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Certified Public Accountant

STATE OF NEW MEXICO
PUBLIC SCHOOL FACILITIES AUTHORITY

**ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

**STATE OF NEW MEXICO
PUBLIC SCHOOL FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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**STATE OF NEW MEXICO
PUBLIC SCHOOL FACILITIES AUTHORITY
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FOR THE YEAR ENDED
JUNE 30, 2008**

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STATE OF NEW MEXICO
PUBLIC SCHOOL FACILITIES AUTHORITY

OFFICIAL ROSTER
AS OF JUNE 30, 2008

PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL

<u>Name</u>	<u>Position</u>
David Abbey	Director, Legislative Finance Committee
Veronica Garcia	Secretary, Public Education Department
Bill Hume	Governor's Office
Lisa Martinez	Director, Construction Industries Division, Regulation and Licensing Department
Katherine Miller	Secretary, Department of Finance & Administration
Vicki Smith	New Mexico School Boards Association
Dr. D. Pauline Rindone	Director, Legislative Education Study Committee
Catherine Smith	Member, Public Education Commission
Paula Tackett	Director, Legislative Council Services

Administration

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

INDEPENDENT AUDITOR'S REPORT

State of New Mexico
Public School Facilities Authority
Santa Fe, New Mexico

and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparisons of the General Fund and the Bond Proceeds Capital Projects Special Revenue Fund of the State of New Mexico, Public School Facilities Authority (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and the individual fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1A, the financial statements of the Authority, are intended to present the financial position and changes of financial position of only that portion of the governmental activities and each major fund and respective budgetary comparisons of the State of New Mexico that are attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2008 and the changes in its financial position thereof and respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my 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 at June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparisons of the General Fund and the Bond Proceeds Capital Projects Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 11, 2008, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Authority has not presented its Management's Discussion and Analysis for the year ended June 30, 2008. The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparisons. The accompanying financial information listed as Additional Information - Supporting Schedule in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements.


December 11, 2008

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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Investment account with New Mexico State Treasurer	\$ 4,630,910
Due from other state agencies	503,462,186
Prepaid expenses	112,561
Total current assets	<u>508,205,657</u>
Capital assets:	
Total capital assets, net of accumulated depreciation	<u>7,154,871</u>
Total assets	<u>515,360,528</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Investment account overdraft	85,573,490
Accounts payable	27,778,393
Accrued payroll	159,991
Due to project recipients	273,788,744
Due to State General Fund-state dated warrants	20,936
Compensated absences payable - expected to be paid within one year	221,226
Total current liabilities	<u>387,542,780</u>
Total liabilities	<u>387,542,780</u>
<u>NET ASSETS</u>	
Invested in capital assets	7,180,640
Unrestricted	4,226,886
Restricted for special appropriations	116,410,222
Total net assets	<u>\$127,817,748</u>

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

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Activities
EXPENSES:	
Education	\$ (307,734,984)
General government:	
Personal services/employee benefits	(3,846,787)
Contractual services	(137,497)
Other costs	(1,109,697)
Depreciation	(448,812)
Total expenses	<u>(313,277,777)</u>
REVENUES:	
General revenues:	
Bond proceeds appropriations	315,255,789
Special appropriations funded by severance tax bonds	24,500,000
Loss on disposal of capital assets	(25,769)
Total general revenues	<u>339,730,020</u>
Change in net assets	26,452,243
Net assets - beginning of year	<u>101,365,505</u>
Net assets - end of year	<u>\$ 127,817,748</u>

