

New Mexico Public School Facilities Authority

Financial Statements
For the Year Ended June 30, 2018



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
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STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Official Roster
June 30, 2018

<u>Name</u>	<u>Public School Capital Outlay Council</u>	<u>Title</u>
Nina Carranco		Department of Finance & Administration
Antonio Ortiz		Public School Education Department
Sara Fitzgerald		Office of the Governor
Gilbert Peralta		Public Education Commission
Joe Guillen		NM School Board Association
David Abbey		Legislative Finance Committee
Pat McMurray		Construction Industries Division
Rachel Gudgel		Legislative Education Study Committee
Raul Bruciaga		Legislative Council Service

Administration

Jonathan Chamblin	Director
Martica Casias	Deputy Director
Denise Irion	Chief Financial Officer
Casandra Cano	Program Support Manager
Lacey Burton	Human Resources & Training Manager
Bryan King	Chief Information Officer
Edward Avila	Senior Facilities Manager
Larry Tillostson	Facilities Maintenance & Operations Support Manager

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
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, 2018, 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 misstatement, 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 opinions.

Opinion

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, 2018, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and 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, 2018, and the changes in its financial position, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14 through 19 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 financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparisons. The introductory section, and Supporting Schedule I 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 31, 2018

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STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management Discussion and Analysis
June 30, 2018

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, 2018 was \$13,667,395 which is an increase of \$1,016,781 from the fiscal year ended June 30, 2017. The increase is a result from a prior year restatement for advances receivable in the amount of (\$237,627) plus \$1,254,408 related to total change in net position.
- As of the close of the fiscal year 2018, the agency's government wide financial statements showed current assets of \$15,036,804 and net capital assets of \$2,870,743.

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.

The government-wide financial statements can be found on pages 22-23 of this report.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management Discussion and Analysis
June 30, 2018

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 24-27 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 30-53 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 Discussion and Analysis
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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 \$13,667,395 as of June 30, 2018. Comparative net position is shown below:

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017
Assets:		
Current assets:		
Investment in State General Fund Investment Pool	\$ 13,470,502	\$ 14,348,594
Other current assets	<u>1,566,302</u>	<u>2,405,484</u>
Total current assets	<u>15,036,804</u>	<u>16,754,078</u>
Capital assets, net	2,870,743	3,302,214
Other noncurrent assets	<u>5,222,793</u>	<u>5,949,297</u>
Total noncurrent assets	<u>8,093,536</u>	<u>9,251,511</u>
 Total assets	 <u>\$ 23,130,340</u>	 <u>\$ 26,005,589</u>
Liabilities:		
Current liabilities	9,462,945	13,592,602
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>9,462,945</u>	<u>13,592,602</u>
Net position:		
Net investment in capital assets	2,870,743	3,302,214
Restricted for Special Appropriations	8,129,851	6,918,519
Unrestricted	<u>2,666,801</u>	<u>2,192,254</u>
Total net position	<u>\$ 13,667,395</u>	<u>\$ 12,412,987</u>

The increase of \$1,254,408 in net position 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, 2018 within the fiscal year thus, resulting in a reduction of the due to/from other state agencies.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Management Discussion and Analysis
June 30, 2018

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

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017
Expenses		
Education	\$ 98,160,669	\$ 183,581,661
General Government	<u>5,178,828</u>	<u>6,033,417</u>
Total expenses	<u>103,339,497</u>	<u>189,615,078</u>
 General revenues		
Severance tax bond proceeds	103,979,979	174,001,595
Special appropriations	-	-
Other miscellaneous revenues	<u>613,926</u>	<u>10,315,031</u>
Total revenues	<u>104,593,905</u>	<u>184,316,626</u>
 Change in net position	1,254,408	(5,298,452)
Beginning net position, July 1	<u>12,650,614</u>	<u>19,519,841</u>
 Beginning net position, July 1 (restated)	<u>12,412,987</u>	<u>17,711,439</u>
 Ending net position, June 30	<u>\$ 13,667,395</u>	<u>\$ 12,412,987</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 2018 was \$5,647,400 (\$4,337,200 Personnel Services and Employee Benefits; \$109,700 Contractual Services; \$1,200,500 Other). Budget Adjustment Request (BAR) was not executed in FY18. At fiscal year end, the agency expended \$5,158,839 reverting back the balance of the fiscal year approved budget to the PSCOC fund \$494,536 which will be recorded in the FY19 fiscal year audit.

