NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2009 and 2008

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2009

Governing Board

Stephen R. Flance, Chairman
William F. Fulginiti, Vice Chairman
Gary Bland, Member
Ron Curry, Member
Rhonda Faught, Member
Paul Gutierrez, Member
Lonnie Marquez, Member
Fred Mondragon, Member
Katherine Miller, Member
Joanna Prukop, Member
Craig Reeves, Member
Dan Silva, Member

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome Trojan

Chief Financial Officer
John Duff

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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 year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The basic financial statements as of and for the year ended June 30, 2008 were audited by other auditors, whose report dated September 29, 2008, expressed an unqualified opinion on those statements. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides 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, 2009, 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, 2009 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.

As discussed in Note 16 to the financial statements, the Authority restated its prior year financial statements and changed its presentation for reporting certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, 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 listed in the table of contents 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 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
March 25, 2010

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, 2009 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 and 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.

Condensed Comparative Financial Statements

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

	FY 2009	As Restated FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Cash and cash equivalents:					
Unrestricted	$ 111,877,869	$ 88,756,143	$ 23,934,228	27.0%	$ 70,167,367
Restricted	373,898,180	411,190,481	(37,292,301)	(9.1%)	200,975,188
Loans receivable, net of allowance	1,113,608,650	1,041,033,758	72,574,892	7.0%	698,598,236
Intergovernmental receivables	154,793,087	161,605,000	(6,811,913)	(4.2%)	168,165,000
Other accounts receivable	16,645,091	24,348,425	(7,703,334)	(31.6%)	19,171,584
Capital assets	197,828	377,984	(180,156)	(47.7%)	439,292
Other assets	11,679,176	12,125,477	(446,301)	(3.7%)	10,660,513
Total assets	**$ 1,782,699,881**	**$ 1,739,437,268**	**$ 44,075,115**	**2.5%**	**$ 1,168,177,180**
Current liabilities					
Bonds payable, current, net	$ 57,878,000	$ 62,119,000	$ (4,241,000)	(6.8%)	$ 35,584,000
Line of credit payable	-	-	-	0.0%	31,338,974
Undisbursed loan proceeds	182,920,935	197,721,699	(14,800,764)	(7.5%)	74,937,416
Borrowers' reserve deposits	66,071,327	61,634,993	4,436,334	7.2%	43,583,290
Accounts payable	1,556,821	1,579,139	(22,318)	(1.4%)	2,082,609
Other liabilities	5,054,229	5,034,419	19,810	0.4%	4,112,774
Total current liabilities	313,481,312	328,089,250	(14,607,938)	-4.5%	191,639,063
Noncurrent liabilities					
Bonds payable, noncurrent, net	1,075,076,148	1,022,818,292	52,257,856	5.1%	690,296,368
Total liabilities	**1,388,557,460**	**1,350,907,542**	**37,649,918**	**2.8%**	**881,935,431**
Net assets					
Invested in capital assets	197,828	377,984	(180,156)	(47.7%)	439,292
Restricted for debt service	8,962,319	9,921,093	(842,929)	(8.5%)	9,451,685
Restricted for program funds	274,378,249	289,676,812	6,513,913	2.2%	206,712,116
Unrestricted	110,604,025	88,553,837	121,867	0.1%	69,638,656
Total net assets	**394,142,421**	**388,529,726**	**5,612,695**	1.4%	**286,241,749**
Total liabilities and net assets	**$ 1,782,699,881**	**$ 1,739,437,268**	**$ 43,262,613**	**2.5%**	**$ 1,168,177,180**

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

	FY 2009	As Restated FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Appropriation revenue	$ 52,379,731	$ 136,293,957	$ (83,914,226)	(61.6%)	$ 34,930,401
Grant revenue	36,494,181	27,209,672	9,284,509	34.1%	12,579,061
Administrative fees	7,670,438	5,730,102	1,940,336	33.9%	3,918,596
Interest on loans	47,590,234	41,142,152	6,448,082	15.7%	31,335,380
Interest on investments	2,890,591	10,927,088	(8,036,497)	(73.5%)	7,937,870
Operating revenue	**147,025,175**	**221,302,971**	**(74,277,796)**	**(51.5%)**	**90,701,308**
Grant expense	59,785,212	26,380,010	33,405,202	126.6%	19,237,131
Bond issuance costs	1,604,245	501,042	1,103,203	220.2%	575,664
Professional services	3,642,941	3,965,930	(322,989)	(8.1%)	2,515,254
Salaries and benefits	3,860,505	3,202,868	657,637	20.5%	2,869,659
Interest expense	49,418,130	45,684,800	3,733,330	8.2%	29,565,405
Other expense	2,208,819	1,951,991	256,828	13.2%	1,647,332
Expenses	**120,519,852**	**81,686,641**	**38,833,211**	**380.5%**	**56,410,445**
Operating income	26,505,323	139,616,330	(113,111,007)	13.8%	**34,290,863**
Loss on investments	8,205,430	-	8,205,430	0.0%	-
Income before transfers	**18,299,893**	**139,616,330**	**(121,316,437)**	**(86.9%)**	**34,290,863**
Transfers to other agencies	12,687,198	37,328,353	(24,641,155)	(66.0%)	33,725,706
Increase in net assets	**5,612,695**	**102,287,977**	**(96,675,282)**	**(94.5%)**	**565,157**
Net assets, beginning of year (restated)	**388,529,726**	**286,241,749**	**102,287,977**	**35.7%**	**285,676,592**
Net assets, end of year	**$ 394,142,421**	**$ 388,529,726**	**$ 5,612,695**	**1.4%**	**$ 286,241,749**

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

- The Authority's unrestricted cash grew by $23.1 million primarily due to the receipt of the Governmental Gross Receipts Tax (see discussion on page 4, "the New Mexico Finance Authority"). Restricted cash decreased by $37.3 million in 2009, primarily due to $34.8 million in grant program expenditures of funds appropriated by the legislature in 2008 for local road construction projects (the "GRIP II" program).

- Loans receivable increased by $72.6 million in 2009 primarily as a result of new loans made during the year totaling $146.1 million less loan payments received of $73.5 million.

- Bonds payable increased by $48.0 million in 2009 resulting from the issuance of $115.4 million of new bonds, principal payments on outstanding bonds of $58.0 million, the reclassification of an interfund liability of $8.5 million, and amortization of bond premium.