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

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

**BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

	<u>General Fund</u>	<u>Bond Proceeds Capital Projects Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Investment with New Mexico State Treasurer	\$ 4,630,910	\$ -0-	\$ 4,630,910
Due from other state agencies	-0-	503,462,186	503,462,186
Prepaid expenses	112,561	-0-	112,561
 Total assets	 <u>\$ 4,743,471</u>	 <u>\$ 503,462,186</u>	 <u>\$ 508,205,657</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Investment accounts overdraft	\$ -0-	\$ 85,573,490	\$ 85,573,490
Accounts payable	109,599	27,668,794	27,778,393
Accrued payroll and benefits	159,991	-0-	159,991
Due to State General Fund- stale dated warrants	-0-	20,936	20,936
Due to project recipients	-0-	273,788,744	273,788,744
 Total liabilities	 <u>269,590</u>	 <u>387,051,964</u>	 <u>387,321,554</u>
Fund balances:			
Unreserved	4,361,320	-0-	4,361,320
Reserved for prepaid expenses	112,561	-0-	112,561
Reserved for special appropriations	-0-	116,410,222	116,410,222
 Total fund balances	 <u>4,473,881</u>	 <u>116,410,222</u>	 <u>120,884,103</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 4,743,471</u>	 <u>\$ 503,462,186</u>	 <u>\$ 508,205,657</u>

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

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

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008**

Total fund balances - Governmental Funds
(Balance Sheet - Governmental Funds) \$ 120,884,103

Amounts reported for governmental activities
in the Statement of Net Assets are different
at June 30, 2008 because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the fund financial statements.
These assets consist of:

Capital assets	\$ 8,624,423
Less accumulated depreciation	<u>(1,469,552)</u>

Total capital assets, net of accumulated depreciation	7,154,871
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Some liabilities are not due and payable in the
current period and therefore are not reported
in the governmental funds:

Compensated absences payable	<u>(221,226)</u>
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Net assets of Governmental activities (Statement of Net Assets)	<u>\$ 127,817,748</u>
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The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Bond Proceeds Capital Projects Special Revenue Fund	Total Governmental Funds
REVENUES			
Other	\$ -0-	\$ -0-	\$ -0-
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXPENDITURES			
Current:			
Education	-0-	307,734,984	307,734,984
General government:			
Personal services/employee benefits	3,813,776	-0-	3,813,776
Contractual services	137,497	-0-	137,497
Other costs	1,109,697	-0-	1,109,697
Capital outlay	19,412	1,591,883	1,611,295
Total expenditures	<u>5,080,382</u>	<u>309,326,867</u>	<u>314,407,249</u>
Excess (deficiency) of revenues over Expenditures	<u>(5,080,382)</u>	<u>(309,326,867)</u>	<u>(314,407,249)</u>
Other financing sources (uses):			
Operating transfer in	6,018,700	-0-	6,018,700
Operating transfers out	-0-	(6,018,700)	(6,018,700)
Special appropriations			
-funded by severance tax bonds	-0-	24,500,000	24,500,000
Transfers in severance tax bond proceeds	-0-	315,255,789	315,255,789
Total other financing sources (uses)	<u>6,018,700</u>	<u>333,737,089</u>	<u>339,755,789</u>
Net change in fund balances	938,318	24,410,222	25,348,540
Fund balances - beginning	<u>3,535,563</u>	<u>92,000,000</u>	<u>95,535,563</u>
Fund balances - ending	<u>\$ 4,473,881</u>	<u>\$ 116,410,222</u>	<u>\$ 120,884,103</u>

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF
ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances (Statement of Revenues,
Expenditures and Changes in Fund Balances) \$ 25,348,540

Amounts reported for governmental activities in the
Statement of Activities are different for the year
ended June 30, 2008 because:

In the Statement of Activities, certain operating expenses -
compensated absences payable - are measured by the amounts
earned during the year. In the Governmental Funds, however,
expenditures are measured by the amount of financial resources
used (essentially the amounts actually paid). The increase in
the liability for compensated absences payable for the year
was: (33,011)

Loss on disposal of capital assets is only recognized for
government-wide financial statements (25,769)

The Governmental Funds report capital outlays as
expenditures. However, in the Statement of Activities,
the cost of capital assets is allocated over
their estimated useful lives and reported as
depreciation expenses. In the current year, these
amounts were:

