

**NEW MEXICO FINANCE AUTHORITY**  
**Santa Fe, New Mexico**

**Financial Statements**  
**June 30, 2011 and 2010**

# NEW MEXICO FINANCE AUTHORITY

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# **NEW MEXICO FINANCE AUTHORITY**

## **Official Roster**

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**Year Ended June 30, 2011**

### **Governing Board**

Denise Baker, Chairman  
William F. Fulginiti, Vice Chairman  
John Barela, Member  
John Bemis, Member  
Tom Clifford, Member  
Blake Curtis, Member  
Paul Gutierrez, Member  
Jerry L. Jones, Member  
Lonnie Marquez, Member  
David Martin, Member  
Terry White, Member

### **Chief Executive Officer**

Richard May

### **Chief Operating Officer**

John Duff



## Independent Auditor's Report

Governing Board  
New Mexico Finance Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying basic financial statements of the New Mexico Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the years ended June 30, 2011 and 2010, 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State that is 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, 2011 and 2010, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011 and 2010 and changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2011, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, presented on pages 4 through 14, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplementary schedules as presented on pages 41 to 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as presented on page 15 is presented for purposes of additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Baltimore, Maryland  
December 10, 2011

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2011 and financial condition at that date. This section should be read together with the Authority's financial statements and accompanying notes.

### **The New Mexico Finance Authority**

The Authority was created by the New Mexico State Legislature in 1992 to finance infrastructure projects for the state's counties, cities and certain departments of state government. The objective was to provide low-cost financing for borrowers who might not otherwise be able to access the tax-exempt bond market on a cost-effective basis. The 1992 statute created the Public Projects Revolving Fund ("PPRF") as the vehicle to accomplish this financing objective. As authorized by the statute, the Authority issues tax-exempt PPRF bonds to obtain the funds it loans to New Mexico governmental entities. The statute created the Governmental Gross Receipts Tax as a source of funding for Authority operations and to serve as a credit enhancement for the Authority's bonds. Although the legislature has created additional program responsibilities for the Authority, the PPRF remains the core of its activities.

### **Overview of the Financial Statements**

These annual financial statements consist of three parts:

1. Management's Discussion and Analysis (this section), including condensed, comparative financial statements.
2. The financial statements (Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows) and related notes.
3. Supplementary information.

# NEW MEXICO FINANCE AUTHORITY

## Management's Discussion and Analysis

### Condensed Comparative Financial Statements

#### New Mexico Finance Authority Combined Statements of Net Assets As of June 30

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>	<u>FY 2009</u>
<b>Assets</b>					
Cash and equivalents:					
Unrestricted	\$ 113,770,321	\$ 121,171,671	\$ (7,401,350)	-6.1%	\$ 112,650,499
Restricted	222,682,493	267,498,861	(44,816,368)	-16.8%	373,125,553
Loans receivable, net of allowance	1,223,421,679	1,252,122,229	(28,700,550)	-2.3%	1,113,608,650
Intergovernmental receivable	140,811,240	147,842,525	(7,031,285)	-4.8%	154,793,087
Other accounts receivable	15,512,481	14,730,932	781,549	5.3%	16,645,090
Capital assets	205,244	273,500	(68,256)	-25.0%	197,829
Other assets	<u>48,233,030</u>	<u>11,798,047</u>	<u>36,434,983</u>	308.8%	<u>11,679,176</u>
<b>Total Assets</b>	<u><b>\$ 1,764,636,488</b></u>	<u><b>\$ 1,815,437,765</b></u>	<u><b>\$ (50,801,277)</b></u>	<b>-2.8%</b>	<u><b>\$ 1,782,699,884</b></u>
<b>Liabilities</b>					
Bonds payable, net	\$ 1,223,042,042	\$ 1,233,720,390	\$ (10,678,348)	-0.9%	\$ 1,132,954,148
Undisbursed loan proceeds	74,525,962	116,020,137	(41,494,175)	-35.8%	182,920,935
Borrowers' reserve deposits	77,601,800	72,757,754	4,844,046	6.7%	58,605,363
Accounts payable	3,566,832	2,814,579	752,253	26.7%	1,556,622
Other liabilities	<u>4,720,755</u>	<u>4,775,270</u>	<u>(54,515)</u>	-1.1%	<u>12,520,395</u>
<b>Total Liabilities</b>	<u><b>1,383,457,391</b></u>	<u><b>1,430,088,130</b></u>	<u><b>(46,630,739)</b></u>	<b>-3.3%</b>	<u><b>1,388,557,463</b></u>
<b>Net Assets</b>					
Invested in capital assets	205,244	273,500	(68,256)	-25.0%	197,829
Restricted for debt service	8,769,929	8,996,556	(226,627)	-2.5%	8,962,320
Restricted for program commitments	261,755,999	255,497,112	6,258,887	2.4%	273,605,421
Restricted for program use	<u>110,447,925</u>	<u>120,582,467</u>	<u>(10,134,542)</u>	-8.4%	<u>111,376,851</u>
<b>Total Net Assets</b>	<u><b>381,179,097</b></u>	<u><b>385,349,635</b></u>	<u><b>(4,170,538)</b></u>	<b>-1.1%</b>	<u><b>394,142,421</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 1,764,636,488</b></u>	<u><b>\$ 1,815,437,765</b></u>	<u><b>\$ (50,801,277)</b></u>	<b>-2.8%</b>	<u><b>\$ 1,782,699,884</b></u>

# NEW MEXICO FINANCE AUTHORITY

## Management's Discussion and Analysis

### New Mexico Finance Authority Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>	<u>FY 2009</u>
<b>Operating Revenues</b>					
Appropriation revenue	\$ 34,826,387	\$ 32,722,377	\$ 2,104,010	6.4%	\$ 52,379,730
Grant revenue	42,848,310	42,184,646	663,664	1.6%	36,494,181
Administrative fees	6,816,487	8,621,728	(1,805,241)	-20.9%	7,670,438
Interest on loans	55,585,061	56,663,765	(1,078,704)	-1.9%	47,590,234
Interest on investments	406,973	1,343,523	(936,550)	-69.7%	2,890,589
Total Operating Revenues	<u>140,483,218</u>	<u>141,536,039</u>	<u>(1,052,821)</u>	-0.7%	<u>147,025,172</u>
<b>Expenses</b>					
Grant expense	70,476,210	81,106,858	(10,630,648)	-13.1%	59,785,210
Bond issuance costs	697,665	1,840,185	(1,142,520)	-62.1%	1,604,245
Professional services	2,379,233	4,727,242	(2,348,009)	-49.7%	3,642,940
Salaries and benefits	4,200,029	3,808,883	391,146	10.3%	3,860,505
Debt service - interest expense	56,634,591	55,622,227	1,012,364	1.8%	49,418,130
Other expense	2,776,533	1,911,215	865,318	45.3%	2,208,819
Total Operating Expenses	<u>137,164,261</u>	<u>149,016,610</u>	<u>(11,852,349)</u>	-8.0%	<u>120,519,849</u>
<b>Operating Income</b>	3,318,957	(7,480,571)	10,799,528	-144.4%	26,505,323
Gain (Loss) on investments	<u>(402,747)</u>	<u>(6,758,315)</u>	<u>6,355,568</u>	0.0%	<u>8,205,430</u>
<b>Income (loss) before transfers</b>	3,721,704	(722,256)	4,443,960	-615.3%	18,299,893
Transfers to other agencies	<u>7,892,242</u>	<u>8,070,530</u>	<u>(178,288)</u>	-2.2%	<u>12,687,198</u>
<b>Increase (decrease) in net assets</b>	(4,170,538)	(8,792,786)	4,622,248	-52.6%	5,612,695
<b>Net Assets, beginning of year</b>	<u>385,349,635</u>	<u>394,142,421</u>	<u>(8,792,786)</u>	-2.2%	<u>388,529,726</u>
<b>Net Assets, end of year</b>	<u>\$ 381,179,097</u>	<u>\$ 385,349,635</u>	<u>\$ (4,170,538)</u>	-1.1%	<u>\$394,142,421</u>



**Analysis of the Authority's overall financial position and results of operations**

- The Authority's unrestricted cash fell by \$7.4 million in 2011 primarily due to the receipt of the Governmental Gross Receipts Tax of approximately \$24.5 million, the transfer of \$23.2 million to fund the Common Debt Service Reserve and reversion of approximately \$7.9 million of Authority program funds to the State General Fund to assist in State Budget shortfalls. Restricted cash decreased by \$44.8 million in 2011, primarily due to draw downs of loans funded in the prior year and \$18 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).
- Loans receivable decreased by \$28.7 million in 2011 primarily as a result of new loans made during the year totaling \$211.7 million less loan payments received of \$240.2 million.
- Bonds payable decreased by \$10.7 million in 2011 resulting from the issuance of \$71.6 million of new bonds, principal payments on outstanding bonds of \$80.9 million, and amortization of bond premium of \$1.4 million.
- The Authority's revenues decreased by \$1 million in 2011 compared to 2010. The decline was principally due to a \$1.8 million decrease in administrative fees received on PPRF loans which is result of early payoffs on \$111.2 million in loans which contained an annual administrative fee as well as a lower volume of loans closed in FY 2011 compared to FY 2010.
- The Authority's net assets decreased by \$4.1 million in 2011.
- During fiscal year 2011, the Authority invested, net of depreciation, a total of \$205,244 in capital assets. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

- The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2011, the total amount outstanding was \$1.22 billion (excluding the \$1.85 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.
- During the fiscal year, the Authority issued \$71.6 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

### **Authority Programs**

The Authority accounts for each of its programs as a separate fund, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted in the following discussion due to the significance of the program.

#### **Public Project Revolving Fund**

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for-profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 882 loans totaling \$1.77 billion.

The PPRF makes loans of less than \$5 million from its own funds on hand. It then replenishes its cash balance at a later date by "packaging" the loans as collateral and selling tax-exempt bonds. Loans for amounts larger than \$5 million are funded by closing the loans at the same time a reimbursement bond issue closes, thus ensuring a precise matching of loan and bond interest rates.

The PPRF operates, in many respects, in the same manner as a bank or other lending institution. Infrastructure finance agencies similar to the PPRF are often called "bond banks." Financial statements for the PPRF are presented in the following pages in a format similar to that employed by commercial banking organizations.

