\$ 993,546	\$ 147,957,354

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 9. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Due within one Year</u>
Compensated absences	\$ 186,720	\$ 227,665	\$ 237,927	\$ 176,458	\$ 176,458

Compensated absences payable – The liability at June 30, 2017 has been recorded in the basic financial statements and represents the Authority’s commitment to fund accrued vacation, sick leave and personal time off costs from future operations. The compensated absence liability of the governmental fund is expected to be liquidated by the General Fund.

NOTE 10. 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, 2017. 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.

NOTE 11. 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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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, 2017, 2016 and 2015 were \$62,627, \$60,735, and \$57,391 respectively, which equal the required contributions for each year.

NOTE 12. 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, 2017 for operating leases were \$196,378.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2017

NOTE 12. Commitments and Contingencies (continued)

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, 2017.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2018	<u>\$ 196,350</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, 2016 through June 30, 2017. There have been no settlements in excess of insurance coverage as of June 30, 2017.

NOTE 13. Interfund Transfers

Operating transfers are for the allocation of administrative and payroll costs and consist of the following:

<u>Transfers In</u>	<u>Transfers out</u>	<u>Amount</u>
General Fund (94300)	Bond Proceeds Capital Projects Fund (94700)	<u>\$ 6,039,700</u>

NOTE 14. Transfers from Other State of New Mexico Agencies

<u>Authority Fund</u>	<u>Agency</u>	<u>Agency Number</u>	<u>Fund Number</u>	<u>Purpose</u>	<u>Amount</u>
Bond Proceeds Capital Projects Fund (94700)	Department of Finance & Administration	34100	10920	Severance Tax Bond	<u>\$ 174,001,595</u>

NOTE 15. Prior Period Restatement

At June 30, 2017, a prior period restatement was recorded for the Bond Proceeds Capital Projects Special Revenue Fund related to advances made to school districts for construction projects not properly recorded by the Authority in the prior year. The Authority noted an error in a school district receivable in the amount of \$1,507,272. In addition, a prior period restatement was recorded for the Bond Proceeds Capital Projects Special Revenue Fund related to the Authority's project closeout process. During the fiscal year, the Authority performed a detail audit over capital projects completed but not yet closed out in the Authority's project listing. As a result of this process, the Authority recorded a prior period restatement of \$301,130 for expenses not recognized for two school districts in prior years.

In total, beginning Bond Proceeds Capital Projects Special Revenue fund balance and Governmental Activities net position was restated by (\$1,808,402).

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 16. Other Required Individual Fund Disclosures

- The Authority did not have deficit fund balance at year end June 30, 2017.
- The Authority had the following fund with function item expenditures in excess of the budgeted appropriations for the year ended June 30, 2017.

Major Fund

General Fund (94300)	<u>\$ 20,020</u>
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- The Authority did not have any funds in which designated cash appropriations were in excess of available budget.

NOTE 17. Subsequent Pronouncements

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 Housing Authority does not expect this pronouncement to have a material effect on the financial statements as they do not participate in such a plan.

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 Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2017

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 12, 2017, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

NOTE 19. 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 \$438,554,259 as of June 30, 2017. The remaining commitment on these contracts was approximately \$83,449,877. These contracts will be paid in future periods as work is performed. Payment will be made with proceeds from inter-agency transfers of severance tax bonds and contributions from respective school districts. At June 30, 2017, the Authority had approximately \$228,620,672 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
 For the Year Ended June 30, 2017

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Alamogordo	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Albuquerque	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Animas	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Aztec	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Belen	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Bernalillo	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Bloomfield	PSFA Director	10/26/10	Indefinitely	NA	NA	School District
Capitan	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Carlsbad	PSFA Director	10/26/10	Indefinitely	NA	NA	School District
Carrizozo	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Central	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Chama	PSFA Director	11/01/10	Indefinitely	NA	NA	School District
Cloudcroft	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Clovis	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Cobre	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Corona	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Cuba	PSFA Director	09/14/10	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, 2017

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Deming	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Des Moines	PSFA Director	07/18/11	Indefinitely	NA	NA	School District
Dexter	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Dora	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Elida	PSFA Director	10/01/10	Indefinitely	NA	NA	School District
Espanola	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Estancia	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Eunice	PSFA Director	04/13/11	Indefinitely	NA	NA	School District
Farmington	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Floyd	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Fort Sumner	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Gadsden	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Gallup	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Grady	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Grants	PSFA Director	09/29/10	Indefinitely	NA	NA	School District
Hagerman	PSFA Director	10/01/10	Indefinitely	NA	NA	School District
Hatch	PSFA Director	02/02/11	Indefinitely	NA	NA	School District

See independent auditors' report.