- The Authority's revenues decreased by $74.3 million in 2009 compared to 2008. The main reason for the decline was an appropriation in 2008 of $86.7 million from the state legislature for the GRIP II program. In 2009, only $19.9 million was appropriated. Other revenues increased in 2009, with the exception of investment earnings which declined by $8 million due to significantly lower interest rates in 2009.

- Grant expense increased by $33.4 million in 2009 as the funds appropriated in 2008 for local road projects, described above, began to be spent.

- Interest expense increased by $3.7 million due to the increased amount of bonds outstanding during the year.

- The Authority's net assets grew by $5.6 million in 2009.

- During fiscal year 2009, the Authority invested, net of depreciation, a total of $32,757 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 2009, the total amount outstanding was $1.13 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 $115.5 million in PPRF debt, primarily to directly fund loans, reimburse the Public Project Revolving Fund ("PPRF") loan fund for loans already made or to advance refund certain earlier bond issues.

Authority Programs

The authority accounts for each bond resolution or activity as a separate program, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted 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 789 loans totaling $1.8 billion.

The PPRF makes loans of less than $5 million from its own funds on hand. It then reimburses 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 on the same day a reimbursement bond issue closes.

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
Public Projects Revolving Fund
Statement of Net Assets
As of June 30

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Cash and cash equivalents	$ 99,584,576	$ 78,584,787	$ 20,999,789	26.7%	$ 62,173,143
Restricted	252,786,821	260,492,357	(7,705,536)	(3.0%)	146,572,672
Accounts receivable	16,111,757	21,930,398	(5,818,641)	(26.5%)	15,832,945
Loans receivable, net of allowance	1,050,541,321	1,000,026,726	50,514,595	5.1%	669,900,381
Intergovernmental receivables	127,848,087	122,760,000	5,088,087	4.1%	125,320,000
Other assets	10,992,276	11,095,194	(102,918)	-0.9%	9,522,247
Total assets	**$ 1,557,864,838**	**$ 1,494,889,462**	**$ 62,975,376**	**5.5%**	**$ 1,029,321,388**
Accounts payable and accrued liabilities	$ 4,678,201	$ 4,586,196	$ 92,005	2.0%	$ 3,469,291
Undisbursed loan proceeds	181,136,484	196,132,082	(14,995,598)	(7.6%)	74,268,789
Borrowers' debt service and reserve deposits	65,813,605	61,027,236	4,786,369	7.8%	43,293,816
Line of credit payable	-	-	-	0.0%	31,338,974
Bonds payable	54,343,000	57,957,000	(3,614,000)	-6.2%	31,018,000
Total current liabilities	305,971,290	319,702,514	(13,731,224)	-4.3%	183,388,870
Noncurrent liabilities					
Bonds payable, noncurrent, net	1,047,860,109	984,005,633	63,854,478	6.5%	647,530,090
Total liabilities	**1,353,831,399**	**1,303,708,147**	**50,123,254**	**3.8%**	**830,918,960**
Net assets					
Invested in capital assets	118,026	188,451	(70,425)	(37.4%)	202,551
Restricted for program funds	105,344,348	113,209,182	(7,864,834)	(6.9%)	137,381,159
Unrestricted	98,571,065	77,783,682	20,787,383	26.7%	60,818,718
Total net assets	**204,033,439**	**191,181,315**	**12,852,124**	**6.3%**	**198,402,428**
Total liabilities and net assets	**$ 1,557,864,838**	**$ 1,494,889,462**	**$ 62,975,378**	**2.5%**	**$ 1,029,321,388**

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

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Interest income					
Loans	$ 45,103,590	$ 38,683,071	$ 6,420,519	16.6%	$ 29,081,700
Investments	1,118,311	4,978,951	(3,860,640)	(77.5%)	4,256,980
Total interest income	**46,221,901**	**43,662,022**	**2,559,879**	**5.9%**	**33,338,680**
Interest expense					
Bonds	47,591,764	42,290,093	5,301,671	12.5%	28,889,309
Short-term borrowing	60,833	944,596	(883,763)	(93.6%)	-
Total interest expense	**47,652,597**	**43,234,689**	**4,417,908**	**10.2%**	**28,889,309**
Net interest income (expense)	(1,430,696)	427,333	(1,858,029)	(434.8%)	4,449,371
Less provision for loan losses	299,114	400,123	(101,009)	(25.2%)	185,427
Net interest income (expense) after provision for loan losses	**(1,729,810)**	**27,210**	**(1,757,020)**	**(6457.3%)**	**4,263,944**
Loan administration fees	4,689,716	2,786,246	1,903,470	68.3%	1,522,755
Appropriation revenues	25,645,568	27,341,776	(1,696,208)	(6.2%)	29,501,655
Total noninterest income	**30,335,284**	**30,128,022**	**207,262**	**0.7%**	**31,024,410**
Salaries and benefits	2,215,044	1,907,427	307,617	16.1%	1,667,377
Professional services	2,020,996	2,953,662	(932,666)	(31.6%)	1,719,541
Bond issuance costs	1,190,438	515,580	674,858	130.9%	423,016
Loss on investments	3,729,143	-	3,729,143	100.0%	-
Other	869,281	824,638	44,643	5.4%	889,292
Total noninterest expense	**10,024,902**	**6,201,307**	**3,823,595**	**61.7%**	**4,699,226**
Excess of revenue over expenses	**18,580,572**	**23,953,925**	**(5,373,353)**	**(22.4%)**	**30,589,128**
Transfers from (to) other funds or agencies	**(5,728,448)**	**(31,175,038)**	**25,446,590**	**(81.6%)**	**(100,765,291)**
Increase (decrease) in fund net assets	**12,852,124**	**(7,221,113)**	**20,073,237**	**(278.0%)**	**(70,176,163)**
Net assets, beginning of year	**191,181,315**	**198,402,428**	**(7,221,113)**	**(3.6%)**	**268,578,591**
Net assets, end of year	**$ 204,033,439**	**$ 191,181,315**	**$ 12,852,124**	**6.7%**	**$ 198,402,428**

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

Loan volume:

	2009	2008	Since Inception
Amount of loans made	$121.6 million	$386.8 million	$1.849 billion
Number of loans made	82	90	789

Both average loan size and the number of loans made in 2009 declined from the previous year. Management believes that this was due to economic conditions in the state. Although New Mexico has been affected less severely than many states, there has been a decline in tax revenues collected by many cities and counties, leading local governments to become more cautious in their borrowing. The decline in loan volume is less dramatic than the above figures seem to suggest since fiscal 2008 includes one loan for $77 million. While the PPRF occasionally makes loans of this size, it does not do so regularly, and a loan of comparable size was not made in 2009.