# NEW MEXICO FINANCE AUTHORITY

## Management's Discussion and Analysis

### New Mexico Finance Authority Public Projects Revolving Fund Statement of Net Assets As of June 30

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>	<u>FY 2009</u>
<b>Assets</b>					
Cash and equivalents					
Unrestricted	\$ 96,102,757	\$ 105,121,159	\$ (9,018,402)	-8.6%	\$ 100,357,207
Restricted	178,948,496	193,799,257	(14,850,761)	-7.7%	252,014,194
Accounts receivable	15,633,223	15,355,773	277,450	1.8%	16,111,757
Loans receivable, net of allowance for uncollectable accounts	1,140,391,615	1,175,365,082	(34,973,467)	-3.0%	1,050,541,321
Intergovernmental Receivables	120,521,240	124,242,525	(3,721,285)	-3.0%	124,242,525
Capital assets	205,244	273,500	(68,256)	-25.0%	3,723,588
Other assets	<u>47,602,986</u>	<u>11,080,561</u>	<u>36,522,425</u>	329.6%	<u>10,874,247</u>
<b>Total assets</b>	<b><u>\$ 1,599,405,561</u></b>	<b><u>\$ 1,625,237,857</u></b>	<b><u>\$ (25,832,296)</u></b>	<b>-1.6%</b>	<b><u>\$ 1,557,864,839</u></b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	4,791,143	5,538,673	(747,530)	-13.5%	4,678,001
Undisbursed loan proceeds	74,472,266	115,755,852	(41,283,586)	-35.7%	181,136,484
Due to other state agencies	-	-	-	0.0%	7,466,162
Borrowers' debt service and reserve deposits	77,326,315	72,235,741	5,090,574	7.0%	58,347,644
Line of credit payable	-	-	-	0.0%	-
Bonds payable, current, net	<u>1,199,649,242</u>	<u>1,206,727,970</u>	<u>(7,078,728)</u>	-0.6%	<u>1,102,203,109</u>
<b>Total Liabilities</b>	<b><u>1,356,238,966</u></b>	<b><u>1,400,258,236</u></b>	<b><u>(44,019,270)</u></b>	<b>-3.1%</b>	<b><u>1,353,831,400</u></b>
<b>Net Assets</b>					
Invested in capital assets	205,244	273,500	(68,256)	-25.0%	118,026
Restricted for program commitments	147,390,140	120,696,057	26,694,083	22.1%	104,571,517
Restricted for program use	<u>95,571,211</u>	<u>104,010,064</u>	<u>(8,438,853)</u>	-8.1%	<u>99,343,896</u>
<b>Total net assets</b>	<b><u>243,166,595</u></b>	<b><u>224,979,621</u></b>	<b><u>18,186,974</u></b>	<b>8.1%</b>	<b><u>204,033,439</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,599,405,561</u></b>	<b><u>\$ 1,625,237,857</u></b>	<b><u>\$ (25,832,296)</u></b>	<b>-1.6%</b>	<b><u>\$ 1,557,864,839</u></b>

# NEW MEXICO FINANCE AUTHORITY

## Management's Discussion and Analysis

### New Mexico Finance Authority Public Projects Revolving Fund Statements of Revenues, Expenses, and Changes in Net Assets Years Ended June 30

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>	<u>FY 2009</u>
<b>Interest Income</b>					
Loans	\$ 52,828,553	\$ 53,236,068	\$ (407,515)	-0.8%	\$ 45,103,592
Investments	<u>242,447</u>	<u>1,147,112</u>	<u>(904,665)</u>	-78.9%	<u>1,118,311</u>
<b>Total Interest Income</b>	<b>53,071,000</b>	<b>54,383,180</b>	<b>(1,312,180)</b>	<b>-2.4%</b>	<b>46,221,903</b>
<b>Interest Expense</b>					
Bonds	55,170,397	53,958,235	1,212,162	2.2%	47,591,765
Short-term borrowing	<u>114,063</u>	<u>124,354</u>	<u>(10,291)</u>	-8.3%	<u>60,833</u>
<b>Total Interest Expense</b>	<b>55,284,460</b>	<b>54,082,589</b>	<b>1,201,871</b>	<b>2.2%</b>	<b>47,652,598</b>
<b>Net Interest Income</b>					
Interest income less					
interest expense	(2,213,460)	300,591	(2,514,051)	-836.4%	(1,430,695)
Less Provision for loan losses	<u>1,164,526</u>	<u>445,867</u>	<u>718,659</u>	161.2%	<u>299,113</u>
<b>Net Interest Income After Provision for Loan Losses</b>	<b>(3,377,986)</b>	<b>(145,276)</b>	<b>(3,232,710)</b>	<b>2225.2%</b>	<b>(1,729,808)</b>
<b>Noninterest Income</b>					
Loan administration fees	3,142,505	4,212,544	(1,070,039)	-25.4%	4,689,716
Appropriation revenues	<u>26,909,639</u>	<u>24,314,901</u>	<u>2,594,738</u>	10.7%	<u>25,645,568</u>
<b>Total Noninterest income</b>	<b>30,052,144</b>	<b>28,527,445</b>	<b>1,524,699</b>	<b>5.3%</b>	<b>30,335,284</b>
<b>Noninterest Expense</b>					
Salaries and benefits	2,431,964	2,169,436	262,528	12.1%	2,215,043
Professional services	1,348,373	2,423,424	(1,075,051)	-44.4%	2,020,995
Bond issuance costs	610,222	1,752,742	(1,142,520)	-65.2%	1,190,439
Loss on Investments	(142,254)	(3,089,576)	2,947,322	100.0%	3,729,142
Other	<u>1,543,300</u>	<u>846,618</u>	<u>696,682</u>	82.3%	<u>869,286</u>
<b>Total Noninterest Expense</b>	<b>5,791,605</b>	<b>4,102,644</b>	<b>1,688,961</b>	<b>41.2%</b>	<b>10,024,905</b>
<b>Excess of revenues over expenditures</b>	<b>20,882,553</b>	<b>24,279,525</b>	<b>(3,396,972)</b>	<b>-14.0%</b>	<b>18,580,571</b>
<b>Transfers from (to) other Funds or Agencies</b>	<b>(2,695,574)</b>	<b>(3,333,345)</b>	<b>637,771</b>	<b>-19.1%</b>	<b>(5,728,447)</b>
<b>Increase (decrease) in Fund Net Assets</b>	<b>18,186,979</b>	<b>20,946,180</b>	<b>(2,759,201)</b>	<b>-13.2%</b>	<b>12,852,124</b>
<b>Net Assets, Beginning of Year</b>	<b><u>224,979,616</u></b>	<b><u>204,033,436</u></b>	<b><u>20,946,180</u></b>	<b>10.3%</b>	<b><u>191,181,312</u></b>
<b>Net Assets, End of year</b>	<b><u>\$ 243,166,595</u></b>	<b><u>\$ 224,979,616</u></b>	<b><u>\$ 18,186,979</u></b>	<b>8.1%</b>	<b><u>\$ 204,033,436</u></b>

## NEW MEXICO FINANCE AUTHORITY

### Management's Discussion and Analysis

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#### Analysis of the PPRF's overall financial position and results of operations:

##### Loan volume:

	2011	2010	Since Inception
Amount of loans made	\$168.2 million	\$195.2 million	\$1.940 billion
Number of loans made	84	92	966
Average loan size	\$2.0 million	\$2.1 million	\$2.0 million

Both average loan size and the number of loans made in 2011 decreased from the previous year.

##### Loans receivable:

There were no defaults on PPRF loans during 2011 and no delinquencies as of June 30, 2011, or at the date of these financial statements.

##### Bond issuance:

During fiscal 2011, the PPRF issued 2 series of bonds, with a total par value of \$71.6 million.

##### Net interest income:

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2011, the PPRF had net interest expense of \$3.38 million, compared to \$145 thousand in 2010. This is a result of market conditions in which \$111.2 million in PPRF loans exercised their early call provisions and the Authority relent those loan repayments at moderately lower interest rates. This approach resulted in a much lower cost to the Authority (see Note 16 Contingencies – Loan Prepayment and Bond Call Provisions).

##### Recovery of investment loss:

In 2009, management recorded an estimated loss of \$3.7 million on a money market mutual fund in which the PPRF had invested. During 2011, the PPRF received liquidating distributions of \$142 thousand, resulting in an overall actual, realized loss on this investment of approximately \$560 thousand.

**Governmental Gross Receipts Tax:**

The Governmental Gross Receipts Tax ("GGRT") is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was \$24,518,214 in 2011, a \$1,465,162 increase from the \$23,053,051 received in 2010. The GGRT funds are used:

1. as a credit enhancement for the PPRF bonds. In the event of defaults on loans, GGRT funds can be used to make up for any shortfall in funds available for bond payments.
2. to fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
3. To pay operating expenses of the PPRF.

**Other Programs:**

The PPRF accounts for a large portion of total Authority activity. At June 30, 2011 and for the year then ended, the relationships were as follows:

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
Total assets	\$1.599 billion	\$1.764 billion	90.6%
Net assets	\$243.2 million	\$381.2 million	63.8%
Revenues	\$ 83.1 million	\$140.5 million	59.1%

# NEW MEXICO FINANCE AUTHORITY

## Management's Discussion and Analysis

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs. Loan and grant activity in these programs in 2011 and 2010 was as follows:

Program	FY 2011	FY 2010	Net Increase (Decrease)	Percentage Increase / (Decrease)	FY 2009
Drinking Water Revolving Fund	\$ 14,139,399	\$ 13,319,573	\$ 819,826	6.2%	\$ 22,139,294
Local Transportation Infrastructure Fund	1,274,234	1,189,778	84,456	7.1%	969,543
Water Projects Fund	29,333,983	33,026,435	(3,692,452)	-11.2%	22,728,950
Economic Development Fund	-	1,650,000	(1,650,000)	-100.0%	222,447
Local Gov't Transportation Fund	14,573,054	27,011,683	(12,438,529)	-46.0%	34,827,691
Child Care Revolving Loan Fund	-	6,938	(6,938)	-100.0%	36,466
Behavioral Health Cigarette Tax Revenue Bond Fund	-	69,578	(69,578)	-100.0%	471,509
Water Wastewater Grant Fund	1,919,081	537,448	1,381,633	257.1%	3,210,290
Local Gov't Planning Grant Fund	286,773	207,842	78,931	38.0%	268,420
<b>Total Activity</b>	<b>\$ 61,526,524</b>	<b>\$ 77,019,275</b>	<b>\$(22,492,751)</b>	<b>-21.1%</b>	<b>\$ 84,874,610</b>

In FY 2011, the Authority transferred \$18.4 million in funds from various programs to the State's General Fund to assist the State in meeting budget shortfalls. This one-time transfer of funds did not affect the PPRF program but will result in limited activity loan and grant activity in some of the Authority's other programs going forward such as the Local Transportation Infrastructure Fund, the Economic Development fund and the Child Care Revolving Loan Fund.

The decreased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the funding process in FY 2010 to bring more current the projects receiving authorization and approval in the current funding cycle.

The decline in grant volume for the Local Government Transportation Fund occurred because most of the funds were appropriated to the Authority on a one-time basis. Most of the funds have been expended, and the program is in its final stages with expected final disbursements by June 2013.

Similar to the Local Government Transportation Fund, the increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its one-time appropriation received from the state legislature and with final expenditures for projects expected by December 2011.

In 2008, the Authority was awarded a \$110 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. During fiscal 2009, the Authority made its first award of tax credits for \$15.5 million. During 2011, the Authority made one additional award totaling \$12.5 million bringing total awards to date over \$58.3 million. Subsequent to June 30, 2011, the Authority has made two additional awards totaling \$18 million. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

**Budgetary Variations, capital and infrastructure assets:**

The Authority does not have any legally adopted budgets and, therefore, does not present any budgetary information. The Authority has an immaterial amount of capital assets, and owns no infrastructure assets.