In FY18, the agency's major fund, the Bond Proceeds Capital Projects Special Revenue Fund saw a decrease in budgeted inflows of \$70,021,616 from reduced proceeds Supplemental Severance Tax Bonds related to reduced capital awards.

Throughout the course of FY18, the Bond Proceeds Capital Projects Fund saw outflows totaling \$97,729,198 for project expenditures.

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Changes in Assets and Long-Term Liabilities of the Agency

The PSCOC Capital Asset value of \$2,870,743 is the depreciated value of portable classrooms purchased in 2004. Financial Assets are proceeds from the sale of Supplemental Severance Tax Bonds (SSTBs). Although the Authority oversees and funds various construction projects, the Authority does not maintain ownership; ownership is turned over to the respective school district upon completion of the project.

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

Long term commitments of the agency are future construction (phase 2) awards as identified in the Public School Capital Outlay Council Financial Plan "Project Awards Schedule". At June 30, 2018, unexpended balances in the fund were \$197,172,371. 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 FY18, awards totaled approximately \$61.9 million for 6 school construction projects, 10 systems-based awards, 2 emergency awards and 11 facility planning needs in 23 school districts, a decrease of 4.3 percent over FY17. Current long-term commitments for awards not yet certified are to 6 projects totaling approximately \$34.4 million (not inclusive of 2018-19 or other out year award cycles.) The Public School Capital Outlay Council awarded 98 charter schools in 21 districts \$15.4 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 50.24% from FY03 to FY18. Substantial progress has been made in equalizing the condition of facilities across the state. Pre-kindergarten classroom program funding was transferred from the Public Education Department to PSFA as a \$5.0M appropriation in FY18. HB306 and SB239 are legislative appropriations for FY18 – FY22 for the purpose of making improvements to security systems at public schools statewide.

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. Five-year revenue projections from Sources and Uses of Bonding Capacity Available for Authorization published by the Board of Finance forecasts an aggregate increase in revenue of 28.3%.

STATE OF NEW MEXICO
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Management Discussion and Analysis
June 30, 2018

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@nmpsfa.org. (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, 2018

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets	
Investment in State General Fund Investment Pool	\$ 13,470,502
Advances receivable	1,078,865
Due from other local governments	<u>487,437</u>
Total current assets	<u>15,036,804</u>
Noncurrent assets	
Advances receivable	5,222,793
Capital assets, net of accumulated depreciation	<u>2,870,743</u>
Total noncurrent assets	<u>8,093,536</u>
Total assets	<u><u>\$ 23,130,340</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 7,519,543
Unearned revenue	199,999
Accrued salaries payable	157,698
Due to other local governments	1,389,258
Compensated absences	<u>196,447</u>
Total current liabilities	<u>9,462,945</u>
Total liabilities	<u>9,462,945</u>
Net Position	
Investment in capital assets	2,870,743
Restricted for special appropriations	8,129,851
Unrestricted	<u>2,666,801</u>
Total net position	<u>13,667,395</u>
Total liabilities and net position	<u><u>\$ 23,130,340</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, 2018

Exhibit A-2

Expenses	Governmental Activities
Education	\$ 98,160,669
General Government	
Personnel services and employee benefits	3,965,431
Contractual services	80,493
Other costs	1,132,904
	103,339,497
<i>Total expenses</i>	<i>103,339,497</i>
General revenues and transfers	
Inter-agency transfers	103,704,702
Miscellaneous	889,203
	104,593,905
<i>Total general revenues and transfers</i>	<i>104,593,905</i>
Change in net position	1,254,408
Net position, beginning	12,650,614
Net position - restatement (Note 14)	(237,627)
	12,412,987
Net position - as restated	12,412,987
Net position, ending	\$ 13,667,395