Loans receivable:

There were no defaults on PPRF loans during 2009 and no delinquencies as of June 30, 2009.

Bond issuance:

During fiscal 2009, the PPRF issued 4 series of bonds, with a total par value of $114.3 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. In its planning and management processes, therefore, the Authority attempts to achieve zero net interest income in the PPRF. 1n 2008, the Authority met this goal, for practical purposes, with net interest income of only $27 thousand. In 2009, net interest income was negative $1.7 million. The loss resulted from the significant decline in interest rates experienced on the PPRF's investments during 2009.

Loss on Investments:

During 2009, the PPRF incurred a loss of $8.2 million due to losses suffered by a money market mutual fund in which the PPRF had invested. The circumstances of this loss are described in footnote 15.

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 $21,494,438 in 2009, a $61,947 increase from the $21,431,491 received in 2008. The GGT 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.

Restatement of previously issued financial statements:

During 2009, the Authority restated its 2008 financial statements to recognize accounts receivable (intergovernmental receivables) from other governmental entities. The accounts receivable arose from transactions that occurred prior to 2008. A detailed explanation of the restatement is provided in footnote 12. The effect of the restatement was to increase the beginning net assets of the PPRF for fiscal year 2008 by $46 million.

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2009 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	87.0%
Net assets	$204.0 million	$394.1 million	51.8%
Revenues	$76.6 million	$147.0 million	52.1%

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 2009 and 2008 was as follows:

	FY 2009	FY 2008	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2007
Drinking Water Revolving Loan Fund	$ 22,139,294	$ 10,298,773	$ 11,840,521	115.0%	$ 6,138,562
Local Transportation Infrastructure Fund	969,542	181,475	788,067	434.3%	-
Water Projects Fund	22,728,950	19,338,532	3,390,418	17.5%	10,265,454
Economic Development Fund	222,447	202,796	19,651	9.7%	1,724,445
Local Government Transportation Fund	34,827,691	4,596,088	30,231,603	657.8%	-
Child Care Revolving Loan Fund	34,466	-	34,466	n/a	-
Behavioral Health Cigarette Tax Revenue Bond Fund	471,509	-	471,509	n/a	-
Water and Wastewater Project Grant Fund	3,210,290	2,164,356	1,045,934	48.3%	8,875,509
Local Governement Planning Grant Fund	268,240	205,625	62,615	30.5%	38,488
Total Assets	**$ 84,872,429**	**$ 36,987,645**	**$ 47,884,784**	**1313.0%**	**$ 27,042,458**

The increase in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority making a loan for approximately $15 million to the City of Santa Fe. This was an uncharacteristically large loan for this program.

The $30.2 million increase in grant volume for the Local Government Transportation Fund occurred because this is a new program for the Authority. The state legislature appropriated $87.8 million to the Authority in 2008 to provide grants to municipalities and counties for local transportation projects. The New Mexico Department of Transportation determines the priority of recipients of the grants. The Authority manages the funds received from the legislature and disburses the funds as directed by the Department of Transportation. In 2007, the program was in a start-up phase and relatively few grants were awarded. The program achieved its planned volume in 2008.

The Child Care and Behavioral Health programs were funded by the legislature in 2006, and the Authority began making loans in 2009.

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 one award of tax credits for $15.5 million. Subsequent to June 30, 2009, the Authority has made $30.4 million in additional awards. 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. 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

Statements of Net Assets
June 30, 2009 and 2008

	2009	As Restated 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 111,877,869	$ 88,756,143
Restricted cash	373,898,180	411,190,481
Tax revenue receivable	2,080,571	8,067,919
Interest receivable	8,248,801	8,365,828
Grant and other receivable	5,910,474	7,205,952
Administrative fees receivable	405,245	708,726
Loans receivable, net of allowance	1,113,608,650	1,041,033,758
Intergovernmental receivables	154,793,087	161,605,000
Restricted asset - escrow	659,798	653,574
Other assets	59,029	51,441
Total current assets	1,771,541,704	1,727,638,822
NONCURRENT ASSETS		
Capital assets, net of depreciation	197,828	377,984
Deferred cost, net of accumulated amortization	10,960,349	11,420,462
Total noncurrent assets	11,158,177	11,798,446
TOTAL ASSETS	$ 1,782,699,881	$ 1,739,437,268
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,556,821	$ 1,579,139
Accrued payroll	169,996	111,861
Compensated absences	226,830	200,238
Undisbursed loan proceeds	182,920,935	197,721,699
Accrued interest	3,857,403	3,646,489
Due to other state agencies	800,000	1,075,831
Debt service payable	66,071,327	61,634,993
Bonds payable, current, net	57,878,000	62,119,000
Total current liabilities	313,481,312	328,089,250
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	1,075,076,148	1,022,818,292
Total noncurrent liabilities	1,075,076,148	1,022,818,292
Total liabilities	1,388,557,460	1,350,907,542
NET ASSETS		
Invested in capital assets	197,828	377,984
Restricted for debt service	8,962,319	9,921,093
Restricted for program funds	274,378,249	289,676,812
Unrestricted	110,604,025	88,553,837
Total net assets	394,142,421	388,529,726
TOTAL LIABILITIES AND NET ASSETS	$ 1,782,699,881	$ 1,739,437,268