**Contacting the Authority's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Substantial additional information is available on the Authority's website at [www.nmfa.net](http://www.nmfa.net). If you have any questions about this report or need additional financial information, contact:

New Mexico Finance Authority (NMFA)  
207 Shelby Street  
Santa Fe, New Mexico 87505



## **FINANCIAL STATEMENTS**

# NEW MEXICO FINANCE AUTHORITY

## Statements of Net Assets June 30, 2011 and 2010

ASSETS	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 113,770,321	\$ 121,171,671
Restricted cash	222,682,493	267,498,861
Interest receivable	9,077,480	9,798,411
Grant and other receivables	6,033,887	4,371,646
Administrative fees receivable	401,114	560,875
Loans receivable, current, net	84,034,901	74,586,190
Intergovernmental receivables, current	7,065,435	7,031,285
Restricted asset - escrow	37,561,521	821,293
Other Assets	57,442	57,442
Total current assets	480,684,594	485,897,674
<b>NONCURRENT ASSETS</b>		
Capital assets, net of depreciation	205,244	273,500
Loans receivable, net of allowance	1,139,386,778	1,177,536,039
Intergovernmental receivables	133,745,805	140,811,240
Deferred cost, net of accumulated amortization	10,614,067	10,919,312
Total noncurrent assets	1,283,951,894	1,329,540,091
<b>TOTAL ASSETS</b>	\$ 1,764,636,488	\$ 1,815,437,765
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,566,832	\$ 2,814,579
Accrued payroll	121,640	161,995
Compensated absences	295,994	210,339
Fund held for others	74,525,962	116,020,137
Accrued Interest	4,303,121	4,402,936
Debt service payable	77,601,800	72,757,754
Bonds Payable, current, net	72,699,000	65,371,000
Total current liabilities	233,114,349	261,738,740
<b>Noncurrent liabilities:</b>		
Bonds payable, non-current, net of bond discount/premium	1,150,343,042	1,168,349,390
Total noncurrent liabilities	1,150,343,042	1,168,349,390
<b>TOTAL LIABILITIES</b>	1,383,457,391	1,430,088,130
<b>NET ASSETS:</b>		
Invested in capital assets	205,244	273,500
Restricted for debt service	8,769,929	8,996,556
Restricted for program commitments	261,755,999	255,497,112
Restricted for program use	110,447,925	120,582,467
<b>TOTAL NET ASSETS</b>	381,179,097	385,349,635
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,764,636,488	\$ 1,815,437,765

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

# NEW MEXICO FINANCE AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2011 and 2010

	2011	2010
<b>OPERATING REVENUES</b>		
Appropriation Revenue	\$ 34,826,387	\$ 32,722,377
Grant revenue	42,848,310	42,184,646
Administrative fees	6,816,487	8,621,728
Interest on loans	55,585,061	56,663,765
Interest on investments	406,973	1,343,523
Total operating revenues	140,483,218	141,536,039
<b>OPERATING EXPENSES</b>		
Grant expense	70,476,210	81,106,858
Bond issuance costs	697,665	1,840,185
Administrative fee	271,317	217,298
Professional services	2,379,233	4,727,242
Salaries and fringe benefits	4,200,029	3,808,883
In-state travel	78,302	80,602
Out-of-state travel	43,613	37,399
Operating costs	870,235	932,221
Provision for Loan Losses	1,421,066	445,867
Debt service - interest expense	56,634,591	55,622,227
Total operating expenses	137,072,261	148,818,782
Operating income (loss) before depreciation	3,410,957	(7,282,743)
Depreciation	92,000	197,828
Total operating income (loss)	3,318,957	(7,480,571)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on investments	402,747	6,758,315
Income (loss) before transfers	3,721,704	(722,256)
<b>TRANSFERS</b>		
Transfers from (to) other state agencies	(7,892,242)	(8,070,530)
<b>CHANGE IN NET ASSETS</b>	(4,170,538)	(8,792,786)
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	385,349,635	394,142,421
<b>TOTAL NET ASSETS, END OF YEAR</b>	\$ 381,179,097	\$ 385,349,635

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

# NEW MEXICO FINANCE AUTHORITY

## Statements of Cash Flows Years Ended June 30, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid for employee services	\$ (4,154,728)	\$ (3,833,373)
Cash paid to vendors for services	(7,131,806)	(5,865,375)
Bond issuance costs	(757,284)	(1,631,038)
Interest expense paid	(58,147,754)	(56,075,453)
Grants awarded	(67,648,870)	(81,086,913)
Appropriation Revenue	62,031,542	64,877,271
Cash received from federal government for revolving loans	13,865,920	14,013,108
Interest income received	56,712,962	56,457,679
Administrative fees received	6,807,110	8,343,249
Net cash flows provided by (used in) operating activities	<u>1,577,092</u>	<u>(4,800,845)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash paid to sub recipients for services	(6,961,845)	(8,070,530)
Cash provided (used) by funds held for others	(41,494,178)	(66,900,796)
Net cash used in noncapital financing activities	<u>(48,456,023)</u>	<u>(74,971,326)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>		
Investment in Partnership	-	(99,010)
Loans funded	(211,735,549)	(212,174,131)
Loan payments received	247,182,873	80,165,247
Bonds issued	71,585,000	172,345,000
Payment of bonds	(80,850,000)	(70,580,000)
Debt service	(31,900,114)	6,524,733
Recovery payments from loss on investments	402,747	6,758,315
Capital asset purchases	(23,744)	(273,500)
Net cash used in capital financing activities	<u>(5,338,787)</u>	<u>(17,333,346)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(52,217,718)</u>	<u>(97,105,517)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>388,670,532</u>	<u>485,776,049</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 336,452,814</u>	<u>\$ 388,670,532</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES -		
OPERATING INCOME:	\$ 3,318,957	\$ (7,480,571)
Adjustments to operating income:		
Depreciation and amortization	(76,398)	(626,434)
(Increase) decrease in prepaid and receivables	(3,456,432)	907,916
Increase (decrease) in payables and other accrued liabilities	1,790,965	2,398,244
<b>NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES</b>	<u>\$ 1,577,092</u>	<u>\$ (4,800,845)</u>

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

**NEW MEXICO FINANCE AUTHORITY**

**Agency Funds – Statement of Assets and Liabilities**  
**Year Ended June 30, 2011**

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**ASSETS:**

Cash at Trustee:	
Program funds	\$ 113,243,138
Expense funds	269,390
Bond reserve funds	<u>42,270,244</u>

<b>TOTAL ASSETS</b>	<b>\$ 155,782,772</b>
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**LIABILITIES:**

Accounts payable	\$ 1,809,392
Debt service payable	51,426,134
Funds held for the NM Department of Transportation	<u>102,547,246</u>

<b>TOTAL LIABILITIES</b>	<b>\$ 155,782,772</b>
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The accompanying notes are an integral part of the financial statements.

## NATURE OF ORGANIZATION

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (the Authority). The purpose of the New Mexico Authority Act (the Act) is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

The Authority's governing board is composed of twelve members. The State Investment Officer; the Secretary of the Department of Finance and Administration; the Secretary of Economic Development; the Secretary of Energy, Minerals and Natural Resources; the Secretary of the Environment Department; the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of the Senate, appoints to the Authority Board, the chief financial officer of an institution of higher education and four other members who are residents of the state. The appointed members serve at the pleasure of the governor.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state, except as specifically provided in the Act. The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state, unless specifically referred to in the law.

The Authority is subject to the Open Meetings Act and the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Authority is exempt from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the state or any subdivision thereof.

The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental make-up of the Authority's governing board; sources of tax revenue and its ability to issue tax-exempt debt.

The Authority is a governmental entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39. The financial reporting entity as defined by GASB No. 39 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." The Authority is considered to be a discretely presented component unit of the State of New Mexico. The Authority does not have any component units.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. 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.

- **Basis of Presentation**

The accounts of the Authority are organized on the basis of programs and activities, each of which is considered a separate accounting entity. The operations of each project are accounted for with a separate set of self-balancing accounts that record its assets, liabilities, net assets, revenues, expenditures or expenses and other financing transactions.

All of the Authority's activities are reported as an enterprise fund as defined by GASB Statement No. 34. Enterprise funds are used for activities for which a fee is charged to external users for goods and services. Financial reporting for enterprise funds conforms to accounting principles generally applicable to the transactions of similar commercial enterprises and utilizes the full accrual method of accounting.

The following describes the nature of the projects and programs maintained by the Authority:

Public Project Revolving Program – Accounts for the proceeds from bonds, the debt service requirements of the bonds, the related loans to public entities and the Governmental Gross Receipts Tax ("GGRT") which is the primary funding source of this program.

Drinking Water State Revolving Loan Program – Accounts for activities of a loan program which provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State of New Mexico is required to match by 20%.

Water Projects Program – Accounts for the activities related to administration of a financing program to provide for water use efficiency, resource conservation and protection and fair distribution and allocation of water. The Program provides grant and interest free loans to support the water projects.

Local Government Transportation Program – Accounts for activities to provide funding for 116 legislatively authorized local government transportation projects. The funding for this Program is made up of a \$25 million appropriation from the State's General Fund and up to \$150 million in proceeds realized from the issuance and sale of severance tax bonds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Basis of Presentation (continued)**

Local Transportation Infrastructure Program – Accounts for activities for local government road and transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund. The Program provides for grants and low-cost financial assistance for these local governments transportation projects.

Economic Development Program – Accounts for activities for the Statewide Economic Development Finance Act (SWEDFA). This program provides comprehensive financing tools to stimulate economic development projects statewide.

New Markets Tax Credit Program – Accounts for the activities of the Authority as the managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program. This Program was created to account for costs associated with the application process and other start-up costs as well as management activities undertaken by the Authority, as managing partner of this for-profit company.

Child Care Revolving Loan Program – Partners the Authority with the Children, Youth and Families Department to provide low cost financing to licensed child care providers to fund improvements to their facilities.

Behavioral Health Cigarette Tax Revenue Bond Program – Provides low cost capital to behavioral health clinics in rural and underserved areas of the state. The Program provides low cost funding through a revolving loan to non-profit behavioral health care providers.

Primary Care Capital Program – A revolving fund which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.

Water and Wastewater Project Grant Program – Accounts for activities for providing grant funding for water and wastewater system projects authorized by legislation.

Local Government Planning Grant Program – Provides grants to qualified entities on a per project basis for water and wastewater related studies, long term water management plans and economic development plans.

State Office Building Financing Program – Provides for the financing of state office building projects consisting of acquisition, construction, equipping and otherwise improving land and buildings for the General Services Department of the State of New Mexico. The funding for this program is provided by \$6.36 million annual appropriation from the State Gross Receipts Tax.

State Capital Improvement Financing Program – Accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol. The financing is secured by distributions by the State Treasurer of income from the land grant fund to the capitol buildings improvement repair fund.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Basis of Presentation - Fund Accounting** (continued)

UNM Health Sciences Program – Accounts for the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center.

Workers Compensation Financing Program – Accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers' Compensation Administration. The bonds are secured by the first 10% of workers' compensation fee assessments received by the State. Any excess revenues received after all current obligations and sinking fund requirements are transferred to Workers' Compensation Administration.

Equipment Loan Program – Accounts for the Pooled Equipment Certificates of Participation issued by the Authority to assist local government entities in the financing and purchase of equipment. The loans for these financings are the only sources of repayments for these Certificates of Participation ("COPS") and are secured by various local government revenues which are directly intercepted from the State of New Mexico.

- **Agency Funds**

Agency Funds are used to report resources held by the Authority in a purely custodial capacity. These funds result from transactions associated with the Authority acting as fiscal agent for the New Mexico Department of Transportation ("Department") on several of the Department's bond transactions. The amounts reflected as Agency Funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of the Department. Accordingly, all assets held and reported in the Agency Fund are offset by a liability to the Department on whose behalf the funds are being held.

- **Basis of Accounting and Measurement Focus**

The basis of accounting for the programs administered by the Authority is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Authority's funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these programs are included in the Statements of Net Assets.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate programs. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific program. All other revenues are recognized when received. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Basis of Accounting and Measurement Focus (continued)**

Expenditures are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

- **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

- **Restricted Assets**

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Balance Sheets because their use is limited by applicable bond covenants or legislation.

- **Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents consist of cash on deposit with the Bank of Albuquerque, Wells Fargo Bank and with the Bank of New York Mellon acting as bond trustee. .

Deposits with Wells Fargo Bank are collateralized at 50% with U.S. Treasury or "full faith and credit" U.S. Agency securities as required New Mexico law.