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, 2018

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
ASSETS			
Investment in state general fund investment pool	\$ 3,058,118	\$ 10,412,384	\$ 13,470,502
Advances receivable, current	-	1,078,865	1,078,865
Advances receivable, long-term	-	5,222,793	5,222,793
Due from other local governments	-	487,437	487,437
<i>Total assets</i>	<u>\$ 3,058,118</u>	<u>\$ 17,201,479</u>	<u>\$ 20,259,597</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities</i>			
Accounts payable	\$ 37,172	\$ 7,482,371	\$ 7,519,543
Unearned revenues	-	199,999	199,999
Accrued salaries payable	157,698	-	157,698
Due to local governments	-	1,389,258	1,389,258
<i>Total liabilities</i>	<u>194,870</u>	<u>9,071,628</u>	<u>9,266,498</u>
<i>Fund balances</i>			
Restricted for special appropriations	-	8,129,851	8,129,851
Unassigned	2,863,248	-	2,863,248
<i>Total fund balances</i>	<u>2,863,248</u>	<u>8,129,851</u>	<u>10,993,099</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,058,118</u>	<u>\$ 17,201,479</u>	<u>\$ 20,259,597</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, 2018

Exhibit B-1
Page 2 of 2

Fund Balance - Governmental Funds (Exhibit B-1)	\$ 10,993,099
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	2,870,743
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>(196,447)</u>
Total net position (Exhibit A-1)	<u><u>\$ 13,667,395</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, 2018

	General Fund 94300	Bond Proceeds Capital Projects 94700	Total
REVENUES:			
Miscellaneous income	\$ 5,975	\$ 883,228	\$ 889,203
<i>Total revenues</i>	5,975	883,228	889,203
EXPENDITURES:			
Current:			
Education	-	97,729,198	97,729,198
General Government:			
Personnel services and employee benefits	3,945,442	-	3,945,442
Contractual services	80,493	-	80,493
Other costs	1,132,904	-	1,132,904
<i>Total expenditures</i>	5,158,839	97,729,198	102,888,037
<i>Excess (deficiency) of revenues over expenditures</i>	(5,152,864)	(96,845,970)	(101,998,834)
OTHER FINANCING SOURCES (USES):			
Internal transfers (out)	5,647,400	(5,647,400)	-
Inter-agency transfers	-	103,704,702	103,704,702
<i>Total other financing sources and (uses)</i>	5,647,400	98,057,302	103,704,702
<i>Net change in fund balance</i>	494,536	1,211,332	1,705,868
<i>Fund balance - beginning of year</i>	2,368,712	7,156,146	9,524,858
<i>Fund balance, restatement (Note 14)</i>	-	(237,627)	(237,627)
<i>Fund balance, beginning, as restated</i>	2,368,712	6,918,519	9,287,231
<i>Fund balance - end of year</i>	\$ 2,863,248	\$ 8,129,851	\$ 10,993,099

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, 2018

Net change in fund balance - governmental funds	\$ 1,705,868
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	(431,471)
Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:	
Increase in compensated absences	<u>(19,989)</u>
Change in Net Position (Exhibit A-2)	<u><u>\$ 1,254,408</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, 2018

	Budgeted Amounts		Actual (Modified Accrual) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 5,975	\$ 5,975
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>5,975</u>	<u>5,975</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	4,337,200	4,337,200	3,945,442	391,758
Contractual services	109,700	109,700	80,493	29,207
Other costs	1,200,500	1,200,500	1,132,904	67,596
<i>Total expenditures</i>	<u>5,647,400</u>	<u>5,647,400</u>	<u>5,158,839</u>	<u>488,561</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,647,400)</u>	<u>(5,647,400)</u>	<u>(5,152,864)</u>	<u>494,536</u>
<i>Other financing sources (uses)</i>				
<i>Transfers in:</i>				
Interfund transfers	5,647,400	5,647,400	5,647,400	-
<i>Total other financing sources (uses)</i>	<u>5,647,400</u>	<u>5,647,400</u>	<u>5,647,400</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,536</u>	<u>\$ 494,536</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
 Bond Proceeds Capital Projects Special Revenue Fund (94700)
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Modified Accrual) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 883,228	\$ 883,228
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>883,228</u>	<u>883,228</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Education	811,632,626	811,632,626	97,729,198	713,903,428
<i>Total expenditures</i>	<u>811,632,626</u>	<u>811,632,626</u>	<u>97,729,198</u>	<u>713,903,428</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(811,632,626)</u>	<u>(811,632,626)</u>	<u>(96,845,970)</u>	<u>714,786,656</u>
<i>Other financing sources (uses)</i>				
<i>Transfers in:</i>				
Inter-agency transfers	135,507,232	135,507,232	103,704,702	31,802,530
<i>Transfers out:</i>				
Interfund transfers	(5,647,400)	(5,647,400)	(5,647,400)	-
<i>Total other financing sources (uses)</i>	<u>129,859,832</u>	<u>129,859,832</u>	<u>98,057,302</u>	<u>31,802,530</u>
<i>Net change in fund balances</i>	<u>\$ (681,772,794)</u>	<u>\$ (681,772,794)</u>	<u>\$ 1,211,332</u>	<u>\$ (682,984,126)</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, 2018