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	As Restated 2008
OPERATING REVENUES		
Appropriation revenue	$ 52,379,731	$ 136,293,957
Grant revenue	36,494,181	27,209,672
Administrative fees	7,670,438	5,730,102
Interest on loans	47,590,234	41,142,152
Interest on investments	2,890,591	10,927,088
Total operating revenues	147,025,175	221,302,971
OPERATING EXPENSES		
Grant expense	59,785,212	26,380,010
Bond issuance costs	1,604,245	501,042
Administrative fee	241,866	310,190
Professional services	3,642,941	3,965,930
Salaries and fringe benefits	3,860,505	3,202,868
In-state travel	118,950	80,975
Out-of-state travel	57,960	51,564
Operating costs	958,017	1,015,651
Provision for loan losses	619,113	400,124
Interest expense	49,418,130	45,684,800
Total operating expenses	120,306,939	81,593,154
Operating income before depreciation	26,718,236	139,709,817
Depreciation	212,913	93,487
Total operating income	26,505,323	139,616,330
NON-OPERATING REVENUES (EXPENSES)		
Loss on investments	(8,205,430)	-
Income before transfers	18,299,893	139,616,330
TRANSFERS		
Transfers from (to) other state agencies	(12,687,198)	(37,328,353)
CHANGE IN NET ASSETS	5,612,695	102,287,977
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	388,529,726	286,241,749
TOTAL NET ASSETS, END OF YEAR	$ 394,142,421	$ 388,529,726

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

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	As Restated 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,775,777)	$ (3,161,959)
Cash paid to vendors for services	(4,280,350)	(5,909,350)
Bond issuance costs	(156,799)	(2,535,633)
Interest expense paid	(51,254,313)	(41,628,467)
Grants disbursed	(59,785,212)	(26,380,010)
Appropriation revenue	70,776,650	149,758,189
Cash received from federal government for revolving loans	21,221,852	13,856,874
Interest income received	46,147,529	49,232,249
Administrative fees received	7,913,572	4,847,590
Transfers from other funds	7,201,087	776,177
Net cash flows provided by operating activities	34,008,239	138,855,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(12,687,198)	(37,328,353)
Cash provided (used) by funds held for others	(14,800,764)	122,171,753
Net cash provided by (used in) noncapital financing activities	(27,487,962)	84,843,400
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(1,550)	-
Loans funded	(155,191,967)	(397,106,941)
Loan payments received	88,966,814	61,391,765
Bonds issued	115,463,896	398,350,842
Payment of bonds	(65,795,000)	(41,881,000)
Debt service	(4,100,287)	15,719,108
Line of credit payments	-	(31,338,974)
Capital asset purchase	(32,758)	(29,788)
Net cash provided by (used in) capital financing activities	(20,690,852)	5,105,011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,170,575)	228,804,069
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	499,946,624	271,142,555
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 485,776,049	$ 499,946,624
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 26,505,323	$ 139,616,330
Adjustments to reconcile cash and cash equivalents provided by operating activities:		
Depreciation and amortization	794,940	60,230
(Increase) decrease in prepaids and receivables	6,447,984	(4,387,636)
Increase (decrease) in payables and other accrued liabilities	259,992	3,566,734
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 34,008,239	$ 138,855,658
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 49,418,130	$ 45,684,800

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2009

	Agency Funds
ASSETS:	
Cash at Trustee:	
Program funds	$ 118,830,704
Expense funds	1,931,751
Bond reserve funds	42,292,167
TOTAL ASSETS	$ 163,054,622
LIABILITIES:	
Accounts payable	$ 3,466,620
Debt service payable	49,454,819
Funds held for the NM Department of Transportation	110,133,182
TOTAL LIABILITIES	$ 163,054,622

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 (Authority). The purpose of the New Mexico Authority Act (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 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 New Mexico Finance Authority 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 Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority 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, however, 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 Governmental Accounting Standards Board (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 comprise its assets, liabilities, net assets, revenues, expenditures or expenses and other financing sources or uses.

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 Fund – 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 the federal grant 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 bet 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 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 provides 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 – program to make 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.

- **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 as they are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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 New Mexico State Treasurer, Wells Fargo Bank and with the Bank of New York Mellon acting as bond trustee. Cash in the various programs on deposit with the State Treasurer is invested by the New Mexico State Treasurer in a pooled investment program which is a AAA-rated money market mutual fund.

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.

- **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.

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2009, there were no reserves for loan losses. 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, 2009 and 2008, the allowance for loan losses was $1,687,083 and $1,067,970, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.

- **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 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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Undisbursed Loan Proceeds**

Undisbursed loan proceeds represent loan proceeds held by the Trustee which are awaiting disbursement to the loan applicant. 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 the loans against the PPRF program and funds held by the Trustee.

- **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 entity. 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.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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 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 with the current year presentation.

- **New Accounting Pronouncements**

The Authority has adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Once any one of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Obligating events include: 1) the government is compelled to take pollution remediation action because of imminent endangerment; 2) the government violates a pollution prevention-related permit or license; 3) the government is named or will be named as a responsibility party for remediation or for sharing costs; 4) the government is named or will be named in a lawsuit to compel participating in pollution remediation; and 5) the government commences or legally obligates itself to commence pollution remediation.

For fiscal year 2009, the Authority has not encountered any obligating events which would result in an accrued liability or capitalized asset.

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.

	2009	2008
State Treasurer Local Government Investment Pool	$139,875,817	$147,117,448
The Primary Care Capital Fund held at the State Treasurer's Office	1,660,605	545,566
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	98,589,410	21,600,027
Bank of Albuquerque trust accounts	236,140,975	246,849,598
Reserve on Bond Payable held in Bank of America	279,359	279,359
Wells Fargo operating accounts	7,974,376	1,100,832
Cash held at The Reserve Primary money market fund	1,255,507	82,453,794
Total	$485,776,049	$499,946,624

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

	2009	2008
Cash and cash equivalents	$111,877,869	$ 88,756,143
Restricted cash	373,898,180	411,190,481
Total	$485,776,049	$499,946,624

The Authority's State Treasurer funds are contained in the New Mexico*GROW* Local Government Investment Pool, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2009, are valued at $139,875,817 with a 43-day WAM.

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. All are fully collateralized and the 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.

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.