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 New Mexico Public School Facilities Authority
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District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Hobbs	PSFA Director	02/15/11	Indefinitely	NA	NA	School District
Hondo	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
House	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Jal	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Jemez Mountain	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Jemez Valley	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Lake Arthur	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Las Cruces	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Las Vegas City	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Logan	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Lordsburg	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Los Alamos	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Los Lunas	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Loving	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Lovington	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Magdalena	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Maxwell	PSFA Director	09/14/10	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	10/14/10	Indefinitely	NA	NA	School District
Mesa Vista	PSFA Director	03/16/12	Indefinitely	NA	NA	School District
Mora	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Moriarty	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Mosquero	PSFA Director	09/08/10	Indefinitely	NA	NA	School District
Mountainair	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Pecos	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Penasco	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Pojoaque	PSFA Director	03/12/13	Indefinitely	NA	NA	School District
Portales	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Questa	PSFA Director	03/12/13	Indefinitely	NA	NA	School District
Raton	PSFA Director	10/26/10	Indefinitely	NA	NA	School District
Reserve	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Rio Rancho	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Roswell	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Roy	PSFA Director	03/07/11	Indefinitely	NA	NA	School District
Ruidoso	PSFA Director	09/14/10	Indefinitely	NA	NA	School District

See independent auditors' report.

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 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
San Jon	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Santa Fe	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
Santa Rosa	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Silver City	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Socorro	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Springer	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Taos	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Tatum	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Texico	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
T or C	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Tucumcari	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Tularosa	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Vaughn	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Wagon Mound	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
West Las Vegas	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Zuni	PSFA Director	10/04/10	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, 2017

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
NM School for the Blind	PSFA Director	11/06/09	Indefinitely	NA	NA	School District
Academy of Trades & Technology	PSFA Director	11/08/10	Indefinitely	NA	NA	School District
ACE Leadership HS	PSFA Director	09/01/11	Indefinitely	NA	NA	School District
Albuquerque Sign Language Academy	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Aldo Leopold HS	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Alma d'arte	PSFA Director	03/24/11	Indefinitely	NA	NA	School District
Amy Biehl HS	PSFA Director	04/04/13	Indefinitely	NA	NA	School District
The ASK Academy	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Cesar Chavez Community School	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Cien Aguas International School	PSFA Director	10/14/10	Indefinitely	NA	NA	School District
Cottonwood Classical Preparatory School	PSFA Director	02/28/12	Indefinitely	NA	NA	School District
East Mountain HS	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Gilbert Sena Charter HS	PSFA Director	04/24/13	Indefinitely	NA	NA	School District
Horizon Academy West	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
International School of Mesa del Sol	PSFA Director	04/26/13	Indefinitely	NA	NA	School District
J. Paul Taylor Academy	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
La Promesa Charter School	PSFA Director	01/29/13	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, 2017

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
The Masters Program	PSFA Director	08/08/11	Indefinitely	NA	NA	School District
Media Arts Collaborative CS	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Montessori ES	PSFA Director	04/10/13	Indefinitely	NA	NA	School District
New Mexico School for the Arts	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
North Valley Academy	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
School of Dreams	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
South Valley Preparatory School	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
SW Intermediate Learning Center	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
SW Primary Learning Center	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
SW Secondary Learning Center	PSFA Director	09/14/10	Indefinitely	NA	NA	School District
Taos Academy Charter School	PSFA Director	11/14/10	Indefinitely	NA	NA	School District
Taos Integrated School for the Arts	PSFA Director	02/02/11	Indefinitely	NA	NA	School District
Tierra Adentro	PSFA Director	10/04/10	Indefinitely	NA	NA	School District
Village Academy	PSFA Director	09/14/10	Indefinitely	NA	NA	School District

See independent auditors' report.

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 12, 2017.

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 governances.

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

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 Standards*.

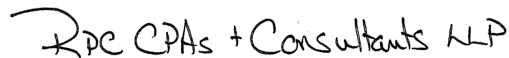
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying scheduled of Section 12-6-5 NMSA 1978 Findings as item NM 2017-001.

Authority's Response to the 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
October 12, 2017

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Schedule of Findings and Responses
June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal Control over financial Reporting	
a. Material weaknesses identified?	None Noted
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

No financial statement findings noted for the year-ended June 30, 2017.

SECTION III - FINDINGS-SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2017-001 – Budgetary Controls– Other Noncompliance

Condition: The Authority has over expended its budget in the following fund:

General Fund – 94300 – Other Costs \$ 20,020

Criteria: NMAC 6.20.2.10 state that all Authority funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Effect: The budget adjustments required at year end were not requested to alleviate budget overruns.

Cause: The District did not properly monitor the budget to account for required budget adjustments at year end.

Auditors' Recommendations: We recommend that the Authority monitor its budgets closely and prepare budget adjustments as necessary.

Agency's Response: Management agrees with the finding and understands the need for internal control to monitor the budgets closely and prepare budget adjustments as necessary. The reports used to monitor the budget did not capture journal entries made by staff for Period 998 which is the year-end period for closing. It is anticipated that the SHARE Upgrade 9.2 will capture these journal entry transactions in period 998, as reporting has been revised and improved as part of the upgrade. The CFO will monitor and ensure that all expenditures are compared to budget by June 30, 2018.

SECTION IV - PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

FS 2015-001 – Lack of Internal Controls over Reconciliations of Project Expenditures – Resolved

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Other Disclosures
June 30, 2017

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 12, 2017. The following individuals were in attendance.

Representing New Mexico Public School Facilities Authority:

Stephanie Clark
Jessica Kelly
Jonathan Chamblin
Denise A. Irion

DFA
Office of the Governor
Executive Director
Chief Financial Officer

Representing RPC CPAs + Consultants, LLP:

Danny Martinez, CPA, CGFM

Audit Partner

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.