The restricted cash includes the following: Debt service and bond reserve accounts are used to report resources held by trustee and set aside for future debt service payments. A program-grant proceeds account is used to report those proceeds of bond issuances that were issued to finance a grant to another state agency. The program-bond proceeds account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The expense fund account is used to cover professional expenses incurred during the bond offering process.

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents. Earnings from cash equivalents are considered non-operating revenues.

- **Accounts Receivable**

Accounts receivable consists of payments due from the governments, administrative fees due from projects, and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates based on factors including payment history and economic factors.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on non-accrual status because they are insured or otherwise guaranteed.

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. At June 30, 2011 and 2010, the allowance for loan losses was \$3,554,017 and \$2,132,950, respectively.

- **Intergovernmental Receivables**

Intergovernmental receivables consist of amounts due from the state based on legislated appropriation of specified taxes for repayment of certain bonds issued by the Authority on behalf of state entities. The related statute directs the Authority to issue bonds and make proceeds available to specified state entities to fund various projects. The statute appropriates a portion of existing taxes or fees to fund the payment of the related bonds. No allowance has been established as all such receivables are considered collectable.

- **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays individually exceeding \$5,000 that significantly extend the useful life of an asset are capitalized. Computer software is included in furniture and equipment. In addition, furniture and equipment with lives of three years or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred. The Authority does not have any internally developed software.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on estimated useful lives ranging from three to seven years.

- **Bond Discounts, Premiums, Issuance Costs, and Deferred Costs**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred costs.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Compensated Absences**

Full-time employees are entitled to fifteen days vacation leave with ten years or less employment with the Authority. Employees with more than ten years receive twenty days. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave as of the date of termination.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five (25%) of their current hourly rate of accumulated unpaid sick leave up to 300 hours. Part-time employees accrue vacation leave and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the operating fund.

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan recipient. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as the related project costs are incurred. The accounts, in the majority, represent loans of the PPRF program.

- **Debt Service Payable**

Debt service amounts payable represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually; therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the Trustee, and in accounts at the State Treasurer's office.

- **Net Assets**

The financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

*Investment in capital assets* (net of related debt) 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 of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

*Restricted assets* are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

*Unrestricted assets* represent assets not otherwise classified as invested in capital assets or restricted assets.

When both restricted and unrestricted net assets are available for expenses, unrestricted funds are applied first.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Income Taxes**

The Authority is a tax-exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Authority is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by the Authority.

- **Interprogram and Interagency Transactions**

Interprogram and interagency transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a program for expenses initially incurred by it that are properly applicable to another program are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed. All other interprogram transactions are reported as transfers. Non-recurring or non-routine transfers of net assets are reported as restricted net asset transfers. All other transfers are recorded as operating transfers to other state agency under the other financial services category.

- **Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.

- **New Accounting Pronouncements**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became effective for the Authority in fiscal year 2010. GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. While the Authority has entered into interest rate exchange agreements in its role as agent for the Department of Transportation, the derivative instruments are not considered to be transactions of the Authority, are not reflected in the financial statements of the Authority, and are not, therefore subject to the requirements of GASB Statement No. 53.

The Authority also adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and recognized in the statement of net assets only if considered identifiable. Existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. For fiscal year 2010 the Authority did not have any intangible assets subject to GASB Statement No. 51.

# NEW MEXICO FINANCE AUTHORITY

## Notes to Financial Statements

### 2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE

The following is a reconciliation of cash and cash equivalents to the financial statements.

	2011	2010
State Treasurer Local Government Investment Pool	\$ -	\$110,742,869
The Primary Care Capital Fund held at the State Treasurer's Office	243,212	2,230,037
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	179,083,169	71,585,834
Bank of Albuquerque trust accounts	646,702	645,733
Bank of New York Mellon	154,514,313	168,041,218
Reserve on Bond Payable held in Bank of America	-	-
Wells Fargo operating accounts	1,965,418	35,424,841
Cash held at The Reserve Primary money market fund	-	-
<b>Total</b>	<b><u>\$336,452,814</u></b>	<b><u>\$388,670,532</u></b>

Cash and cash equivalents are reflected in the Statements of Net Assets as follows:

	2011	2010
Cash and cash equivalents	\$113,770,321	\$121,171,671
Restricted cash	<u>222,682,493</u>	<u>267,498,861</u>
<b>Total</b>	<b><u>\$336,452,814</u></b>	<b><u>\$388,670,532</u></b>

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the Authority for its various bond issues. The sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its collateral securities that are in the possession of an outside party. FDIC limits for the year ended June 30, 2010 equaled \$250,000 per financial institution. In accordance with State Law, 6-10-17 NMSA 1978, at least one half of all public money is required to be collateralized. The Authority meets the requirements of State Law, but is not fully collateralized as the Wells Fargo operating accounts are uncollateralized to the extent of \$1,919,616. All collateral is held in the Authority's name.

**Credit Risk.** The Authority's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips and U.S. Government.

# NEW MEXICO FINANCE AUTHORITY

## Notes to Financial Statements

### 2. CASH AND CASH EQUIVALENTS AND FUNDS HELD FOR OTHERS BY TRUSTEE (CONTINUED)

**Concentration of Credit Risk.** Concentration of credit risk is defined as investments of more than 5% in any one issuer. There were no concentrations meeting this criteria at June 30, 2011.

**Interest Rate Risk.** Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute.

### 3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

Program	Length of Loans (Years)	Rates	2010	Additions	Payments	2011
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$1,177,178,032	\$ 201,505,803	\$ 235,314,744	\$1,143,369,091
Drinking Water State Revolving Loans	1 to 30	0% to 4%	60,230,182	5,227,754	2,795,352	62,662,584
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	149,250	2,919,170	20,883	3,047,537
Primary Care Capital Fund Loans	10 to 20	3%	5,563,586	-	818,834	4,744,752
Water Projects Fund Loan Grants	10 to 20	0%	6,501,166	3,219,378	1,001,729	8,718,815
Smart Money Participation Loans	3 to 20	2% to 5%	3,547,224	-	99,903	3,447,321
Behavioral Health Care Loan	15	3%	304,248	-	34,206	270,042
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	541,087	-	32,295	508,792
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	197,000	-	28,000	169,000
Child Care Revolving Loans	8	3%	43,404	-	5,644	37,760
		Subtotals	1,254,255,179	212,872,105	240,151,590	1,226,975,694
		Less: Allowance for loan losses	(2,132,950)	(1,421,066)	-	(3,554,016)
		Totals	\$1,252,122,229	\$ 211,451,039	\$ 240,151,590	\$1,223,421,678

# NEW MEXICO FINANCE AUTHORITY

## Notes to Financial Statements

### 3. LOANS RECEIVABLE (CONTINUED)

Program	Length of Loan (Years)	Rates	As Restated 2009	Additions	Payments	2010
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,051,908,405	\$ 195,206,131	\$ 69,936,504	\$ 1,177,178,032
Drinking Water State Revolving Loans	1 to 30	0% to 3%	51,848,151	10,384,433	2,002,402	60,230,182
Drinking Water State Revolving Loans	1 to 20	0% to 3%	-	149,250	-	149,250
Primary Care Capital Fund Loans	10 to 20	3%	6,094,410	-	530,824	5,563,586
Water Projects Fund Loan Grants	10 to 20	0%	2,270,908	4,672,162	441,904	6,501,166
Smart Money Participation Loans	3 to 20	2% to 5%	1,979,429	1,650,000	82,205	3,547,224
Behavioral Health Care Loan	15	3%	337,455	-	33,207	304,248
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	471,509	100,000	30,422	541,087
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	349,000	-	152,000	197,000
Child Care Revolving Loans	8	3%	36,466	12,155	5,217	43,404
		Subtotals	1,115,295,733	212,174,131	73,536,282	1,254,255,179
		Less: Allowance for loan losses	(1,687,083)	(445,867)	-	(2,132,950)
		Totals	\$ 1,113,608,650	\$ 211,728,264	\$ 73,536,282	\$ 1,252,122,229

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2011.

#### Totals – Loans Receivable, Net of Allowance

Fiscal year ending June 30:	Principal	Interest	Total
2012	\$ 84,034,901	\$ 46,089,971	\$ 130,124,872
2013	88,161,287	43,875,326	132,036,613
2014	86,590,827	41,223,627	127,814,454
2015	85,032,909	38,569,295	123,602,204
2016	84,207,984	35,803,141	120,011,125
2017 - 2021	336,981,531	138,936,769	475,918,300
2022 - 2026	247,135,333	82,510,352	329,645,685
2027 - 2031	137,642,548	35,342,737	172,985,285
2032 - 2036	69,773,880	11,456,641	81,230,521
2037 - 2041	7,414,494	499,618	7,914,112
Subtotals	1,226,975,694	\$ 474,307,477	\$ 1,701,283,171
Less: Allowance for Loan Losses	(3,554,016)		
Loans Receivable, net	\$ 1,223,421,678		



# NEW MEXICO FINANCE AUTHORITY

## Notes to Financial Statements

### 4. INTERGOVERNMENTAL RECEIVABLES

The Authority has agreements with various state entities relating to the issuance of bonds. Pursuant to the underlying legislation and resolutions, the bond proceeds financed various State projects. Pursuant to the legislation, the debt service on these bonds is payable solely from revenues from the State and State entities. Intergovernmental receivables represent amounts due to the Authority under these agreements.

At June 30, 2011, the intergovernmental receivables are comprised of the following:  
The intergovernmental receivables activity for the year ending June 30, 2010 was as follows:

State Entity	Revenue Pledge	Rates	Terms	2010	Payments	2011	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	06/15/2025	\$ 46,950,000	\$ 2,180,000	\$ 44,770,000	\$ 2,285,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	06/15/2025	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	06/01/1936	46,715,000	745,000.00	45,970,000	780,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	04/01/2019	17,405,000	2,350,000.00	15,055,000	2,190,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	04/01/2019	6,947,525	796,285.00	6,151,240	785,435
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	09/01/2016	2,080,000	250,000.00	1,830,000	265,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	03/15/2015	4,115,000	710,000.00	3,405,000	760,000
Totals				\$ 147,842,525	\$ 7,031,285	\$ 140,811,240	\$ 7,065,435

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2011.