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 Loan (Years)	Rates	As Restated 2008	Additions	Payments	2009
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,001,094,696	$ 121,621,170	$ 70,807,461	$ 1,051,908,405
Drinking Water State Revolving Loans	5 to 30	0% to 3%	30,907,764	22,139,294	1,198,908	51,848,151
Primary Care Capital Fund Loans	10 to 20	3%	7,176,671	-	1,082,260	6,094,411
Water Projects Fund Loan Grants	10 to 20	0%	316,651	2,230,910	276,653	2,270,908
Smart Money Participation Loans	3 to 20	2% to 5%	1,825,254	222,447	68,272	1,979,429
Behavioral Health Care Loan	15	3%	369,692	-	32,237	337,455
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	-	480,000	8,491	471,509
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	411,000	-	62,000	349,000
Child Care Revolving Loans	15	3%	-	36,466	-	36,466
		Subtotals	1,042,101,728	146,730,287	73,536,282	1,115,295,733
		Less: Allowance for loan losses	(1,067,970)	(619,113)	-	(1,687,083)
		Totals	$ 1,041,033,758	$ 146,111,174	$ 73,536,282	$ 1,113,608,650

3. LOANS RECEIVABLE (CONTINUED)

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2009.

Totals – Loans Receivable, Net of Allowance

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 64,956,975	$ 43,178,849	$ 108,135,824
2011	64,722,920	41,372,393	106,095,313
2012	68,553,397	39,194,305	107,747,701
2013	70,690,235	36,901,922	107,592,156
2014	68,659,368	34,421,506	103,080,875
2015 - 2019	318,381,024	134,671,432	453,052,456
2020 - 2024	243,121,069	77,730,493	320,851,562
2025 - 2029	128,514,983	35,381,667	163,896,651
2030 - 2034	62,570,310	14,884,810	77,455,120
2035 - 2039	25,125,451	2,677,015	27,802,466
Subtotals	1,115,295,733	$ 460,414,392	$ 1,575,710,126
Less: Allowance for loan losses	(1,687,083)		
Loans receivable, net	$ 1,113,608,650		

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.

4. INTERGOVERNMENTAL RECEIVABLES (CONTINUED)

At June 30, 2009, the intergovernmental receivables are comprised of the following:

State Entity	Revenue Pledge	Rates	Terms	2009	As Restated 2008
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	June 1, 2025	$ 49,030,000	$ 51,015,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	June 1, 2025	23,630,000	23,630,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	June 1, 2036	47,430,000	48,115,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	April 1, 2019	19,855,000	22,460,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	April 1, 2019	7,758,087	8,460,000
Worker's Compensation Adminstration	Worker's Compensation administrative fee	5.35% to 5.60%	September 1, 2016	2,315,000	2,540,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	June 1, 2025	4,775,000	5,385,000
				$ 154,793,087	$ 161,605,000

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2009.

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 6,950,562	$ 7,497,080	$ 14,447,642
2011	7,031,285	7,190,853	14,222,138
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 - 2019	37,223,215	25,554,111	62,777,326
2020 - 2024	42,425,000	16,227,813	58,652,813
2025 - 2029	18,780,000	7,193,463	25,973,463
2030 - 2034	14,030,000	3,844,000	17,874,000
2035 - 2036	6,675,000	504,750	7,179,750
Intergovernmental receivables	$ 154,793,087	$ 87,630,564	$ 242,423,651

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2008	Additions	Adjustments/ Deletion	Balance June 30, 2009
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ -	$ -	$ 198,802
Computer hardware and software	533,537	32,757	-	566,294
Machinery and equipment	48,490	-	-	48,490
Leasehold improvement	49,117	-	-	49,117
	829,946	32,757	-	862,703
Accumulated depreciation:				
Furniture and fixtures	(108,581)	(51,152)	-	(159,733)
Computer hardware and software	(290,073)	(136,647)	-	(426,720)
Machinery and equipment	(26,826)	(12,638)	-	(39,464)
Leasehold improvement	(26,482)	(12,476)	-	(38,958)
	(451,962)	(212,913)	-	(664,875)
Net total	$ 377,984	$ (180,156)	$ -	$ 197,828

	Balance June 30, 2007	Additions	Adjustments/ Deletion	Balance June 30, 2008
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ -	$ -	$ 198,802
Computer hardware and software	508,076	25,461	-	533,537
Machinery and equipment	40,250	8,240	-	48,490
Leasehold improvement	49,117	-	-	49,117
	796,245	33,701	-	829,946
Accumulated depreciation:				
Furniture and fixtures	(84,643)	(23,938)	-	(108,581)
Computer hardware and software	(231,796)	(58,277)	-	(290,073)
Machinery and equipment	(20,933)	(5,893)	-	(26,826)
Leasehold improvement	(21,103)	(5,379)	-	(26,482)
	(358,475)	(93,487)	-	(451,962)
Net total	$ 437,770	$ (59,786)	$ -	$ 377,984

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, Worker's Compensation Fees and Income from Land Grant Permanent Fund.

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2009	2008
Public Project Revolving Fund Revenue Bonds – Senior Lien				
1999 A	4.45% to 4.75%	June 1, 2010 to June 1, 2018	$ 5,475,000	$ 6,255,000
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	945,000	1,075,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	420,000	550,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	1,740,000	1,880,000
2000 A	4.20% to 5.00%	(matured in August 2008)	-	200,000
2000 B	4.20% to 5.00%	(matured in June 2009)	-	360,000
2000 C	4.20% to 5.00%	(matured in June 2009)	-	835,000
2002 A	4.20% to 5.00%	June 1, 2010 to June 1, 2023	16,345,000	19,975,000
2003A	3.20% to 4.75%	June 1, 2010 to June 1, 2032	20,326,000	21,959,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	17,145,000	19,340,000
2004 A-1	2.60% to 4.63%	June 1, 2010 to June 1, 2031	17,090,000	19,360,000
2004 A-2	4.13% to 5.88%	June 1, 2010 to June 1, 2027	12,485,000	12,905,000
2004 B-1	5.00% to 5.38%	June 1, 2010 to June 1, 2033	33,345,000	36,770,000
2004 B-2	4.57% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,105,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	139,140,000	146,170,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	13,505,000	15,145,000
2005 B	3.25% to 4.25%	June 1, 2010 to June 1, 2020	12,145,000	12,665,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	35,050,000	36,410,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	50,885,000	51,785,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	56,395,000	60,960,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	153,720,000	157,615,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	34,535,000	-
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	28,620,000	-
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	18,435,000	-
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,225,000	-
			698,991,100	623,319,000