Capital outlay expenditures which were capitalized	\$ 1,611,295	
Depreciation	<u>(448,812)</u>	
Excess of capital outlay expenditures over depreciation		<u>1,162,483</u>
Change in net assets of Governmental Activities (Statement of Activities)		<u>\$ 26,452,243</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXPENDITURES:				
Current:				
General Government:				
Personal svcs/Employee benefits	4,268,200	4,268,200	3,813,776	454,424
Contractual services	255,000	255,000	137,497	117,503
Other costs	<u>1,495,500</u>	<u>1,495,500</u>	<u>1,129,109</u>	<u>366,391</u>
Total expenditures	<u>6,018,700</u>	<u>6,018,700</u>	<u>5,080,382</u>	<u>938,318</u>
Excess (deficiency) of revenues over expenditures	<u>(6,018,700)</u>	<u>(6,018,700)</u>	<u>(5,080,382)</u>	<u>938,318</u>
Other financing sources (uses):				
Operating transfer in	<u>6,018,700</u>	<u>6,018,700</u>	<u>6,018,700</u>	<u>-0-</u>
Total other financing sources and uses	<u>6,018,700</u>	<u>6,018,700</u>	<u>6,018,700</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 938,318</u>	<u>\$ 938,318</u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND -
BOND PROCEEDS CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Bond proceeds appropriations	\$ -0-	\$ -0-	\$ 315,255,789	\$ 315,255,789
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>315,255,789</u>	<u>315,255,789</u>
EXPENDITURES:				
Current:				
Education:				
Contractual services	710,000	710,000	89,778	620,222
Other	860,956,121	860,956,121	309,237,089	551,719,032
Total expenditures	<u>861,666,121</u>	<u>861,666,121</u>	<u>309,326,867</u>	<u>552,339,254</u>
Excess (deficiency) of revenues over expenditures	<u>(861,666,121)</u>	<u>(861,666,121)</u>	<u>5,928,922</u>	<u>867,595,043</u>
Other financing sources (uses):				
Operating transfer out	(6,018,700)	(6,018,700)	(6,018,700)	-0-
Special appropriations -funded by severance tax bonds	<u>-0-</u>	<u>-0-</u>	<u>24,500,000</u>	<u>24,500,000</u>
Total other financing sources and uses	<u>(6,018,700)</u>	<u>(6,018,700)</u>	<u>18,481,300</u>	<u>24,500,000</u>
Net change in fund balance	<u>(867,684,821)</u>	<u>(867,684,821)</u>	<u>\$ 24,410,222</u>	<u>\$ 892,095,043</u>
Prior year due from other state agencies required to balance budget	487,196,560	487,196,560		
Amount required to balance budget from current year bond proceeds appropriations	<u>\$ 380,488,261</u>	<u>\$ 380,488,261</u>		

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

STATE OF NEW MEXICO
PUBLIC SCHOOL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Deficiencies Correction Unit (DCU) of the Public Schools Capital Outlay Council was created under Senate Bill 167 of the 2001 laws and was budgeted for the first time for the year ended June 30, 2002. Under Senate Bill 513 of the 2003 laws, the DCU became the State of New Mexico, Public School Facilities Authority (Authority). The new Authority consists of the staff, contracts, and equipment of the DCU and various staff, contracts, and equipment of the State Department of Education Capital Outlay Unit. Currently, the Authority is a fully independent agency vouchering through the State of New Mexico Department of Finance and Administration (DFA).

The State of New Mexico Legislature created the Authority to administer a state-wide program in which the deficiencies in the facilities of each public school district in the State of New Mexico were corrected on a school by school basis.

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on size of government.

The Authority implemented the provisions of GASB #34 effective July 1, 2001. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Authority does not own any infrastructure assets and therefore is unaffected by this requirement. The Authority also implemented the provisions of the later related GASB statements #37 and #38 which affect GASB #34 and its implementation.

A. Financial Reporting Entity

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

GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be

misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the “cornerstone of all financial reporting in government.”

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Authority, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Authority has prepared and issued its own audited, agency Annual Financial Report.

Included within the Authority for this purpose are the following: All of the programs that are administered and/or controlled by the Authority have been included.