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:

During the year ended June 30, 2018, the Department adopted GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, No. 81, *Irrevocable Split-Interest Agreements*, No. 85, *Omnibus 2017*, No. 86, *Certain Debt Extinguishment Issues*, are required to be implemented for the fiscal year ending June 30, 2018.

The pronouncement adopted that materially affects the financial statements and disclosures of the Department for the year ended June 30, 2018 is GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The requirements of this Statement improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.

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. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application of this criterion involves considering whether the activity benefits the Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its residents and participants.

A third 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 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).

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, 2018.

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

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

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Authority had no program revenues during the year ended June 30, 2018. The Authority includes only one function (general government).

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).
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 counting 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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-reverting funds.

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. As with items related to pensions, 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.

The net OPEB liability is a long-term liability that is not directly related to or expected to be paid from the Authority's enterprise funds and therefore not reported in the Department's Statement of Net Position. Information concerning the net OPEB liability, OPEB expense, and OPEB-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.

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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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, 2018.

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, 2018.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Balances and Transactions

Interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Revenues, Expenditures, and Expenses

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

Expenditures are recognized when the related fund liability is incurred.

NOTE 3 - STATE GENERAL FUND INVESTMENT POOL

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Board of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

The State Controller indicated on August 8, 2016 that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department'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.

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

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

NOTE 3 - STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office. Interest rate risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate financial statements for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018. Pledged Collateral (Custodial Credit Risk) – In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

Detail of pledged collateral specific to this agency is unavailable because the bank commingles 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 New Mexico State Treasurer's office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Authority.

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.

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	\$ 3,058,118
Bond Proceeds Capital Projects	Investment	94700	<u>10,412,384</u>
			<u>\$ 13,470,502</u>

NOTE 4 – DUE TO LOCAL GOVERNMENTS

The Special Revenue Fund was liable for \$1,389,258 to various School Districts within the State of New Mexico for construction cost incurred and not yet paid to the school districts.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

NOTE 5 - ADVANCE RECEIVABLE

At June 30, 2018, the Authority had \$6,301,658 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 6 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2018 is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities:				
Capital assets depreciated				
Equipment	\$ 51,595	\$ -	\$ -	\$ 51,595
Computer equipment	134,528	-	-	134,528
Portable classrooms	8,481,100	-	-	8,481,100
Vehicles	247,065	-	16,471	230,594
Total assets depreciated	<u>8,914,288</u>	<u>-</u>	<u>16,471</u>	<u>8,897,817</u>
Less accumulated depreciation for:				
Equipment	43,732	6,445	-	50,177
Computer equipment	123,851	971	-	124,822
Portable classrooms	5,197,426	424,055	-	5,621,481
Vehicles	247,065	-	16,471	230,594
Total accumulated depreciation	<u>5,612,074</u>	<u>431,471</u>	<u>16,471</u>	<u>6,027,074</u>
Governmental activities capital assets, net	<u>\$ 3,302,214</u>	<u>\$ (431,471)</u>	<u>\$ -</u>	<u>\$ 2,870,743</u>

Depreciation expense for the year ended June 30, 2018 was \$431,471. All depreciation expense was allocated to the Authority's general governmental function.