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2009	2008
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.50% to 5.00%	June 15, 2010 to June 15, 2025	$ 49,030,000	$ 50,395,000
2005 D	4.38%	(matured in June 2009)	-	620,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	3.75% to 5.00%	June 15, 2010 to June 15, 2025	20,095,000	21,035,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	48,180,000	49,090,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	35,760,000	37,485,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	30,440,000	32,295,000
2007 B	4.00% to 5.00%	June 15, 2010 to June 15, 2034	34,175,000	37,490,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	125,045,000	129,360,000
			366,355,000	361,400,000
	Subtotals – PPRF Bonds		1,065,346,000	1,004,719,000
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	172,000	191,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	51,000	57,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	126,000	163,000
		Subtotals	349,000	411,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,315,000	2,540,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,775,000	5,385,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	19,855,000	22,460,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 B	Variable Rate	(Matured in November 2008)	-	8,460,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,125,000	2,250,000
	Total bonds outstanding		1,094,765,000	1,046,225,000
	Add: Net unamortized premium		39,917,386	41,039,870
	Less: Deferred charge on refundings		(1,728,238)	(2,327,578)
	Total bonds payable, net		1,132,954,148	1,084,937,292
	Less: Current portion of bonds payable		(57,878,000)	(62,119,000)
	Noncurrent portion of bonds payable		$ 1,075,076,148	$ 1,022,818,292

6. **BONDS PAYABLE** (CONTINUED)

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2010	$ 57,878,000	$ 52,447,922	$ 110,325,922
2011	57,458,000	50,174,558	107,632,558
2012	62,635,000	47,669,720	110,304,720
2013	64,997,000	44,885,305	109,882,305
2014	63,944,000	41,882,714	105,826,714
2015 – 2019	304,800,000	164,502,534	469,302,534
2020 – 2024	251,801,000	95,164,226	346,965,226
2025 – 2029	129,012,000	41,911,718	170,923,718
2030 – 2034	72,375,000	18,395,493	90,770,494
2035 – 2039	29,865,000	3,220,375	33,085,375
	1,094,765,000	$ 560,254,565	$1,655,019,566
Add: Unamortized premium	39,917,386		
Less: Deferred charge on refunding	(1,728,238)		
Bonds payable, net	$ 1,132,954,148		

The bonds payable activity for the years ending June 30, 2009 and 2008 was as follows:

	2009				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,046,225,000	$114,335,000	$ (65,795,000)	$1,094,765,000	$ 57,870,000
Add: Unamortized premium	41,039,870	1,128,896	(2,251,380)	39,917,386	-
Less: Deferred charge on refunding	(2,327,578)	-	599,340	(1,728,238)	-
Total	$1,084,937,292	$115,463,896	$ (67,447,040)	$1,132,954,148	$ 57,878,000

	2008			
	Beginning Balance	Additions	Decreases	Ending Balance
Bonds payable	$ 696,861,000	$ 391,245,000	$ (41,881,000)	$1,046,225,000
Add: Unamortized premium	32,085,054	11,027,107	(2,072,291)	41,039,870
Less: Deferred charge on refunding	(3,065,686)	-	738,108	(2,327,578)
Total	$ 725,880,368	$ 402,272,107	$ (43,215,183)	$1,084,937,292

6. BONDS PAYABLE (CONTINUED)

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 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 loans payments semi-annually, therefore, any payments received prior to being applied to the loan is held in an account which earns interest and the interest is credited to the entity. These funds are held by the trustee, and in accounts at the State Treasurer's office. The balance of debt service payable was $66,071,327 and $61,634,993 at June 30, 2009 and 2008, 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 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, 2009 and 2008.

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, 2009 and 2008 were $330,506 and $316,000, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2010	$ 460,218
2011	377,480
2012	378,055
2013	368,897
2014	376,274
2015	254,172
Total	$ 1,832,986

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 $417,088 and $361,328 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008 were $43,823 and $14,106, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance July 1, 2007	$ 192,088
Additions	214,584
Deletions	(206,434)
Balance, June 30, 2008	200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	$ 226,830

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 thorough June 30, 2009, a loss of $8.2 million was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets.

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.

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.

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

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 $171,058,619.

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. The current year presentation is comparable to the entity-wide financial statements as originally issued as of and for the year ended June 30, 2008.

In revising the financial statements, certain errors were noted that have also been corrected in this restatement. The table below reflects the corrections made and the basis for the presentation in the 2009 financial statements:

	Increase (Decrease) Net Assets
Disposition of refunding escrow balances related to defeased bonds reported as assets in error	$ (82,337,416)
Intergovernmental receivables not previously recorded	168,165,000
Defeased bonds payable and related accrued interest recorded as liabilities in error	84,345,119
Write-off of unamortized deferred issuance costs related to defeased bonds	(1,264,976)
Increase as of July 1, 2007	168,907,727
FY 2008 revenues originally reported as appropriation revenue restated as reductions to intergovernmental receivables	(6,560,000)
FY 2008 other revenues and expenses removed to reflect defeased bonds payable	25,975
Net change at June 30, 2008	$ 162,373,702

17. SUBSEQUENT EVENTS

The following is summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2009:

- Closed 65 loans totaling $176,841,281 in the Public Project Revolving Fund program.
- Issued three Public Project Revolving Fund Revenue Bonds totaling $143,380,000.
- Closed on two loans for the Drinking Water State Revolving Fund totaling $1,151,400.
- Closed 18 additional loans for Drinking Water State Revolving Fund under the American Reinvestment and Recovery Act of 2009 totaling $16,949,682.
- Closed 14 loan/grant projects totaling $16,661,012 out of the Water Projects Fund.
- Closed one loan for the Smart Money loan participation program totaling $1,650,000.
- Closed one loan for $100,000 for the Behavioral Health Capital Fund program.

18. NEW ACCOUNTING PRONOUNCEMENTS

The Authority is in the process of assessing the impact on its financial position or results of operations of implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 54., *Fund Balance Reporting and Governmental Fund Type Definitions*. Both statements will be 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. 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.

