



**OFFICE OF THE STATE AUDITOR**

**New Mexico Finance Authority Oversight  
Committee**

**June 23, 2017**  
**State Capitol, Room 322**



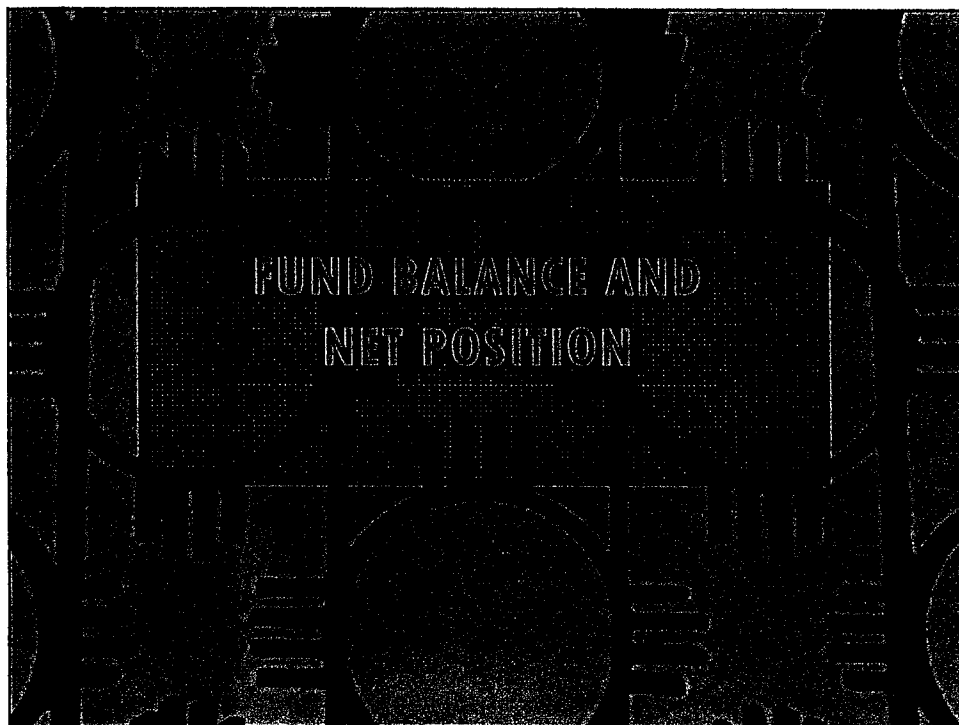
**TIMOTHY KELLER**  
State Auditor



**OFFICE OF THE STATE AUDITOR**

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## FUND BALANCE AND NET POSITION CLASSIFICATIONS

### **Governmental Funds (Fund Balance)**

- Non-spendable
- Restricted
- Committed
- Assigned
- Unassigned

### **Proprietary and Fiduciary Funds (Net Position)**

- Net investment in capital assets
- Restricted
- Unrestricted

## NET INVESTMENT IN CAPITAL ASSETS

The net amount invested in capital assets (original cost, net of accumulated depreciation, capital-related debt and capital-related deferred outflows/inflows of resources).

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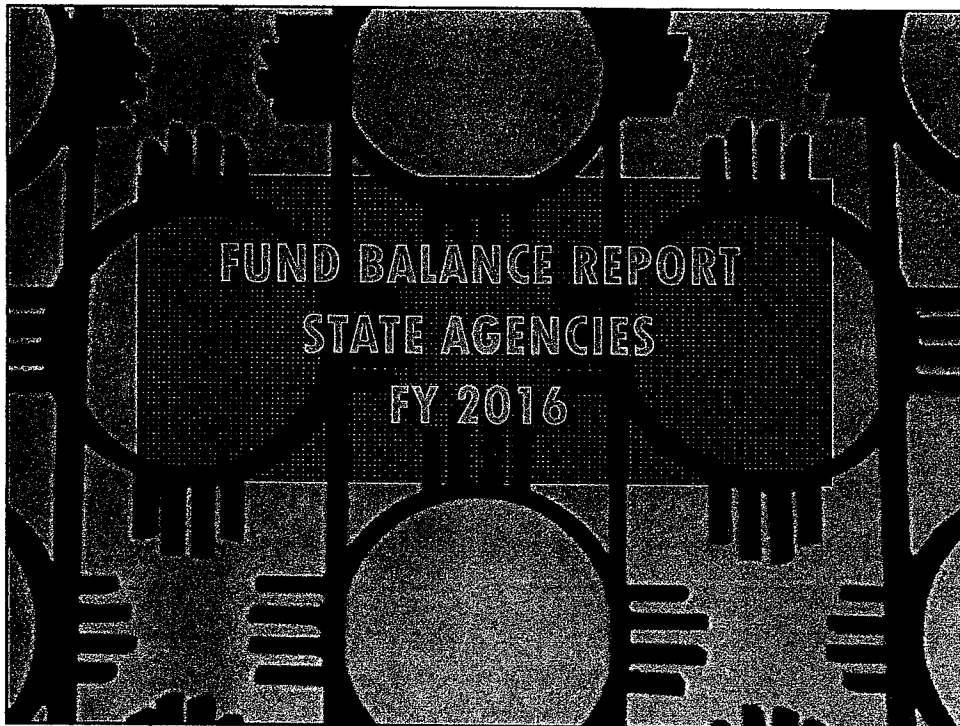
## RESTRICTED