No entities were noted that should be considered component units of the Authority. No entities were specifically excluded from the Authority because no entities were noted as meeting any of the criteria for potential inclusion.

The Authority does not have any fiduciary funds or any component units that are fiduciary in nature. If the Authority did have any such funds, they would not be included in the government-wide financial statements.

B. Basic Financial Statements - GASB Statement #34

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority did not have any business-type activities during the year ended June 30, 2008, and the Authority has decided not to apply any FASB pronouncements issued after November 30, 1989.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Authority had no program revenues during the year ended June 30, 2008. The Authority includes only two functions (education and general government).

The net cost (by function or business-type activity) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The Authority does not currently employ indirect cost allocation systems. The Authority's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. 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 nonmajor funds. The Authority has no fiduciary funds or component units similar to fiduciary funds, but if the Authority did, they would not be included in the government-wide financial statements.

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

Interfund accounts which are on the fund financial statements have been eliminated in the government-wide financial statements. They consisted of \$6,018,700 transferred to the General Fund by the Bond Proceeds Capital Projects Special Revenue Fund for the operating transfer related to the budget.

C. Basis of Presentation

The financial transactions of the Authority are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. All these governmental funds have been classified as major funds by the Authority after considering the criteria for major funds. Only individual governmental or individual enterprise funds can be considered for major fund status.

1. Governmental Fund Types

The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Authority.

The Authority reports the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Authority and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is (SHARE FUND #94000-94300) is non-reverting in accordance with NMSA 22-24-5, 1978.

Special Revenue Fund- The Bond Proceeds Capital Projects Special Revenue Fund (SHARE FUND #94000-94700) is the program fund of the Authority. It is used to account for all funding received and for all expenditures made for the operation of the deficiencies correction program. This fund is a non-reverting fund in accordance with NMSA 22-24-5 1978.

2. Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses 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 on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Authority, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. Budgetary Accounting

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

1. No later than September 1st, 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 are 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 by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Fund.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable must be paid out of the next year's budget. There were none of these accounts payable at June 30, 2008. A reconciliation is not provided because there were no differences between the budgetary basis and the modified accrual basis.

13. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with the budgeting methodology.
14. The Authority's General Fund and Special Revenue Fund are not reverting funds.

F. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software, are added to the capital accounts, is \$5,000 which is a change in policy effective July 1, 2005. However, all capital outlay purchases may not necessarily be capitalized. The Authority does not capitalize any interest in regards to its capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Authority utilizes Internal Revenue Service guidelines to estimate the useful lives on fixed assets as follows:

Equipment	8 years
Computer equipment	4 to 8 years
Leasehold improvements	10 years
Portable classrooms	20 years

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Authority does not own any infrastructure assets.

G. Encumbrances Accounting

Encumbrances 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 and is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Funds. Encumbrances not recorded as vouchers payable at year end lapse.

H. Compensated Absences Payable

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 semiannual 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.

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

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
Less than 3 years	3.08
Between 3 and 7 years	3.69
Between 7 and 11 years	4.61
Between 11 and 15 years	5.54
Over 15 years	6.15

I. Due to State of New Mexico General Fund (Reversions)

The Authority does not have any reverting funds.

J. Reservations of Fund Balances

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that cannot be appropriated for future expenditures. The only specific reservation of fund balance accounts at June 30, 2008 was:

Reserved for Prepaid Expenses– This represents funds spent for prepaid expenses that are not available for other uses.

Reserved for Special Appropriations– This reserve was created to indicate that funds are held for unspent Special Appropriations.

K. 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.

L. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as invested in fixed assets, restricted and unrestricted.

Invested in Capital Assets - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net

related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority did not have any related debt during the year ended June 30, 2008.

Unrestricted Net Assets - represent the net assets of the Authority at June 30, 2008 that are not invested in capital assets and that are not restricted.

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

M. Use of Estimates

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

N. Due from Other State Agencies

The \$503,462,186 shown in the financial statements consists of the \$413,462,186 receivable from bond proceeds (Note 3) and the \$90,000,000 receivable for special appropriations (Note 10). All are to be used for public school capital outlay or related purposes. The State of New Mexico Department of Finance and Administration (SHARE #34100) owes these amounts to the Authority (SHARE #94700).