	Principal	Interest	Total
Fiscal year ending June 30:			
2012	\$ 7,065,435	\$ 6,875,931	\$ 13,941,366
2013	7,191,962	6,550,955	13,742,917
2014	7,420,628	6,191,610	13,612,238
2015	7,656,438	5,820,394	13,476,832
2016	7,214,184	5,453,302	12,667,486
2017 - 2021	38,282,593	21,996,590	60,279,183
2022 - 2026	38,380,000	11,922,100	50,302,100
2027 - 2031	12,085,000	5,727,000	17,812,000
2032 - 2036	15,515,000	2,404,750	17,919,750
Intergovernmental Receivables	\$ 140,811,240	\$ 72,942,631	\$ 213,753,871

**NEW MEXICO FINANCE AUTHORITY**

**Notes to Financial Statements**

**5. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Adjustments/ Deletion</u>	<u>Balance June 30, 2011</u>
Depreciable assets:				
Furniture and fixtures	\$ 204,320	\$ 23,148	\$	\$ 227,468
Computer hardware and software	834,276	596		834,872
Machinery and equipment	49,117			49,117
Leasehold improvement	<u>48,490</u>			<u>48,490</u>
	<u>1,136,203</u>	<u>23,744</u>		<u>1,159,947</u>
Accumulated depreciation:				
Furniture and fixtures	(198,803)			(198,803)
Computer hardware and software	(566,293)	(92,000)		(658,293)
Machinery and equipment	(49,117)			(49,117)
Leasehold improvement	<u>(48,490)</u>			<u>(48,490)</u>
	<u>(862,703)</u>	<u>(92,000)</u>		<u>(954,703)</u>
<b>Net total</b>	<u>\$ 273,500</u>	<u>\$ (68,256)</u>	<u>\$</u>	<u>\$ 205,244</u>
	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Adjustments/ Deletion</u>	<u>Balance June 30, 2010</u>
Depreciable assets:				
Furniture and fixtures	\$ 198,802	\$ 5,518	\$ -	\$ 204,320
Computer hardware and software	566,294	267,982	-	834,276
Machinery and equipment	49,117	-	-	49,117
Leasehold improvement	<u>48,490</u>	<u>-</u>	<u>-</u>	<u>48,490</u>
	<u>862,703</u>	<u>273,500</u>	<u>-</u>	<u>1,136,203</u>
Accumulated depreciation:				
Furniture and fixtures	(159,733)	(39,070)	-	(198,803)
Computer hardware and software	(426,720)	(139,573)	-	(566,293)
Machinery and equipment	(39,464)	(9,653)	-	(49,117)
Leasehold improvement	<u>(38,958)</u>	<u>(9,532)</u>	<u>-</u>	<u>(48,490)</u>
	<u>(664,875)</u>	<u>(197,828)</u>	<u>-</u>	<u>(862,703)</u>
<b>Net total</b>	<u>\$ 197,828</u>	<u>\$ 75,672</u>	<u>\$ -</u>	<u>\$ 273,500</u>

**6. BONDS PAYABLE**

Bonds have been issued to provide financing for various Authority programs and are collateralized as follows:

- Loan Agreements and securities executed and delivered by governmental units in consideration for the financing of all or a portion of their respective projects by the Authority.
- Amounts held in the Agreement Reserve Accounts.
- Additional pledged loans.
- Revenues received by the Authority from the allocation of the Authority's portion of the Governmental Gross Receipts tax.
- Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

**NEW MEXICO FINANCE AUTHORITY**

**Notes to Financial Statements**

**6. BONDS PAYABLE (CONTINUED)**

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2011	2010
<b>Public Project Revolving Fund Revenue Bonds - Senior Lien Debt</b>				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	\$ 10,255,000	\$ 14,610,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	15,786,000	18,808,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	12,495,000	14,865,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	6,310,000	14,350,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	11,590,000	12,045,000
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	27,670,000	30,505,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	835,000	1,020,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	117,965,000	128,895,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	10,815,000	12,045,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	8,035,000	10,375,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	31,825,000	33,635,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	49,005,000	49,965,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	49,560,000	53,005,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	144,475,000	149,240,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	30,930,000	32,745,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	26,170,000	27,575,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	16,840,000	17,685,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	28,085,000	30,115,000
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	51,880,000	53,785,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	12,355,000	13,215,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,230,000	38,845,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	29,345,000	32,425,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	12,425,000	15,170,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	13,795,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	37,080,000	-
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	-
2011 A	2.000% to 4.000%	June 1, 2012 to June 1, 2016	15,375,000	-
			<b>826,731,000</b>	<b>818,718,000</b>
<b>Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt</b>				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	44,770,000	46,950,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	19,195,000	19,640,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	46,265,000	47,240,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	32,770,000	34,295,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	25,645,000	27,930,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	30,140,000	32,140,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	115,785,000	120,190,000
			<b>338,200,000</b>	<b>352,015,000</b>
		<b>Subtotal - PPRF Bonds</b>	<b>1,164,931,000</b>	<b>1,170,733,000</b>

**NEW MEXICO FINANCE AUTHORITY**

**Notes to Financial Statements**

**6. BONDS PAYABLE (CONTINUED)**

Bond Series	Rate	Maturities	2011	2010
<b>Pooled Equipment Certificates of Participation</b>				
1995 A	6.30%	October 1, 2015	130,000	152,000
1996 A	5.80%	April 1, 2016	39,000	45,000
		<b>Subtotals</b>	<b>169,000</b>	<b>197,000</b>
<b>Workers' Compensation Administration Building Revenue Bonds</b>				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	1,830,000	2,080,000
<b>State Capitol Building Improvement Revenue Bonds</b>				
1999	7.0%	Sept. 15, 2011 to Mar. 15, 2015	3,405,000	4,115,000
<b>Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project</b>				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	15,055,000	17,405,000
<b>Cigarette Tax Revenue Bonds - Behavioral Health Projects</b>				
2006	5.51%	May 1, 2012 to May 1, 2026	1,875,000	2,000,000
Total bonds outstanding			<b>\$ 1,187,265,000</b>	<b>\$ 1,196,530,000</b>
Add: Net unamortized premium			37,290,457	38,811,216
Less: Deferred charge on refunding			(1,513,415)	(1,620,826)
Total bonds payable, net			1,223,042,042	1,233,720,390
Less: Current portion of bonds payable			(72,699,000)	(65,371,000)
<b>Noncurrent portion of bonds payable</b>			<b>\$ 1,150,343,042</b>	<b>\$ 1,168,349,390</b>

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30th;			
2012	\$ 72,699,000	\$ 56,715,142	\$ 129,414,142
2013	76,763,000	53,714,522	130,477,522
2014	76,753,000	50,426,549	127,179,549
2015	77,835,000	47,055,063	124,890,063
2016	76,929,000	43,575,832	120,504,832
2017-2021	331,821,000	167,799,010	499,620,010
2022-2026	261,370,000	92,131,174	353,501,174
2027-2031	124,475,000	40,602,867	165,077,867
2032-2036	81,805,000	13,854,780	95,659,780
2037-2040	6,815,000	579,455	7,394,455
	1,187,265,000	566,454,394	1,753,719,394
Add: Unamortized premium	37,290,457		
Less: Deferred charge on refunding	(1,513,415)		
<b>Bonds payable, net</b>	<b>\$ 1,223,042,042</b>		

# NEW MEXICO FINANCE AUTHORITY

## Notes to Financial Statements

### 6. BONDS PAYABLE (CONTINUED)

The bonds payable activity for the years ending June 30, 2011 and 2010 was as follows:

	2011				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	\$1,196,530,000	\$ 71,585,000	(80,850,000)	\$1,187,265,000	\$ 72,699,000
Add: Unamortized Premium	38,811,216	839,770	(2,360,530)	37,290,457	-
Less: Deferred charge on refunding	(1,620,826)		107,412	(1,513,415)	-
<b>Total</b>	<b><u>\$1,233,720,390</u></b>	<b><u>\$ 72,424,770</u></b>	<b><u>\$ (83,103,118)</u></b>	<b><u>\$1,223,042,042</u></b>	<b><u>\$ 72,699,000</u></b>
	2010				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	\$1,094,765,000	\$172,345,000	\$ (70,580,000)	\$1,196,530,000	\$ 65,371,000
Add: Unamortized premium	39,917,386	1,245,562	(2,351,732)	38,811,216	-
Less: Deferred charge on refunding	(1,728,238)	-	107,412	(1,620,826)	-
<b>Total</b>	<b><u>\$1,132,954,148</u></b>	<b><u>\$173,590,562</u></b>	<b><u>\$ (72,824,320)</u></b>	<b><u>\$1,233,720,390</u></b>	<b><u>\$ 65,371,000</u></b>

The Authority enters into swap agreements as agent for the state agencies to which the bonds relate. In all swap agreements, the Authority receives a variable interest rate payment based on an index, and makes a fixed rate payment. This arrangement has the effect of converting the variable rate bonds to a fixed rate. As agent, no amounts with respect to swap transactions are included in the Authority's financial statements.

### 7. DEBT SERVICE PAYABLE

Debt service payable represents the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. Debt service payable was \$77,601,800 and \$72,757,754 at June 30, 2011 and 2010, respectively.

**8. LINE OF CREDIT**

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to \$75,000,000. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issue. Interest is due monthly on the outstanding balance, and accrues at 65% of U.S. dollar monthly LIBOR plus 90 basis points. The LIBOR rate at June 30, 2011 and 2010 was .186 and .347, respectively. The Authority pays a 20 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2011 and 2010.

**9. OPERATING LEASE COMMITMENT**

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are considered to be operating leases. Lease expenditures for the years ended June 30, 2011 and 2010 were \$398,181 and \$379,044, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2012	\$ 401,489
2013	401,489
2014	400,891
2015	394,314
2016	<u>276,906</u>
<b>Total</b>	<b><u>\$ 1,875,090</u></b>

**10. RETIREMENT PLANS**

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were \$461,193 and \$435,373 for the years ended June 30, 2011 and 2010, respectively. Substantially all full-time employees participate in this plan.

The Authority maintains a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the years ended June 30, 2011 and 2010 were \$25,235 and \$38,135, respectively.

**11. COMPENSATED ABSENCES**

The following changes occurred in the compensated absences liabilities:

Balance June 30, 2009	226,830
Additions	222,400
Deletions	<u>(238,891)</u>
Balance June 30, 2010	210,339
Additions	97,292
Deletions	<u>(11,637)</u>
<b>Balance June 30, 2011</b>	<b><u>\$ 295,994</u></b>

The portion of compensated absences due after one year is not material and, therefore, not presented separately.

**12. AGENCY TRANSACTIONS**

The Authority was authorized in 2003 to issue \$1.585 billion of bonds as agent for the New Mexico Department of Transportation (NMDOT). To date, \$1.150 billion has been issued. Of the total issued to date, \$420 million is variable rate debt with associated interest rate exchange agreements. The remainder is fixed-rate debt.

Debt service for the bonds is payable solely from certain revenues of the Department of Transportation. In the opinion of legal counsel, there is no claim that could be asserted against the Authority's assets for payment of debt service on the bonds. These bonds are not reflected in the Authority's financial statements. The Authority receives an annual fee from the Department of Transportation of 12.5 basis points of the outstanding bonds for management of the bond issues. The bonds were issued by the Authority as agent for the NMDOT. The bonds are liabilities of NMDOT, not the Authority.

**13. LOSS ON INVESTMENTS**

During fiscal 2009, the Authority invested a portion of its cash in the Reserve Primary Fund, a money market mutual fund. In September 2009, the fund disclosed that it anticipated that shareholders would experience a loss on their investment resulting from the bankruptcy filing of Lehman Bros. in whose bonds the fund had invested a portion of its cash. On the date of the Lehman Bros. bankruptcy filing, the Authority had an investment balance of \$71.2 million in the fund. The Authority also had an investment totaling \$27.9 million in a money market mutual fund managed by the New Mexico State Treasurer that also had an investment in the Reserve Primary fund.

The fund is still in the liquidation process and it is not certain how much the Authority will ultimately recover. Based on distributions from the fund received through June 30, 2009, a loss of \$8.2 million, the entire unrecovered balance, was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets. To date the Authority has received funds from the liquidation process totaling \$7.2 million, leaving a maximum potential loss of \$1million.



**14. CONTINGENCIES****Litigation**

As a result of the normal course of operations, the Authority currently is involved in certain litigation and arbitration. This litigation involves former employee complaints, union matters, tenant matters and subcontractor claims. Management and legal counsel believe the outcome of any current litigation will not have a materially adverse impact on the financial position of the Authority.

**Loan Prepayment and Bond Call Provisions**

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bond used to fund the loan cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indenture requires the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond. If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow with respect to the prepayment transaction. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. This variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately \$593 million and the related bonds total approximately \$473 million at June 30, 2010. During FY 2011, loans totaling \$111.2 million have exercised this call provision, with another \$40.7 in loans exercising this call provision subsequent to year end.

**Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State of New Mexico self-insurance program (Risk Management Program). Under this program, the Authority pays an annual premium to the State for the following types of insurance coverage:

- Workers' Compensation insurance
- General Liability insurance
- Civil Rights
- Blanket Property insurance
- Boiler and Machinery insurance
- Auto physical Damage insurance
- Crime insurance

The Authority also carries a commercial insurance policy to cover losses to which it may be exposed as it related to the office lease property.

**14. CONTINGENCIES (CONTINUED)**

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

**Obligating Events**

For fiscal year 2011, the Authority has not committed or been the subject of any obligating events which would result in an accrued liability or capitalized asset, including environmental remediation.

**15. RELATED PARTY**

The Authority has issued bonds or purchased securities for several other state entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the Department of Finance and Administration and the Secretary of the Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors. To date, these transactions have totaled \$171,901,266.

**16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF 2008 FINANCIAL STATEMENTS**

Prior to the fiscal year ended June 30, 2009, the Authority classified its various programs as either governmental or enterprise funds. During fiscal 2009, management determined that none of the funds previously classified as governmental were consistent with the GASB 34 definition of governmental funds, but were, in fact, enterprise funds. The primary factors considered in reaching this judgment were:

- None of the funds account for any tax revenues, as the Authority has no taxing authority. Governmental funds are used to account for tax supported (governmental) activities.
- All of the Authority's funds charge fees to other parties for services rendered by the respective programs, the primary distinguishing characteristic of "enterprise" funds.
- The "Funds" are actually various projects and as such can be treated under one fund.

Based on this determination, the accompanying financial statements, including the previously issued fiscal 2008 statements, have been prepared to reflect all of the Authority's programs as an enterprise fund.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. These errors included reporting of escrows for defeased bonds, intergovernmental receivables not recorded, and defeased bonds recorded in error. The net change in net assets was an increase of \$162,373,702 as a result of this restatement.

**17. SUBSEQUENT EVENTS**

The following is a summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2011:

- Closed 30 loans totaling \$103,120,547 in the Public Project Revolving Fund program.
- Issued two Public Project Revolving Fund Revenue Bond totaling \$112,896,043
- Closed two loans for the Drinking Water State Revolving Fund totaling \$623,138
- Closed 24 loan/grant projects totaling \$32,193,030 out of the Water Projects Fund.

**18. NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will become effective for the Authority in fiscal 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority is in the process of assessing the impact of the Statement on its financial reporting practices.

## **SUPPLEMENTARY SCHEDULES**

# NEW MEXICO FINANCE AUTHORITY

## Combining Statement of Net Assets (Continued)

### June 30, 2011

	PPRF	GRIP	Behavioral Health Loan Fund	Child Care Revolving Loan Fund	2006 Cigarette Tax	Drinking Water State Revolving Loan Fund	Primary Care Capital Fund	Local Transportation Infrastructure Fund	New Markets Tax Credit Program	Energy Efficiency Program	UNM Health Sciences Fund
<b>ASSETS</b>											
<b>CURRENT ASSETS</b>											
Cash and cash equivalents	96,102,757	372,987	310,593			16,908,466			75,474		870,071
Restricted cash	178,948,496		11,594	13,882	2,115,899	4,460,072	289,245	89,760			
Tax revenue receivable	-					-	-				
Interest receivable	8,501,055		1,238	-	1,272	160,400	5,739				
Grant and other receivables	2,293,781	1,409,581				1,990,436					229,043
Due from / (to) other funds	4,529,491	(1,037,149)	(8,457)	(106,780)		(227,753)	(285,468)	(2,190)	100,560	(39,288)	239,529
Administrative fees receivable	308,896	68,462	113			21,335			(289,991)		
Loans receivable, current, net	79,718,554		35,234	5,729	33,256	3,264,276	522,594				2,190,000
Intergovernmental receivables, current	3,850,435										
Restricted asset - escrow	37,561,521										
Other Assets	57,442										
Total current assets	411,872,428	813,881	350,315	(87,169)	2,150,427	26,577,232	532,110	87,570	(113,957)	(39,288)	3,528,643
<b>NONCURRENT ASSETS</b>											
Capital assets, net of depreciation	205,244	-	-	-		-	-	-	-	-	-
Loans receivable, net of allowance	1,060,673,061		234,808	32,031	475,536	63,445,845	4,222,158				12,865,000
Intergovernmental receivables	116,670,805										560,182
Deferred cost, net of accumulated amortization	9,984,023										13,425,182
Total noncurrent assets	1,187,533,133	-	234,808	32,031	475,536	62,445,845	4,222,158				
<b>TOTAL ASSETS</b>	1,599,405,561	813,881	585,123	(55,138)	2,625,963	89,023,077	4,754,268	87,570	(113,957)	(39,288)	16,953,825
<b>LIABILITIES AND NET ASSETS</b>											
<b>CURRENT LIABILITIES</b>											
Accounts payable and accrued liabilities	422,808	-	-	-		2,988,761	-	-	75,000	-	-
Accrued payroll	121,640	-	-	-		-	-	-	-	-	-
Compensated absences	295,994	-	-	-		-	-	-	-	-	-
Note payable											
Fund held for others	74,472,266		-	62,092	17,219	(3,396)	-	-	-	-	-
Accrued interest	3,950,701										
Due to other state agencies											
Due to other funds											
Debt service payable	77,326,315		11,594			247,680	14,692				229,043
Line of Credit Payable	-										
Bonds Payable, current, net											
Total current liabilities	69,329,000	-	11,594	62,092	142,219	3,228,045	14,692	-	75,000	-	2,190,000
Bonds payable, non-current, net of bond discount/ premium	225,918,724										2,419,043
Total noncurrent liabilities	1,130,320,242				1,750,000						13,923,800
<b>TOTAL LIABILITIES</b>	1,130,320,242	-	-	-	1,750,000	-	-	-	-	-	13,923,800
Total noncurrent liabilities	1,356,238,966	-	11,594	62,092	1,892,219	3,228,045	14,692	-	75,000	-	16,342,843
<b>NET ASSETS:</b>											
Invested in capital assets	205,244	-	-	-	-	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-	-	-	-	610,982
Restricted for program commitments	147,390,140		262,823	(117,230)	733,744	71,853,992	4,739,576	87,570	-	(39,288)	-
Restricted for program use	95,571,211	813,881	310,706	-	-	13,941,040	-	-	(188,957)	-	-
Total net assets	243,166,595	813,881	573,529	(117,230)	733,744	85,795,032	4,739,576	87,570	(188,957)	(39,288)	610,982
<b>TOTAL LIABILITIES AND NET ASSETS</b>	1,599,405,561	813,881	585,123	(55,138)	2,625,963	89,023,077	4,754,268	87,570	(113,957)	(39,288)	16,953,825

This information is an integral part of the accompanying financial statements.

# NEW MEXICO FINANCE AUTHORITY

## Combining Statement of Net Assets (Continued)

### June 30, 2011

ASSETS										
CURRENT ASSETS										
Cash and cash equivalents										
Restricted cash	1,030,055	407,455	6,731,838	1,519	768,577	13,187,188	44	341,492	1,706,264	2,032,873
Tax revenue receivable	-	-	-	2,613	-	-	-	-	-	-
Interest receivable	34,026	69,519	-	-	-	-	-	-	72,575	-
Grant and other receivables	-	-	-	-	-	-	-	-	-	-
Due from/(to) other funds	-	-	-	-	(17,839)	(1,461,545)	-	(14,076)	(908,782)	(130,173)
Administrative fees receivable	-	-	-	-	-	2,308	-	-	-	-
Loans receivable, current, net	265,000	760,000	-	30,000	-	309,082	-	-	116,178	-
Intergovernmental receivables, current	-	-	-	-	-	-	-	-	-	-
Restricted asset - escrow	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total current assets	1,329,081	1,236,974	6,731,838	34,132	750,738	12,037,033	44	327,416	986,235	2,032,873
NONCURRENT ASSETS										
Capital assets, net of depreciation	-	-	-	-	-	-	-	-	-	-
Loans receivable, net of allowance	1,565,000	2,645,000	-	139,000	-	8,409,733	-	-	2,754,604	-
Intergovernmental receivables	48,329	21,533	-	-	-	-	-	-	-	-
Deferred cost, net of accumulated amortization	1,613,329	2,666,533	-	139,000	-	8,409,733	-	-	2,754,604	-
Total noncurrent assets	2,942,410	3,903,507	6,731,838	173,132	750,738	20,446,766	44	327,416	3,740,839	2,032,873
<b>TOTAL ASSETS</b>										
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts payable and accrued liabilities	-	80,263	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	-
Fund held for others	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-	-
Due to other state agencies	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Debt service payable	-	-	-	-	-	-	-	-	-	-
Line of Credit Payable	-	-	-	-	-	-	-	-	-	-
Bonds Payable, current, net	265,000	760,000	-	30,000	-	-	-	-	-	-
Total current liabilities	265,000	900,782	-	34,132	-	-	-	-	-	-
Noncurrent liabilities:										
Bonds payable, non-current, net of bond discount/premium	1,565,000	2,645,000	-	139,000	-	-	-	-	-	-
Total noncurrent liabilities	1,565,000	2,645,000	-	139,000	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>										
	1,864,026	3,554,782	-	173,132	-	-	-	-	-	-
NET ASSETS:										
Invested in capital assets	-	-	-	-	-	-	-	-	-	-
Restricted for debt service	1,078,384	348,725	6,731,838	-	-	-	-	-	-	-
Restricted for program commitments	-	-	-	-	750,738	20,446,766	-	327,416	3,740,839	2,032,873
Restricted for program use	-	-	-	-	-	-	44	-	-	-
<b>TOTAL NET ASSETS</b>										
	1,078,384	348,725	6,731,838	-	750,738	20,446,766	44	327,416	3,740,839	2,032,873
<b>TOTAL LIABILITIES AND NET ASSETS</b>										
	2,942,410	3,903,507	6,731,838	173,132	750,738	20,446,766	44	327,416	3,740,839	2,032,873

This information is an integral part of the accompanying financial statements.