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	<u>\$ 176,458</u>	<u>\$ 273,230</u>	<u>\$ 253,241</u>	<u>\$ 196,447</u>	<u>\$ 196,447</u>

Compensated absences payable - The liability at June 30, 2018 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.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

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, 2018:

Laws	Applicable Fiscal Year Period	Description	Original Balance	Amount Spent	Amount Returned to State of New Mexico General Fund	Unexpended Balance at 6/30/18
		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:				
2014 HB55 Section 45	2014- 2018	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	\$ 3,969,217	\$ -	\$ 147,776
		Quimby gymnasium and natatorium (plan, design, construct, renovate, equip and furnish).	1,844,015	33,432	-	1,810,583
		Sacramento Dormitory (plan, design, construct, renovate, equip and furnish residential cottages, including demolition)	2,294,411	-	-	2,294,411
		Subtotal	8,255,419	4,002,649	-	4,252,770

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

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 6/30/18
2014 HB55 Section 46	2014- 2018	<p>New Mexico School for the Deaf Project - Appropriations from the Public School Capital Outlay Fund.</p> <p>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.</p> <p>Projects are:</p> <p>Cartwright Hall (plan, design, construct, renovate, equip and furnish).</p>	7,038,365	921,337	-	6,117,028
		Subtotal	7,038,365	921,337	-	6,117,028

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

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 6/30/18
		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:				
2014 HB55 Section 47	2014- 2018	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	14,895,000	14,895,000	-	-

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

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 6/30/18
		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				
2013 SB60 Section 52	2013- 2017					
	P13-008	NMSD - Site Improvements	7,000,000	5,118,838	-	1,881,162
	C10-001	NMSD - Dillion Hall	1,000,000	1,000,000	-	-
		Subtotal	8,000,000	6,118,838	-	1,881,162
		Public Education Department - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
2013 SB60 Section 53	2013- 2017					
SSTB13SB	13-1937	Pre-K (renovate and construct)	2,500,000	1,507,102	992,898	-
SSTB13SB	13-1938	School Busses (purchase statewide)	13,000,000	12,999,351	649	-
			15,500,000	14,506,454	993,546	-

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

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 6/30/18
		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				
2013 SB60 Section 54	2013- 2017					
	P13-016	NMSBVI - Jack Hall and the Health Services Buildings (relocate the library)	838,000	644,967	-	193,033
SSTB13S B 13- 1939	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
SSTB13S B 13- 1940	P13-015	NMSBVI - Site Improvements to the campus	1,486,180	1,486,180	-	-
SSTB13S B 13- 1941	P14-025	NMSBVI - Watkins Education Center (renovate and equip and to demolish San Andres Building)	5,500,000	5,180,542	-	319,458
			9,645,368	8,147,185	-	1,498,183

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

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 6/30/18
		Public Education Department - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
2015 SB1 Section 75	2015- 2019	Pre-K (renovate and construct)	1,000,000	1,000,000	-	-
		School Busses (purchase statewide)	4,000,000	4,000,000	-	-
			5,000,000	5,000,000	-	-
		Public Education Department - Appropriations from the Public School Capital Outlay Fund, contingent upon approval of the public school capital outlay council				
2016 HB219 Section 40	2016- 2020	Pre-K (renovate and construct)	5,000,000	-	-	5,000,000
		School Busses (purchase statewide)	7,000,000	7,000,000	-	-
			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, 2018

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 6/30/18
2016 SB4 Section 2 Paragra ph N	2018- 2022	Instructional Material or Transportation Distribution Fund - Appropriations from the Public School Capital Outlay Fund, declaring an emergency.				
		Instructional Material Fund or Transportation				
		2018 Distribution Fund	25,000,000	25,000,000	-	-
		Instructional Material Fund or Transportation				
		2019 Distribution Fund	25,000,000	-	-	25,000,000
		Instructional Material Fund or Transportation				
		2020 Distribution Fund	25,000,000	-	-	25,000,000
		Instructional Material Fund or Transportation				
2016 SB4 Section 3	2017	Instructional Material or Transportation Distribution Fund - Appropriations from the Public School Capital Outlay Fund, declaring an emergency.				
		Instructional Material Fund or Transportation				
		2017 Distribution Fund	12,500,000	12,500,000	-	-
			137,500,000	37,500,000	-	100,000,000