2. INVESTMENT (OVERDRAFT) ACCOUNTS AND INVESTMENT POLICY

Investment (Overdraft) Accounts With State Treasurer

The following is a summary of the investment (overdraft) accounts of the Authority with the New Mexico State Treasurer which represent the Authority's interest in the State of New Mexico General Fund Investment Pool as reported by the New Mexico Department of Finance and Administration (DFA):

	<u>SHARE FUND Number</u>	<u>Financial Statement Balances</u>
General Fund	94000-94300	\$ 4,630,910
Bond Proceeds Capital Projects Special Revenue Fund	94000-94700	(85,573,490)
Total		<u>\$ (80,942,580)</u>

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Authority which represent the Authority's interest in the General Fund Investment Pool. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these accounts is disclosed. That report may be obtained by writing to the State of New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, New Mexico 87504-0608. The Authority is not permitted to have any other investments, and the Authority did not have any other investments during the year ended June 30, 2008. There is

no custodial risk in relations to the accounts at the Authority's level. The custodial risk would belong to the New Mexico State Treasurer.

3. DUE FROM OTHER STATE AGENCIES

The Authority's Bond Proceeds Capital Projects Special Revenue Fund received bond proceeds from DFA to finance its programs.

Pool	Title	Appr Id	Chapter	Laws	Amount		Due From Balance at June 30, 2008
					Sold	Expended	
P00L01	Public School Capital Outlay (PSCO) Deficiency	SSTB01SB PSCOD	338	2001	\$ 50,000,000	\$ 50,000,000	\$ -0-
SSTB04SG	Lease Payment Assistance	SSTB04SG 0002	338	2001	1,771,434	-0-	1,771,434
SSTB04SG	Public School Capital Outlay Act	SSTB04SG 0003	338	2001	3,177,386	-0-	3,177,386
SSTB05SB	PSCO Projects	SSTB05SD PSC0C	338	2001	44,600,000	44,600,000	-0-
SSTB05SD	PSCO Deficiency- Roofs	SSTB05SD PSCOD	347	2005	62,000,000	49,782,116	12,217,884
SSTB05SF	PSCO Lease Payment Assistance	SSTB055F 0002	338	2001	4,000,000	-0-	4,000,000
SSTB05SF	PSCO- PSC Outlay Projects '05 Auth.	SSTB05SF 0003	338	2001	13,322,324	13,322,324	-0-
SSTB05SF	PSCO- PSC Outlay Projects '06 Auth.	SSTB05SF 0004	338	2001	118,034,972	118,034,972	-0-
SSTB06SB	Public School Capital Outlay	SSTB06SB 0001	338	2001	38,195,000	36,531,586	1,663,414
SSTB06SD	Lease Payment Assistance	SSTB06SD 0002	338	2001	5,221,754	-0-	5,221,754
SSTB06SD	Public School Capital Outlay Projects	SSTB06SD 0003	338	2001	122,066,246	28,425,921	93,640,325
SSTB07SE	Public School Capital Outlay Lease Assistance	SSTB07SE 0002	338	2001	6,465,386	-0-	6,465,386
SSTB07SE	Public School Capital Outlay Standards-Based	SSTB07SE 0003	338	2001	68,784,614	-0-	68,784,614
SSTB085B	Capital School Capital Outlay Projects	SSTB08SB 0001	338	2001	127,008,989	-0-	127,008,989
SSTB07SB	Public School Capital Outlay Projects	SSTB07SB 0001	338	2001	65,011,000	-0-	65,011,000
STB04SE	Public School Capital Outlay Act Deficiency	STB04SE 04-2695	126	2004	10,000,000	10,000,000	-0-
STB07A	Public School Capital Outlay	STB07A 07-3772	42	2007	19,721,169	-0-	19,721,169
STB07SA	Charter Schools Statewide	STB07SA 07-3771	42	2007	4,500,000	-0-	4,500,000
STB07SA	Public School Capital Outlay	STB07SA 07-3772	42	2007	278,831	-0-	278,831
Totals					<u>\$ 764,159,105</u>	<u>\$ 350,696,919</u>	<u>\$ 413,462,186</u>

At June 30, 2008, the following was due from other state agencies for bond proceeds not yet received, and the Authority is not obligated in any way for repayment of the issued bonds.

4. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008 as follows:

<u>Capital Assets</u>	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2008</u>
Equipment	\$ 21,350	\$ -0-	\$ -0-	\$ 21,350
Computer equipment	102,561	19,412	-0-	121,973
Leasehold improvements	39,160	-0-	(39,160)	-0-
Portable classrooms	<u>6,889,217</u>	<u>1,591,883</u>		<u>8,481,100</u>
Total	<u>7,052,288</u>	<u>1,611,295</u>	<u>(39,160)</u>	<u>8,624,423</u>
<u>Accumulated Depreciation</u>				
Equipment	(1,334)	(2,668)	-0-	(4,002)
Computer equipment	(66,446)	(18,173)	-0-	(84,619)
Leasehold improvements	(9,475)	(3,916)	13,391	-0-
Portable classrooms	<u>(956,876)</u>	<u>(424,055)</u>	<u>-0-</u>	<u>(1,380,931)</u>
Total accumulated depreciation	<u>(1,034,131)</u>	<u>(448,812)</u>	<u>13,391</u>	<u>(1,469,552)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,018,157</u>	<u>\$ 1,162,483</u>	<u>\$ (25,769)</u>	<u>\$ 7,154,871</u>

Depreciation expense for the year ended June 30, 2008 was \$448,812. All of the depreciation expense of \$448,812 was allocated to the Authority's general government function. All capitalized assets were depreciated during the year ended June 30, 2008. The Authority ended its Albuquerque lease as of June 30, 2008 so leasehold improvements with a cost of \$39,160 and accumulated depreciation of \$13,391 were written off at a loss of \$25,769.

5. COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2008 is as follows:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Compensated Absences Payable	<u>\$ 188,215</u>	<u>\$ 251,000</u>	<u>\$ (217,989)</u>	<u>\$ 221,226</u>	<u>\$ 221,226</u>

\$221,226 has been classified as a current liability in the Statement of Net Assets. In prior years, the General Fund has been used to liquidate compensated absences. The General Fund is expected to continue to do so in the future.

6. RETIREMENT PLAN

Plan Description. Substantially all of the full-time employees of the Authority participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Authority is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contribution to PERA for the years ended June 30, 2008, 2007 and 2006 was \$466,169, \$444,406 and \$419,072, respectively, which was equal to the amount of the required contribution for each year.

7. POST-EMPLOYMENT BENEFITS

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

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or

former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$36,942, \$34,823 and \$32,839 respectively, which equal the required contributions for each year.

8. INSURANCE COVERAGE

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. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Authority are covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2007, through June 30, 2008.

9. COMMITMENTS - OPERATING LEASES

The Authority leased its office space in Santa Fe and in Albuquerque under operating leases. The Santa Fe lease was renewed as of July 1, 2008 for eight years. The Albuquerque lease was renewed as of March 1, 2007 for an additional one year term expiring February 29, 2008. At that time, it was renewed for the last additional one-year renewal period. However, the Albuquerque office lease was terminated effective June 30, 2008. As the Authority moved to a new location; the Authority's initial term is five years with the Authority having the option to renew for two five-year terms. Total rental expenditures for the year ended June 30, 2008 for operating leases were \$150,648.