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Revenues, Expenditures, and Changes in Net Assets**  
**June 30, 2011**

	PPRF	GRIP	Behavioral Health Loan Fund	Child Care Revolving Loan Fund	2006 Cigarette Tax	Drinking Water State Revolving Loan Fund	Primary Care Capital Fund	Local Transportation Infrastructure Fund	New Markets Tax Credit Program	Energy Efficiency Program	UNM Health Sciences Fund
<b>OPERATING REVENUES</b>											
Appropriation Revenue	26,909,639										
Grant revenue						15,848,155					3,029,569
Administrative fees	3,142,505	1,552,851	746			146,958					
Interest on loans	52,828,553		8,210	1,218	15,959	1,002,205	129,239	1,596,699	344,766		1,000,733
Interest on investments	242,447	7,498	627	129	1,800	40,127	5,136	7,754	181		2,178
Total operating revenues	83,123,144	1,560,349	9,583	1,347	17,849	17,037,445	134,375	1,604,453	344,947	-	4,032,480
<b>OPERATING EXPENSES</b>											
Grant expense	767,340										
Bond issuance costs	610,222	4,000,000				7,129,031	2,310,000	5,672,618			
Administrative fee	117,375										
Professional services	1,348,373	319,470	187	5,480	9,613	145,445	133,831	63			72,282
Salaries and fringe benefits	2,431,964	378,218	17,568	14,670		364,005	37,114	5,441	286,543	3,478	109,667
In-state travel	54,709	4,783	248	388		1,438	133		4,852		
Out-of-state travel	7,183	3,717	88	88		4,511			16,862		
Operating costs	504,693	77,277	3,145	3,070		73,106	7,328	1,037	66,310	659	
Provision for Loan Losses	1,164,526										
Debt service - interest expense	55,284,460				109,033						
Total operating expenses	62,290,845	4,783,465	21,236	23,696	118,646	7,717,536	2,988,494	5,673,323	509,578	4,174	864,113
Operating income (loss) before depreciation	20,832,299	(3,223,116)	(11,653)	(22,349)	(100,797)	9,319,909	(2,854,119)	(4,074,875)	(164,631)	(4,174)	2,986,418
Depreciation	92,000										
Total operating income (loss)	20,740,299	(3,223,116)	(11,653)	(22,349)	(100,797)	9,319,909	(2,854,119)	(4,074,875)	(164,631)	(4,174)	2,986,418
<b>NON-OPERATING REVENUES (EXPENSES)</b>											
Gain (loss) on investments	142,254	8,402	187			16,167	56	3,029	308		184
Income (loss) before transfers	20,882,553	(3,214,714)	(11,466)	(22,349)	(100,797)	9,336,076	(2,854,063)	(4,071,846)	(164,323)	(4,174)	2,986,602
<b>TRANSFERS</b>											
Transfers in (out)	(773,244)		15,363		219,818	(1,526)					39,589
Transfers from (to) other state agencies	(1,922,330)				(1,823,187)						(2,904,488)
TOTAL TRANSFERS	(2,695,574)		15,363		219,818	(1,824,713)					(2,864,899)
CHANGE IN NET ASSETS	18,186,979	(3,214,714)	3,897	(22,349)	119,021	7,511,363	(2,854,063)	(4,071,846)	(164,323)	(4,174)	121,703
TOTAL NET ASSETS, BEGINNING OF YEAR	224,979,616	4,028,595	569,652	(94,881)	614,723	78,283,669	7,593,639	4,159,416	(24,634)	(35,114)	489,279
TOTAL NET ASSETS, END OF YEAR	243,166,595	813,881	573,529	(117,230)	733,744	85,795,032	4,739,576	87,570	(188,957)	(39,288)	610,982

This information is an integral part of the accompanying financial statements.

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Revenues, Expenditures, and Changes in Net Assets (Continued)**  
**June 30, 2011**

	Workers Comp Financing Fund	State Capital Improvements Financing	State Office Bldg Bonding Fund	Equipment Loan Fund	Water and Wastewater Grant Fund	Water Projects Fund	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Fund	Local Government Transportation Fund	Bio-Mass Dairy Fund
<b>OPERATING REVENUES</b>											
Appropriation Revenue	877,698	9,481	-	-	-	4,000,000	-	-	-	-	-
Grant revenue	-	-	-	-	-	27,000,155	-	-	-	-	-
Administrative fees	104,348	261,304	-	11,333	-	31,962	-	-	-	-	-
Interest on loans	3,051	905	17,998	-	6,253	30,625	551	478	221,959	26,291	4,578
Interest on investments	985,097	271,690	17,998	11,333	6,253	31,062,742	551	478	8,276	26,291	4,578
Total operating revenues											
<b>OPERATING EXPENSES</b>											
Grant expense	-	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	9,354	5,807	-	-	3,532,298	26,114,605	290,491	286,773	1,900,000	17,973,054	-
Administrative fee	-	9,850	-	-	-	-	-	-	-	-	-
Professional services	642	-	34,425	-	11,547	219,197	-	26,024	24,236	77	-
Salaries and fringe benefits	-	-	-	-	50,639	389,933	-	34,119	179,957	6,380	-
In-state travel	-	-	-	-	-	5,416	-	492	5,841	-	-
Out-of-state travel	-	-	-	-	-	4,804	-	8	6,097	-	-
Operating costs	-	-	-	-	9,827	78,406	-	6,740	37,142	1,495	-
Provision for Loan Losses	-	-	-	-	-	-	-	-	-	-	-
Debt service - interest expense	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	104,348	261,304	-	11,333	3,532,298	26,812,361	290,491	354,156	2,409,813	17,981,006	-
	114,344	276,961	34,425	11,333	3,604,311	26,812,361	290,491	354,156	2,409,813	17,981,006	-
Operating income (loss) before depreciation	870,753	(5,271)	(16,427)	-	(3,598,058)	4,250,381	(389,940)	(353,678)	(2,179,578)	(17,954,715)	4,578
Depreciation	-	-	-	-	-	-	-	-	-	-	-
Total operating income (loss)	870,753	(5,271)	(16,427)	-	(3,598,058)	4,250,381	(389,940)	(353,678)	(2,179,578)	(17,954,715)	4,578
<b>NON-OPERATING REVENUES (EXPENSES)</b>											
Gain (loss) on investments	4,708	1,993	38,149	-	3,396	7,551	269	1,295	9,806	163,109	1,884
Income (loss) before transfers	875,461	(3,278)	21,722	-	(3,594,662)	4,257,932	(389,671)	(352,383)	(2,169,772)	(17,791,606)	6,462
<b>TRANSFERS</b>											
Transfers in (out)	-	-	-	-	-	-	-	-	-	-	-
Transfers from (to) other state agencies	(1,181,331)	-	(60,906)	-	-	-	-	-	-	-	-
TOTAL TRANSFERS	(1,181,331)	-	(60,906)	-	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	(305,870)	(3,278)	(39,184)	-	(3,594,662)	4,257,932	(389,671)	147,617	(2,169,772)	(17,791,606)	6,462
TOTAL NET ASSETS, BEGINNING OF YEAR	1,384,254	352,003	6,771,022	-	4,345,400	16,188,834	289,715	179,799	5,910,611	27,337,646	2,026,411
TOTAL NET ASSETS, END OF YEAR	1,078,384	348,725	6,731,838	-	750,738	20,446,766	44	327,416	3,740,839	9,546,040	2,032,873

This information is an integral part of the accompanying financial statements.



**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Cash Flows**  
**June 30, 2011**

	PPRF	GRIP	Behavioral Health Loan Fund	Child Care Revolving Loan Fund	2006 Cigarette Tax	Drinking Water State Revolving Loan Fund	Primary Care Capital Fund	Local Transportation Infrastructure Fund	New Markets Tax Credit Program	Energy Efficiency Program	UNM Health Sciences Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Cash paid for employee services	(2,345,901)	(393,952)	(18,015)	(14,800)		(370,069)	(38,322)	(5,749)	(291,664)	(3,527)	
Cash paid to vendors for services	(1,885,909)	(469,135)	(3,668)	(9,026)	(9,612)	(230,567)	(2,951,380)	(1,269)	(223,035)	(695)	(109,666)
Bond issuance costs	(1,025,170)					267,886					
Interest expense paid	(56,612,197)				(110,181)						(1,028,920)
Grants awarded	(750,000)	(4,000,000)				(7,129,031)		(5,672,618)			3,029,569
Appropriation Revenue	27,114,639										
Cash received from federal government for revolving loans	53,781,358	7,498	8,994	1,347	17,659	13,865,920	137,753	7,754	181		1,031,097
Interest income received	3,124,763	1,596,699	761			1,049,772		1,596,699	344,766		
Administrative fees received	(1,488,664)	858,247	6,319	(18,712)		122,133	46,521	7,019	169,932	4,222	
Transfers from/(to) other funds											
Net cash flows provided by (used in) operating activities	19,912,919	(2,400,646)	(5,609)	(41,191)	(102,134)	7,730,121	(2,805,428)	(4,068,164)	180	-	2,922,080
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>											
Operating transfers, net	(773,243)	-	15,363		219,818	(1,527)		-			39,589
Cash paid to sub recipients for services	(1,922,330)				(892,790)	(892,790)					(2,904,488)
Cash provided (used) by funds held for others	(41,283,589)		-	(187,908)		(8,396)	(14,285)				
Net cash used in noncapital financing activities	(43,979,162)		15,363	(187,908)	219,818	(902,713)	(14,285)	-	-	-	(2,864,899)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>											
Investment in Partnership	-										
Loans funded	(201,505,803)					(7,010,368)					
Loan payments received	239,036,028		34,206	5,644	32,295	2,816,235	818,834				2,350,000
Bonds issued	71,585,000										
Payment of bonds	(77,387,000)				(125,000)	(1,708)	(248,702)				(2,350,000)
Debt service	(31,649,655)		39								-
Loss on investments											
Recovery payments from loss on investments	142,254	8,402	187			16,167	56	3,029	308		184
Capital asset purchases	(23,744)										
Net cash used in capital financing activities	197,080	8,402	34,432	5,644	(92,705)	(4,179,674)	570,188	3,029	308	-	184
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(23,869,163)	(2,392,244)	44,186	(223,455)	24,979	2,647,734	(2,249,525)	(4,065,135)	488	-	57,365
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	298,920,416	2,765,231	278,001	237,337	2,090,920	18,720,804	2,538,770	4,154,895	74,986	-	812,706
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	275,051,253	372,987	322,187	13,882	2,115,899	21,368,538	289,245	89,760	75,474	-	870,071
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES -</b>											
Total Operating Income (Loss)	20,740,299	(3,223,116)	(11,653)	(22,349)	(100,797)	9,319,909	(2,854,119)	(4,074,875)	(164,631)	(4,174)	2,986,418
Adjustments to operating income:											
Depreciation and amortization	(268,600)	-	-	-	-	-	-	-	-	-	(64,338)
Net transfers	(1,481,090)	(20,043)	169	-	(189)	(1,977,674)	3,380				28,187
Prepaid and receivables	922,310	842,513	5,874	(18,842)	(1,148)	387,886	45,312	6,710	164,812	4,174.00	(23,187)
Payables and other accrued liabilities											
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	19,912,919	(2,400,646)	(5,610)	(41,191)	(102,134)	7,730,121	(2,805,427)	(4,068,163)	181	-	2,922,080

This information is an integral part of the accompanying financial statements.

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Cash Flows (Continued)**  
**June 30, 2011**

	Workers Comp Financing Fund	State Capital Improvements Financing	State Office Bldg. Bonding Fund	Equipment Loan Fund	Water and Wastewater Grant Fund	Water Projects Fund	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Fund	Local Government Transportation Fund	Bio-Mass Dairy Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Cash paid for employee services	(641)	(9,850)			(52,328)	(394,444)		(35,378)	(182,930)	(7,649)	
Cash paid to vendors for services					(21,374)	(1,107,823)		(33,264)	(73,317)	(1,572)	
Bond issuance costs											
Interest expense paid	(108,890)	(275,800)		(11,766)	(3,532,298)	(26,114,605)	(290,491)	(286,773)	(1,900,000)	(17,973,054)	
Grants awarded	877,698	9,481				31,000,155					
Appropriation Revenue											
Cash received from federal government for revolving loans											
Interest income received	111,941	276,705	17,998	11,766	6,253	30,625	551	478	182,363	26,291	4,578
Administrative fees received			(34,435)			33,770					
Transfers from / (to) other funds					(39,871)	702,267		3,348	(381,981)	9,220	
Net cash flows provided by (used in) operating activities	880,108	536	(16,427)	-	(3,639,618)	4,149,945	(289,940)	(351,589)	(2,355,865)	(17,946,764)	4,578
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>											
Operating transfers, net											
Cash paid to sub recipients for services	(1,181,331)		(60,906)					500,000			
Cash provided (used) by funds held for others											
Net cash used in noncapital financing activities	(1,181,331)	-	(60,906)	-	-	-	-	500,000	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>											
Investment in Partnership											
Loans funded											
Loan payments received	250,000	710,000		28,000		(3,219,378)			99,902		
Bonds issued						1,001,729					
Payment of bonds	(350,000)	(710,000)		(28,000)							
Debt service				(88)							
Loss on investments											
Recovery payments from loss on investments	4,708	1,993	38,149		3,396	7,551	269	1,295	9,806	163,109	1,884
Capital asset purchases											
Net cash used in capital financing activities	4,708	1,993	38,149	(88)	3,396	(2,210,098)	269	1,295	109,708	163,109	1,884
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(296,515)	2,529	(39,184)	(88)	(3,636,222)	1,939,847	(289,671)	149,706	(2,246,157)	(17,783,635)	6,462
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,326,570	404,926	6,771,022	1,607	4,404,799	11,247,341	289,715	191,786	3,952,431	27,459,868	2,026,411
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	1,030,055	407,455	6,731,838	1,519	768,577	13,187,188	44	341,492	1,706,264	9,676,213	2,032,873
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES -</b>											
Total Operating Income (Loss)	870,753	(5,271)	(16,427)	-	(3,598,058)	4,250,381	(289,940)	(355,678)	(2,179,578)	(17,954,715)	4,578
Adjustments to operating income:											
Depreciation and amortization											
Net transfers											
Prepaid and receivables	13,897	20,303	-	2,694		1,806					
Payables and other accrued liabilities	(4,542)	(14,496)		(2,694)	(41,560)	(102,243)		2,090	(384,954)	7,950	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	880,108	536	(16,427)	-	(3,639,618)	4,149,944	(289,940)	(351,588)	(2,355,864)	(17,946,765)	4,578

This information is an integral part of the accompanying financial statements.