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

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 6/30/18
		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.				
2016 SB8 Section 6	2017	General Fund Restore Allotments - Project				
	2017	Reversions	12,368,629	12,368,629	-	-
			12,368,629	12,368,629	-	-
		Security Appropriation from the Public School Capital Outlay Fund to plan, design and install school security systems and for repairs, renovations or replacement of school security systems statewide.				
2018 HB306 Section 46	2018- 2022	2018 School Security	6,000,000	-	-	6,000,000

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

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 6/30/18
		Security Appropriation from the Public School Capital Outlay Fund to develop guidelines for a school security system project grant initiative to include an assessment of a school's security system and a statement of opinion by the school district that the project would improve the security of the school's buildings, property and occupants. Grants made by the Council to school districts that the council determines are willing and able to pay for the portion of the total project cost not funded with grant assistance from the fund and according to those applicants' ranking.				
2018						
SB239						
Section 2	2019-2022					
		2019 School Security	10,000,000	-	-	10,000,000
		2020 School Security	10,000,000	-	-	10,000,000
		2021 School Security	10,000,000	-	-	10,000,000
		2022 School Security	10,000,000	-	-	10,000,000
			40,000,000	-	-	40,000,000
TOTALS			\$ 276,202,781	\$ 110,460,092	\$ 993,546	\$ 164,749,143

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 9 - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2018. 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 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The (Department, Agency, Commission, etc.), as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 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.

The Authority's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$56,220, \$62,627, and \$60,735 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority leased its office space in Santa Fe and in Albuquerque under operating leases. The Santa Fe lease was renewed in May 2011 for an indefinite amount of time and since it is in a State owned building, there are no lease payments. The Authority is responsible for the building's maintenance and utility costs. The Albuquerque lease was entered as of July 1, 2008 for an initial term of five years. In July 2013, the Authority renewed for a second five-year term and renewed this lease again as of July 1, 2018 for another five-year term. Total rental expenditures for the year ended June 30, 2018 for operating leases were \$196,502.

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, 2018.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 202,125
2020	202,125
2021	202,125
2022	207,900
2023	<u>207,900</u>
	<u>\$ 1,022,175</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, 2017 through June 30, 2018. There have been no settlements in excess of insurance coverage as of June 30, 2018.

NOTE 12 - 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)	\$ 5,647,400

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Notes to Financial Statements
 June 30, 2018

NOTE 13 - 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)	State Fire Marshall Office	43000	20750	Inspections	\$ (29,447)
Bond Proceeds Capital Projects Fund (94700)	Construction Industries Division	42000	43300	Inspections	(245,830)
Bond Proceeds Capital Projects Fund (94700)	NM Department of Finance & Administration	34100	10920	Severance Tax Bonds	<u>103,979,979</u>
					<u>\$ 103,704,702</u>

NOTE 14 - PRIOR PERIOD RESTATEMENT

At June 30, 2018, a prior period restatement was recorded for the Bond Proceeds Capital Projects Special Revenue Fund related to advances made to two school districts for construction projects, one was not needed and should not have been recorded and the other was to rescind an award due to insufficient enrollment for a total of \$77,400. In addition, a prior period restatement was recorded for the Bond Proceeds Capital Projects Special Revenue Fund related to a prior year's closeout process. During the fiscal year, the Authority performed a detail review over their receivables due from other State Agencies and found an error in one of their receivables. As a result of this process, the Authority recorded a prior period restatement of \$160,227 to remove this receivable from their books.

In total, the beginning Bond Proceeds Capital Projects Special Revenue fund balance and Governmental Activities net position was restated by (\$237,627).

NOTE 15 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

- The Authority did not have deficit fund balance at year end June 30, 2018.
- The Authority did not have any fund's expenditures in excess of the budgeted appropriations for the year ended June 30, 2018.
- The Authority did not have any funds in which designated cash appropriations were in excess of available budget.