Future rental expenditures under this lease are as follows:

Year Ending June 30	Payments		
	Santa Fe	Albuquerque	Total
2009	\$ 73,891	\$ 168,912	\$ 242,803
2010	74,383	202,125	276,508
2011	74,889	202,125	277,014
2012	75,411	207,900	283,311
2013	75,933	207,900	283,833
Thereafter	153,588	-0-	153,588
Total	<u>\$ 528,095</u>	<u>\$ 988,962</u>	<u>\$ 1,517,057</u>

10. SPECIAL APPROPRIATIONS

The Authority received a special appropriation in the fiscal year ended June 30, 2007 of \$2,000,000 which was to be used for planning, designing, constructing and renovating schools. It was not spent but was received during the fiscal year ended June 30, 2008. The \$90,000,000 special appropriation is to be used to make local share advances for qualified high-priority projects and was authorized in 2006, and there no expenditures related to it during the fiscal year ended June 30, 2008. In addition, the Authority was awarded two other special appropriations. They were \$4,500,000 for Charter School Capital Outlay and \$20,000,000 for Public School Capital Outlay. Both are to be funded through severance bond proceeds.

The following is a summary of special appropriations still outstanding at June 30, 2008:

Applicable Fiscal Year Period		Original Balance	Amount Spent	Unexpended Balance at 6/30/2008	Due From Other State Agencies at June 30, 2008
2006-2010	Public School High Priority Projects Laws of 2006, Chapter 2, Section 66	\$ 90,000,000	\$ -0-	\$ 90,000,000	\$ 90,000,000
2007-2011	Public School Capital Outlay Council Project Laws of 2007, Chapter 2, Section 27, Item 1	2,000,000	-0-	2,000,000	-0-
2008-2011	Charter School Capital Outlay Laws of 2007, Chapter 214, Section 25, Item 1	4,500,000	89,778	4,410,222	4,500,000
2008-2011	Public School Capital Outlay Laws of 2007, Chapter 2, Section 27, Item 2	<u>20,000,000</u>	<u>-0-</u>	<u>20,000,000</u>	<u>20,000,000</u>
	Totals	<u>\$ 116,500,000</u>	<u>\$ 89,778</u>	<u>\$ 116,410,222</u>	<u>\$ 114,500,000</u>

The unexpended balance of \$116,410,222 is shown as reserved for special appropriations in the fund financial statements, and it is shown as restricted for special appropriations in the government-wide financial statements.

11. OPERATING TRANSFERS

Each year the Authority transfers funds from the Special Revenue Fund (SHARE# 947) to the General Fund (SHARE #943) to cover operating costs. The transfer is based on the legislatively approved budget. For fiscal year 2008, the amount of the transfer was \$6,018,700.

ADDITIONAL INFORMATION
-SUPPORTING SCHEDULE

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

**SCHEDULE OF JOINT POWERS AGREEMENTS
AS OF JUNE 30, 2008**

District	Responsible Party	Beginning (DFA Approval)	Ending	Amount Applicable	Amount Contributed	Audit Responsibility
Alamogordo	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Albuquerque	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Animas	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Aztec	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Belen	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Bernalillo	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
Bloomfield	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Capitan	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Carlsbad	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Carrizozo	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Central	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Chama	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Cimarron	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Clayton	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
Cloudcroft	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Clovis	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Cobrc	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
Corona	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Cuba	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Deming	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District
Des Moines	PSFA Director	12/04/06	06/30/10	N/A	N/A	School District

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

SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)

AS OF JUNE 30, 2008

Dexter	PSFA Director	12/05/06	06/30/10	N/A	N/A	School District
Dora	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Dulce	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Elida	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Espanola	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
Estancia	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
Eunice	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Farmington	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Fort Sumner	PSFA Director	12/19/06	06/30/10	N/A	N/A	School District
Gadsden	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Gallup	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
Grady	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Grants	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
Hagerman	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Hatch	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Hobbs	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Hondo	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
House	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
Jemez Mountain	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District

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

**SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)
AS OF JUNE 30, 2008**

Jemez Valley	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Las Cruces	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
Las Vegas City	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Logan	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
Lordsburg	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Los Alamos	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Los Lunas	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Lovington	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
Magdalena	PSFA Director	12/07/06	06/30/10	N/A	N/A	School District
Maxwell	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Melrose	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Mesa Vista	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Mora	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
Moriarty	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Mosquero	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Mountainair	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Pecos	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Penasco	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Pojoaque	PSFA Director	09/25/07	06/30/10	N/A	N/A	School District
Portales	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Questa	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Raton	PSFA Director	12/06/06	06/30/10	N/A	N/A	School District
Reserve	PSFA Director	12/07/06	06/30/10	N/A	N/A	School District
Rio Rancho	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
Roswell	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District