SUPPLEMENTARY SCHEDULES

Combining Statement of Net Assets
June 30, 2009

	PPRF	GRIP	BEH Health	Child Care	Cigarette Tax 2006
ASSETS:					
Cash and equivalents:					
Unrestricted	$ 99,584,577	$ 2,300,631	$ 219,668	$ -	$ -
Restricted	252,786,822	-	11,523	242,515	2,462,882
Receivables:					
Tax revenue	2,080,571	-	-	-	-
Interest	8,022,761	-	1,547	125	943
Grant and other	2,622,545	1,340,862	-	-	-
Due from other funds	3,127,582	(137,456)	(16,961)	(104,553)	-
Administrative fees receivable	258,299	120,078	-	-	-
Loans receivable, net of allowance	1,050,541,321	-	337,455	36,466	471,509
Intergovernmental receivables	127,848,087	-	-	-	-
Restricted asset - escrow	659,798	-	-	-	-
Capital assets, net of depreciation	118,026	23,457	1,024	821	-
Deferred cost, net of accumulated amortization	10,155,420	-	-	-	-
Other assets	59,029	-	-	-	-
TOTAL ASSETS	$ 1,557,864,838	$ 3,647,572	$ 554,256	$ 175,374	$ 2,935,334
LIABILITIES:					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 915,747	$ -	$ -	$ -	$ -
Accrued payroll	129,232	15,735	447	130	-
Compensated absences	226,830	-	-	-	-
Undisbursed loan proceeds	181,136,484	-	796	250,000	-
Accrued interest	3,406,392	-	-	-	19,515
Due to other state agencies	-	-	-	-	-
Due to other funds	-	-	-	-	-
Debt service payable	65,813,605	-	10,727	-	-
Bonds payable, current, net	54,343,000	-	-	-	125,000
	305,971,290	15,735	11,970	250,130	144,515
Noncurrent liabilities:					
Bonds payable, noncurrent, net of bond discount/premium	1,047,860,109	-	-	-	2,000,000
TOTAL LIABILITIES	1,353,831,399	15,735	11,970	250,130	2,144,515
NET ASSETS:					
Invested in capital assets	118,026	23,457	1,024	821	-
Restricted for:					
Debt service	-	-	-	-	-
Program funds	105,344,348	-	322,041	(75,577)	790,819
Unrestricted	98,571,065	3,608,380	219,221	-	-
TOTAL NET ASSETS	204,033,439	3,631,837	542,286	(74,756)	790,819
TOTAL LIABILITIES AND NET ASSETS	$ 1,557,864,838	$ 3,647,572	$ 554,256	$ 175,374	$ 2,935,334

DWRLF	Primary Care	Local Road Program	New Markets Tax Credit	Energy Efficiency	UNM Health Sciences Program	Workers Comp Financing Program
$ 9,414,793	$ -	$ -	$ 73,381	$ -	$ -	$ -
7,548,256	2,641,875	3,862,059	-	-	1,221,012	1,166,685
-	-	-	-	-	-	-
203,320	-	-	-	-	-	-
1,087,706	-	-	1,550	-	857,811	-
(28,705)	(206,914)	(1,828)	(1,022,684)	(31,770)	-	-
25,499	-	-	-	-	-	-
51,848,151	6,094,411	-	-	-	-	-
-	-	-	-	-	19,855,000	2,315,000
-	-	-	-	-	-	-
3,592	595	681	1,200	478	-	-
-	-	-	-	-	704,745	67,037
-	-	-	-	-	-	-
$ 70,102,612	$ 8,529,967	$ 3,860,912	$ (946,553)	$ (31,292)	$ 22,638,568	$ 3,548,722
$ 485,812	$ -	$ -	$ 75,000	$ -	$ -	$ -
6,064	1,208	307	5,124	48	-	-
-	-	-	-	-	-	-
581,974	951,681	-	-	-	-	-
1	-	-	-	-	285,940	42,758
800,000	-	-	-	-	-	-
-	-	-	-	-	-	-
245,131	-	-	-	-	1	1
-	-	-	-	-	2,450,000	235,000
2,118,982	952,889	307	80,124	48	2,735,941	277,759
-	-	-	-	-	18,737,039	2,080,000
2,118,982	952,889	307	80,124	48	21,472,980	2,357,759
3,591	596	681	1,200	478	-	-
-	-	-	-	-	1,165,588	1,190,963
59,031,622	7,576,482	3,859,924	-	(31,818)	-	-
8,948,417	-	-	(1,027,877)	-	-	-
67,983,630	7,577,078	3,860,605	(1,026,677)	(31,340)	1,165,588	1,190,963
$ 70,102,612	$ 8,529,967	$ 3,860,912	$ (946,553)	$ (31,292)	$ 22,638,568	$ 3,548,722

Combining Statement of Net Assets
June 30, 2009

	State Capital Imprv Financing	State Office Bldg Bonding Program	Equipment Loan Program	Water and Wastewater Grant Program	Water Projects Program
ASSETS:					
Cash and equivalents:					
Unrestricted	$ -	$ -	$ -	$ -	$ -
Restricted	391,973	6,358,401	1,862	4,969,877	9,791,262
Receivables:					
Tax revenue	-	-	-	-	-
Interest	-	-	5,307	-	-
Grant and other	-	-	-	-	-
Due from other funds	-	-	-	(15,777)	(204,234)
Administrative fees receivable	-	-	-	-	1,369
Loans receivable, net of allowance	-	-	349,000	-	2,270,908
Intergovernmental receivables	4,775,000	-	-	-	-
Restricted asset - escrow	-	-	-	-	-
Capital assets, net of depreciation	-	-	-	9,136	13,532
Deferred cost, net of accumulated amortization	33,147	-	-	-	-
Other assets	-	-	-	-	-
TOTAL ASSETS	$ 5,200,120	$ 6,358,401	$ 356,169	$ 4,963,236	$ 11,872,837
LIABILITIES:					
Current Liabilities:					
Accounts payable and accrued liabilities	$ 80,262	$ -	$ -	$ -	$ -
Accrued payroll	-	-	-	1,689	4,509
Compensated absences	-	-	-	-	-
Undisbursed loan proceeds	-	-	-	-	-
Accrued interest	97,490	-	5,307	-	-
Due to other state agencies	-	-	-	-	-
Due to other funds	-	-	-	-	-
Debt service payable	-	-	1,862	-	-
Bonds payable, current, net	660,000	-	65,000	-	-
	837,752	-	72,169	1,689	4,509
Noncurrent liabilities:					
Bonds payable, noncurrent, net of bond discount/premium	4,115,000	-	284,000	-	-
TOTAL LIABILITIES	4,952,752	-	356,169	1,689	4,509
NET ASSETS:					
Invested in capital assets	-	-	-	9,136	13,532
Restricted for:					
Debt service	247,368	6,358,401	-	-	-
Program funds	-	-	-	4,952,411	11,854,796
Unrestricted	-	-	-	-	-
TOTAL NET ASSETS	247,368	6,358,401	-	4,961,547	11,868,328
TOTAL LIABILITIES AND NET ASSETS	$ 5,200,120	$ 6,358,401	$ 356,169	$ 4,963,236	$ 11,872,837