NOTE 16 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 31, 2018, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Notes to Financial Statements
June 30, 2018

NOTE 17 – FUTURE PROJECTS

The PSCOC certifies to the Board of Finance the need to issue bonds for projects and other uses provided for under the Public School Capital Outlay Act. Bond proceeds therefore support funding needs of project commitments identified on a priority basis by the PSCOC and made on behalf of the State of New Mexico for public school capital improvements statewide. Reallocation of revenue in the fund by the Legislature that is not supplanted by other replacement sources within a short period of time will delay commencement or completion of public school facility improvements the State has committed to participate in. Engineering, architecture and construction contracts relating to construction or major repairs of educational facilities aggregated approximately \$407,992,963 as of June 30, 2018. The remaining commitment on these contracts was approximately \$45,229,528. 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, 2018, the Authority had approximately \$197,172,371 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
 Year Ended June 30, 2018

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Academy Trades Technology	PSFA Director	10/8/2010	Indefinitely	N/A	N/A	School District
Ace Leadership Charter	PSFA Director	8/16/2011	Indefinitely	N/A	N/A	School District
Alamogordo	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Albuquerque	PSFA Director	2/4/2011	Indefinitely	N/A	N/A	School District
Albuquerque Sign Language	PSFA Director	8/23/2010	Indefinitely	N/A	N/A	School District
Aldo Leopold	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Alma darte	PSFA Director	1/10/2001	Indefinitely	N/A	N/A	School District
Amy Biehl	PSFA Director	4/10/2013	Indefinitely	N/A	N/A	School District
Animas	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Aztec	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Belen	PSFA Director	2/9/2016	Indefinitely	N/A	N/A	School District
Bernalillo	PSFA Director	8/19/2011	Indefinitely	N/A	N/A	School District
Bloomfield	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Capitan	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Carlsbad	PSFA Director	11/3/2010	Indefinitely	N/A	N/A	School District
Carrizozo	PSFA Director	8/27/2010	Indefinitely	N/A	N/A	School District
Central	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Cesar Chavez	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Chama	PSFA Director	11/3/2010	Indefinitely	N/A	N/A	School District
Cien Aguas Internationa	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Clayton	PSFA Director	10/6/2017	Indefinitely	N/A	N/A	School District
Cloudcroft	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District

See independent auditors' report.

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Clovis	PSFA Director	4/10/2012	Indefinitely	N/A	N/A	School District
Cobre	PSFA Director	2/16/2016	Indefinitely	N/A	N/A	School District
Coral Community Charter	PSFA Director	6/21/2016	Indefinitely	N/A	N/A	School District
Corona	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Cottonwood Charter	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Cuba	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Deming	PSFA Director	2/4/2016	Indefinitely	N/A	N/A	School District
Des Moines	PSFA Director	6/24/2011	Indefinitely	N/A	N/A	School District
Dexter	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Dora Consolidated	PSFA Director	12/16/2010	Indefinitely	N/A	N/A	School District
Dulce	PSFA Director	4/7/2016	Indefinitely	N/A	N/A	School District
East Mountain	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Elida	PSFA Director	8/24/2001	Indefinitely	N/A	N/A	School District
Española	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Estancia	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Eunice	PSFA Director	3/16/2011	Indefinitely	N/A	N/A	School District
Farmington	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Floyd	PSFA Director	7/13/2015	Indefinitely	N/A	N/A	School District
Fort Sumner	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Gadsden	PSFA Director	1/26/2016	Indefinitely	N/A	N/A	School District
Gallup	PSFA Director	1/5/1900	Indefinitely	N/A	N/A	School District
Gilbert Sena Charter	PSFA Director	4/24/2013	Indefinitely	N/A	N/A	School District
Grady	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Grants	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Public School Facilities Authority
 Schedule of Joint Powers Agreements
 Year Ended June 30, 2018

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Hagerman	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Hatch	PSFA Director	1/31/2011	Indefinitely	N/A	N/A	School District
Hobbs	PSFA Director	2/15/2011	Indefinitely	N/A	N/A	School District
Hondo	PSFA Director	10/26/2010	Indefinitely	N/A	N/A	School District
Horizon Academy West	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
House	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
International School	PSFA Director	4/15/2013	Indefinitely	N/A	N/A	School District
J. Paul Taylor	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Jal	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Jemez Mountain	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Jemez Valley	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
La Promesa	PSFA Director	12/24/2012	Indefinitely	N/A	N/A	School District
Lake Arthur	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Las Cruces	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Las Vegas City	PSFA Director	6/19/2012	Indefinitely	N/A	N/A	School District
Logan	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Lordsburg	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Los Alamos	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Los Lunas	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Loving	PSFA Director	3/5/2012	Indefinitely	N/A	N/A	School District
Lovington	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Magdalena	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Master Program	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Maxwell	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District

See independent auditors' report.