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

**SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)
AS OF JUNE 30, 2008**

Roy	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Ruidoso	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
San Jon	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Santa Fe	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Santa Rosa	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Silver City	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Socorro	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District
Springer	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Taos	PSFA Director	07/01/04	06/30/08	N/A	N/A	School District
Texico	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
T or C	PSFA Director	01/21/07	06/30/10	N/A	N/A	School District
Tucumcari	PSFA Director	12/22/06	06/30/10	N/A	N/A	School District
Tularosa	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Vaughn	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Wagon Mound	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
West Las Vegas	PSFA Director	12/08/06	06/30/10	N/A	N/A	School District
Zuni	PSFA Director	02/16/07	06/30/10	N/A	N/A	School District

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

OTHER REPORT

C
W
M **Chester W. Mattocks**
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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

State of New Mexico
Public School Facilities Authority
Santa Fe, New Mexico

and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the financial statements of the governmental activities, each major fund and the respective budgetary comparisons of the General Fund and the Bond Proceeds Capital Projects Special Revenue Fund of the State of New Mexico, Public School Facilities Authority (Authority) as of and for the year ended June 30, 2008 which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated December 11 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, I noted instances of noncompliance that are required to be reported under Government Auditing Standards paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA, 1978, and which are described in the accompanying Schedule of Findings and Responses as items 2007-3 and 2008-1.

The Authority's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. I did not audit the Board's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of the Council of the Authority, the management of the Authority, the State of New Mexico, Public School Capital Outlay Council, the State of New Mexico Department of Finance and Administration, the State of New Mexico Office of the State Auditor, the State of New Mexico Legislative Finance Committee, and the State of New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Chester W. Matrods, CPA

December 11, 2008

STATE COMPLIANCE SECTION

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

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

2007-3- NEGATIVE INVESTMENT ACCOUNT

Statement of condition: One of the Authority's investment (formerly cash) accounts was negative at June 30, 2008.

Criteria: Negative accounts should not be maintained without written approval from DFA in advance, per CFRAS Chapter 6, 3.2, D-2, as authorized by Section 6/5/2, NMSA 1978.

Effect: Cash management does not appear to be effective as possible.

Cause: Bond proceeds were apparently not drawn timely to avoid the negative balance in the Special Revenue Fund.

Recommendation: Funds should be drawn timely.

Management's response: We are in the process of researching this issue in order to determine how to proceed.

2008-1- MEMBER OF GOVERNING BOARD AT EXIT CONFERENCE

Statement of condition: A governing board member was unable to attend the exit conference.

Criteria: A governing board member is required to attend the exit conference per SAO Rule 2.2.2.105.

Effect: The governing board is not informed of the audit results as timely as possible.

Cause: Time constraint due to the need to turn the audit in timely was the main cause.

Recommendation: A member of the governing board should attend the exit conference even if two exit conferences have to be held.

Management's response: We concur.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

2007-1- Control Over Maintaining the General Ledger – Resolved.

2007-2- Annual Inventory of Capital Assets – Resolved.

2007-3- Negative Investment Accounts – Repeated.

2007-4- Late Audit Report – Resolved.

2007-5- Supporting Documentation for Audit Disbursements – Resolved.

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

An exit conference was held on December 12, 2008. Attending were the following:

State of New Mexico, Public School Facilities Authority

Jeffery Eaton, Chief Financial Officer
Gerald Pertner, Financial Specialist
Casandra Cano, Financial Auditor
LeRoy Marquez, Contractor

Independent Auditor

Chester W. Mattocks, CPA

Note: The financial statements presented in this report were substantially prepared by the independent auditor, Chester W. Mattocks, CPA.