# NEW MEXICO FINANCE AUTHORITY

## Agency Funds – Schedule of Changes in Assets and Liabilities Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>Department of Transportation Revenue Bonds, Series 2004</b>				
<b><u>Fund 315</u></b>				
<b>ASSETS:</b>				
Cash and investments	61,420,681	54,081,375	62,158,932	53,343,124
<b>TOTAL ASSETS</b>	<u>61,420,681</u>	<u>54,081,375</u>	<u>62,158,932</u>	<u>53,343,124</u>
<b>LIABILITIES:</b>				
Deposit held in trust for others	61,420,681	54,081,375	62,158,932	53,343,124
<b>TOTAL LIABILITIES</b>	<u>61,420,681</u>	<u>54,081,375</u>	<u>62,158,932</u>	<u>53,343,124</u>
<b>Department of Transportation Revenue Bonds, Series 2006</b>				
<b><u>Fund 322</u></b>				
<b>ASSETS:</b>				
Cash and investments	34,396,341	37,033,370	44,149,055	27,280,656
<b>TOTAL ASSETS</b>	<u>34,396,341</u>	<u>37,033,370</u>	<u>44,149,055</u>	<u>27,280,656</u>
<b>LIABILITIES:</b>				
Deposit held in trust for others	34,396,341	37,033,369	44,149,055	27,280,655
<b>TOTAL LIABILITIES</b>	<u>34,396,341</u>	<u>37,033,369</u>	<u>44,149,055</u>	<u>27,280,655</u>
<b>Department of Transportation Refunding Revenue Bonds, Series 2008</b>				
<b><u>Fund 326</u></b>				
<b>ASSETS:</b>				
Cash and investments	3,260,774	26,291,176	23,853,264	5,698,686
<b>TOTAL ASSETS</b>	<u>3,260,774</u>	<u>26,291,176</u>	<u>23,853,264</u>	<u>5,698,686</u>
<b>LIABILITIES:</b>				
Deposit held in trust for others	3,260,774	26,291,175	23,853,264	5,698,685
<b>TOTAL LIABILITIES</b>	<u>3,260,774</u>	<u>26,291,175</u>	<u>23,853,264</u>	<u>5,698,685</u>
<b>Department of Transportation Refunding Revenue Bonds, Series 2009</b>				
<b><u>Fund 327</u></b>				
<b>ASSETS:</b>				
Cash and investments	49,109	35,310,605	35,312,650	47,064
<b>TOTAL ASSETS</b>	<u>49,109</u>	<u>35,310,605</u>	<u>35,312,650</u>	<u>47,064</u>
<b>LIABILITIES:</b>				
Deposit held in trust for others	49,109	35,310,605	35,312,650	47,064
<b>TOTAL LIABILITIES</b>	<u>49,109</u>	<u>35,310,605</u>	<u>35,312,650</u>	<u>47,064</u>
<b>Department of Transportation Refunding Revenue Bonds, Series 2010A</b>				
<b><u>Fund 328</u></b>				
<b>ASSETS:</b>				
Cash and investments	-	84,041,081	14,831,811	69,209,270
<b>TOTAL ASSETS</b>	<u>-</u>	<u>84,041,081</u>	<u>14,831,811</u>	<u>69,209,270</u>
<b>LIABILITIES:</b>				
Deposit held in trust for others	-	84,041,081	14,831,811	69,209,270
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>84,041,081</u>	<u>14,831,811</u>	<u>69,209,270</u>
<b>Department of Transportation Refunding Revenue Bonds, Series 2010B</b>				
<b><u>Fund 329</u></b>				
<b>ASSETS:</b>				
Cash and investments	-	16,498,967	16,294,995	203,972
<b>TOTAL ASSETS</b>	<u>-</u>	<u>16,498,967</u>	<u>16,294,995</u>	<u>203,972</u>
<b>LIABILITIES:</b>				
Deposit held in trust for others	-	16,498,967	16,294,995	203,972
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>16,498,967</u>	<u>16,294,995</u>	<u>203,972</u>

# NEW MEXICO FINANCE AUTHORITY

## Supplemental Schedule of Pledged Collateral Year Ended June 30, 2011

	<u>Wells Fargo (Santa Fe)</u>	<u>Total</u>
Repurchase agreements		
Wells Fargo NMFA accounts	<u>\$ 1,965,418</u>	<u>\$ 1,965,418</u>
Total amount of deposits	<u>1,965,418</u>	<u>1,965,418</u>
FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>1,715,418</u>	<u>1,715,418</u>
Collateral requirement (50%)	<u>857,709</u>	<u>857,709</u>
<b>Pledges and securities</b>		
Federated Government Corporate Intermediate Fund		
15 year, issued 12/1/2010; matures 12/1/2025		
Including accrued interest of \$926.76		
CUSIP 3128PTF75, Rate 3.5%	<u>324,997</u>	<u>324,997</u>
MBS Pool - Ginnie Mae, 30 year level pay;		
Issued 3/1/2000; matures 7/15/2029		
Including accrued interest of \$6,358.87		
CUSIP 36225BHZ4, Rate 6.0%	<u>1,434,963</u>	<u>1,434,963</u>
Total Collateral	<u>\$ 1,759,961</u>	<u>\$ 1,759,961</u>

## **SINGLE AUDIT**

**NEW MEXICO FINANCE AUTHORITY**

**Schedule of Expenditures of Federal Awards**

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	Federal Catalog Number	Federal Expenditures FY 2011
		<hr/>
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 5,771,991
Capitalization Grants for Drinking Water - ARRA State Revolving Funds	66.468	<hr/> 10,076,164
 Total		 <hr/> <hr/> \$ 15,848,155

# NEW MEXICO FINANCE AUTHORITY

## Notes to Schedule of Expenditures of Federal Awards

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### GENERAL

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Authority.

#### 1. BASIS OF ACCOUNTING

The accompanying Supplemental Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

#### 2. RECONCILIATION TO FINANCIAL STATEMENTS (PAGE 47) – NEW MEXICO DRINKING WATER REVOLVING LOAN PROGRAM

Transfers to other State agencies	\$ 2,790,190
Total non-interest expense	<u>500,464</u>
Total EPA expenditures per Statement of Revenues, Expenditures and Changes in Fund Net Assets	3,290,654
Total loans issued from Federal Draws included in loans receivable on Statement of Net Assets	5,794,474
Loan forgiveness	7,129,031
Reimbursement for prior year transfers to other State agencies	<u>(366,004)</u>
<b>Total EPA expenditures</b>	<b><u>\$ 15,848,155</u></b>

The Authority administers loans under the EPA Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2011 are \$64. Only the value of new loans expended during the fiscal year is included in the accompanying schedule.



**Independent Auditor's Report on Internal Control Over Financial  
Reporting and Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Governing Board  
New Mexico Finance Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the basic financial statements of New Mexico Finance Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 10, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs and responses as finding 2010-1 to be a significant deficiency in internal control over financial reporting. 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.



## Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Authority in a separate letter dated December 10, 2011.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Governing Board, the New Mexico State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Baltimore, Maryland  
December 10, 2011

**Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

Governing Board  
New Mexico Finance Authority  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

**Compliance**

We have audited New Mexico Finance Authority's (the Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

We have audited the financial statements of business-type activities of the Authority as of and for the year ended June 20, 2011, and have issued our report dated December 10, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Governing Board, the New Mexico State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Baltimore, Maryland  
December 10, 2011

## NEW MEXICO FINANCE AUTHORITY

## Schedule of Findings and Questioned Costs

## SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

## Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- |  |              |     |              |               |
|--|--------------|-----|--------------|---------------|
| • Material weakness(es) identified?  | _____        | Yes | <u>  X  </u> | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u>  X  </u> | Yes | _____        | None reported |

Noncompliance material to financial statements noted?

_____	Yes	<u>  X  </u>	No
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## Federal Awards

Internal control over major programs:

- |  |       |     |              |               |
|--|-------|-----|--------------|---------------|
| • Material weakness(es) identified?  | _____ | Yes | <u>  X  </u> | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses? | _____ | Yes | <u>  X  </u> | None reported |

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____	Yes	<u>  X  </u>	No
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## Identification of Major Programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Capitalization Grant for Drinking Water State Revolving Funds	66.468	\$ 5,771,991
Capitalization Grant for Drinking Water State Revolving Funds - ARRA	66.468	10,076,164

Dollar threshold used to distinguish between type A and type B programs:

\$ 475,445

Auditee qualified as low-risk auditee?

_____	Yes	<u>  X  </u>	No
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**Finding 2010-1 – Reporting Deadline**

***Condition***

The Authority did not meet the reporting deadlines based on the Office of the State Auditor of New Mexico's Audit Rule or the requirements of the Federal Audit Clearinghouse.

***Criteria***

The Office of the State Auditor of New Mexico's Audit Rule 2.2.2.9 A.(1)(f) sets a reporting deadline with which the Authority must comply.

This rule states that the Authority's annual financial audit report is due no later than 60 days after the State Auditor was provided with notice that the Authority's books and records were ready and available for audit.

In addition, OMB Circular A-133, Paragraph .320 requires that the data collection form be submitted no later than nine months after the end of the audit period.

***Cause***

Delays in submission were a result of disclosure issues related to loan allowances and prepayments which required additional testing and research due to the current state of the economy. Although an extension was required, the extended deadline was not met for the State Auditor. As a result of the above delay, the data collection form could not be submitted timely.

***Effect***

Noncompliance with the Office of the State Auditor of New Mexico's Audit Rule 2.2.2.9 A.(1)(f) and OMB Circular A-133.

***Recommendation***

We recommend that the Authority implement procedures to ensure that future reports meet the Office of the State Auditor of New Mexico Audit and OMB reporting deadline.

***Management's Response***

The Authority's management agrees with this finding. We understand the importance of the rules and intend to comply in the future.

An exit conference was held with the Authority on December 10, 2011. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

NEW MEXICO FINANCE AUTHORITY

William F. Fulginiti, Vice Chairman  
Lonnie Marquez, Chair of Audit Committee  
Brent Woods, Board Member  
John Duff, Chief Operating Officer  
Greg Campbell, Controller  
J. Michael Stephens, Clifton Gunderson LLP