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
McCurdy	PSFA Director	6/2/2016	Indefinitely	N/A	N/A	School District
Media Arts	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Melrose	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Mesa Vista	PSFA Director	3/20/2012	Indefinitely	N/A	N/A	School District
Montessori	PSFA Director	4/10/2013	Indefinitely	N/A	N/A	School District
Mora	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Moriarty	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Mosquero	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Mountainair	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
NM School for the Arts	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
NMBVI	PSFA Director	10/16/2009	Indefinitely	N/A	N/A	School District
NMSD	PSFA Director	10/20/2011	Indefinitely	N/A	N/A	School District
North Valley Academy	PSFA Director	11/22/2011	Indefinitely	N/A	N/A	School District
Pecos	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Peñasco	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Pojoaque	PSFA Director	4/2/2013	Indefinitely	N/A	N/A	School District
Portales	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Questa	PSFA Director	4/14/2013	Indefinitely	N/A	N/A	School District
Raton	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Reserve	PSFA Director	2/18/2016	Indefinitely	N/A	N/A	School District
Rio Rancho	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Roswell	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Roy	PSFA Director	3/7/2011	Indefinitely	N/A	N/A	School District
Ruidoso	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District

See independent auditors' report.

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Schedule of Joint Powers Agreements
Year Ended June 30, 2018

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
San Jon	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Santa Fe	PSFA Director	11/8/2010	Indefinitely	N/A	N/A	School District
Santa Rosa	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
School of Dreams	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Silver	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Socorro	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
South Valley Prep	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
Springer	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
SW Intermediate Learning Center	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
SW Primary Learning Center	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
SW Secondary Learning Center	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Truth or Consequences	PSFA Director	2/3/2016	Indefinitely	N/A	N/A	School District
Taos Integrated School for the Arts	PSFA Director	11/15/2010	Indefinitely	N/A	N/A	School District
Taos Academy	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Taos	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Tatum	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Texico	PSFA Director	2/2/2011	Indefinitely	N/A	N/A	School District
The ASK Academy	PSFA Director	10/21/2010	Indefinitely	N/A	N/A	School District
Tierra Adentro	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Tucumcari	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Tularosa	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District
Vaughn	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District

See independent auditors' report.

District Responsibility	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit
Village Academy	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
Wagon Mound	PSFA Director	9/14/2010	Indefinitely	N/A	N/A	School District
West Las Vegas	PSFA Director	10/14/2010	Indefinitely	N/A	N/A	School District
Zuni	PSFA Director	10/4/2010	Indefinitely	N/A	N/A	School District

See independent auditors' report.

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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*

Wayne Johnson
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 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, 2018, 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 31, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 31, 2018

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Schedule of Findings and Responses
June 30, 2018

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 |

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Schedule of Findings and Responses
June 30, 2018

Schedule II

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

SECTION III – PRIOR YEAR AUDIT FINDINGS

NM 2017-001 Budgetary Controls-Other Noncompliance – Resolved

STATE OF NEW MEXICO
New Mexico Public School Facilities Authority
Other Disclosures
June 30, 2018

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 29, 2018. The following individuals were in attendance.

Representing New Mexico Public School Facilities Authority

Nina Carranco	Council Member
Raul Burciaga	Council Member
Sara Fitzgerald	Council Member
Jonathan Chamblin	Executive Director
Martica Casias	Deputy Director
Denise Irion	CFO

Representing Cordova CPAs LLC

Robert Cordova, CPA	Engagement Principal
Rufino Rodriguez, CPA	Senior Manager

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of the Authority from the original books and records provide to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.