The amount of net position for which limitation have been placed by creditors, grantors, contributors, laws and regulations. Internal actions through enabling legislation (which is legally enforceable) and constitutional provisions may also lead to restricted net position.

**UNRESTRICTED**

The amount of net position that is not restricted or invested in capital assets, net of related debt.

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## REPORT OVERVIEW

The OSA Government Accountability Office reviewed 431 funds of 91 state agencies and the State General Fund, to gain insight into overall fund balance trends, changes between Fiscal Year 2014 and Fiscal Year 2016 and provide transparency and accountability

Full report, including supporting documentation and Capital Outlay Best Practices, is available for download on the OSA website:

[https://www.saonm.org/gao\\_reports](https://www.saonm.org/gao_reports)

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## INFRASTRUCTURE FUNDS

Infrastructure funds represent a large share of fund balances overall

- While by nature these funds replenish themselves, they may pose concerns when accompanied by stagnancy or a lack of accountability
- These funds should track and report on several metrics, including their impact on the communities receiving funds and the status of their projects
- Infrastructure Funds totaled \$865,474,149 in FY16, an overall increase from \$574,268,249 in FY15
- During regular 2016 session, the legislature swept \$11.5 million from the rural infrastructure revolving loan and public project revolving funds via HB #311

## WATER-RELATED INFRASTRUCTURE FUNDS

Unspent water-related infrastructure balances continue to increase.

Totalling over \$512 million and spread over multiple funds, these funds continue to accumulate faster than when they are spent despite the strong need for water and wastewater projects throughout New Mexico.

Water-related funds account for 3 of the top 10 largest revolving fund balances in FY16:

- NMED's Wastewater Facility Construction Loan Fund (over \$300M)
- NMFA Drinking Water State Revolving Fund (over \$139M)
- NMFA Water Trust Board Fund (over \$43M)

## COLONIAS AND DRINKING WATER FUNDS (NMFA)

- Grant Revenue and other activity decreased 11.6% or \$7.4 million as NMFA experienced decreased grant activity in the Colonias and Drinking Water programs during FY16
- The Drinking Water Program saw decrease in revenues and expenses due to slower rate of requisitions on grant subsidies awarded for qualifying projects in NM
- Authority saw an offsetting increase in Colonias program grant activity, reflecting the fact that the program saw an increased number of projects being approved in FY16. As a relatively new program, effective July 1, 2011, the number of projects increases as more funding is available

## STAGNANT FUNDS

“Stagnant” balances are those that met the following criteria:

- Contain positive balances
- Posted a 1% or less change in value between FY15 and FY16
- Did not post significant programmatic activity during FY16
- Was not a reserve or fund that is otherwise required to maintain a static balance
- Was not a debt service fund

## STAGNANT INFRASTRUCTURE FUNDS

| Agency                                 | Fund Name                                 | FY16 Balance | % Change |
|--|---|--------------|----------|
| Department of Transportation           | State Infrastructure Bank                 | \$20,815,564 | 0.3%     |
| New Mexico Finance Authority           | Primary Care                              | \$5,058,321  | 0.5%     |
| New Mexico Finance Authority           | Local Transportation Program              | \$629,773    | 0.8%     |
| New Mexico Finance Authority           | Water/Wastewater Project fund             | \$546,579    | 0.6%     |
| Department of Finance & Administration | Tribal Infrastructure Fund                | \$393,020    | 0.0%     |
| Economic Development Department        | Revolving Loan Community Development Fund | \$81,068     | 0.0%     |

## BEST PRACTICES

- The current system requires reporting to various oversight agencies and many checks and balances on agency operations, but lacks meaningful centralized reporting that is electronic, easy to compare and accessible to the public
- OSA figures are limited to the level of detail that is provided in annual audits
- Agencies are not required to share their project listing in their annual audits, so there is currently no centralized reporting of pending construction projects
- Creation of a task force or czar position to monitor and track these projects would help cut through red tape and agency coordination would provide needed transparency and accountability

## THANK YOU!

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