Emergency Drought Water Program	Local Government Planning Program	Economic Development Program	Local Government Transportation Program	Bio-Mass Diary Program	Total
$ 284,819	$ -	$ -	$ -	$ -	$ 111,877,869
-	457,823	10,327,943	67,624,401	2,031,009	373,898,180
-	-	-	-	-	-
-	-	-	-	-	2,080,571
-	-	14,798	-	-	8,248,801
-	-	-	-	-	5,910,474
-	(12,232)	(1,242,893)	(101,575)	-	-
-	-	-	-	-	405,245
-	-	1,659,429	-	-	1,113,608,650
-	-	-	-	-	154,793,087
-	-	-	-	-	659,798
2,912	7,175	15,199	-	-	197,828
-	-	-	-	-	10,960,349
-	-	-	-	-	59,029
$ 287,731	$ 452,766	$ 10,774,476	$ 67,522,826	$ 2,031,009	$ 1,782,699,881
$ -	$ -	$ -	$ -	$ -	$ 1,556,821
-	1,259	2,974	1,270	-	169,996
-	-	-	-	-	226,830
-	-	-	-	-	182,920,935
-	-	-	-	-	3,857,403
-	-	-	-	-	800,000
-	-	-	-	-	-
-	-	-	-	-	66,071,327
-	-	-	-	-	57,878,000
-	1,259	2,974	1,270	-	313,481,312
-	-	-	-	-	1,075,076,148
-	1,259	2,974	1,270	-	1,388,557,460
2,912	7,175	15,199	-	-	197,828
-	-	(1)	-	-	8,962,319
	444,332	10,756,304	67,521,556	2,031,009	274,378,249
284,819	-	-	-	-	110,604,025
287,731	451,507	10,771,502	67,521,556	2,031,009	394,142,421
$ 287,731	$ 452,766	$ 10,774,476	$ 67,522,826	$ 2,031,009	$ 1,782,699,881

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2009

	PPRF	GRIP	BEH Health	Child Care
OPERATING REVENUES:				
Appropriation revenue	$ 25,645,568	$ -	$ -	$ -
Federal grant revenue	-	-	-	-
Administrative fees	4,689,716	1,442,590	770	-
Interest on loans	45,103,592	-	10,019	375
Interest on investments	1,118,311	24,239	(722)	3,672
Total operating revenues	76,557,187	1,466,829	10,067	4,047
OPERATING EXPENDITURES:				
Grant expense	11,226	-	-	-
Bond issuance costs	1,190,439	-	-	-
Administrative fee	63,894	-	-	-
Professional services	2,020,995	490,881	19,555	3,792
Salaries and fringe benefits	2,215,043	495,021	32,694	13,018
In-state travel	66,099	26,368	1,012	719
Out-of-state travel	31,774	3,115	528	21
Operating costs	593,110	121,921	6,492	4,219
Provision for loan losses	299,113	-	-	-
Debt service - interest expense	47,652,598	-	-	-
Total operating expenses	54,144,291	1,137,306	60,281	21,769
Operating income before depreciation	22,412,896	329,523	(50,214)	(17,722)
Depreciation	103,183	30,172	1,317	968
Total operating income (loss)	22,309,713	299,351	(51,531)	(18,690)
NON-OPERATING REVENUES (EXPENSES):				
Loss on investements	(3,729,142)	(36,861)	(3,828)	-
TOTAL NON-INTEREST EARNINGS (EXPENSES) BEFORE TRANSFERS	18,580,571	262,490	(55,359)	(18,690)
TRANSFERS:				
Transfers in (out)	(2,550,520)	-	48,268	-
Transfers from (to) other state agencies	(3,177,927)	-	-	-
TOTAL TRANSFERS	(5,728,447)	-	48,268	-
CHANGE IN NET ASSETS	12,852,124	262,490	(7,091)	(18,690)
TOTAL NET ASSETS, BEGINNING OF YEAR (as restated)	191,181,315	3,369,347	549,377	(56,066)
TOTAL NET ASSETS, END OF YEAR	$ 204,033,439	$ 3,631,837	$ 542,286	$ (74,756)

Cigarette Tax 2006	DWRLF	Primary Care	Local Road Program	New Markets Tax Credit	Energy Efficiency	UNM Health Sciences Program	Workers Comp Financing Program
$ -	$ -	$ -	$ -	$ -	$ -	$ 2,721,738	$ 1,126,741
-	20,412,275	-	-	-	-	-	-
-	88,581	-	1,442,909	-	-	-	-
5,711	650,513	-	-	-	-	1,144,131	134,181
34,905	246,215	152,393	43,156	324	-	8,812	14,597
40,616	21,397,584	152,393	1,486,065	324	-	3,874,681	1,275,519
-	-	-	969,543	-	-	-	-
-	-	-	-	-	-	398,645	9,354
-	-	-	-	-	-	104,536	-
2,652	70,402	146,249	234	252,969	13,826	22,321	640
-	218,274	65,343	4,766	268,246	2,716	-	-
-	1,909	638	1,239	7,430	12	-	-
-	7,786	205	233	7,460	56	-	-
-	24,439	14,752	1,534	60,740	728	-	-
-	-	-	-	-	-	-	-
122,827	-	-	-	-	-	1,129,377	130,244
125,479	322,810	227,187	977,549	596,845	17,338	1,654,879	140,238
(84,863)	21,074,774	(74,794)	508,516	(596,521)	(17,338)	2,219,802	1,135,281
-	8,205	743	827	1,494	624	-	-
(84,863)	21,066,569	(75,537)	507,689	(598,015)	(17,962)	2,219,802	1,135,281
-	(330,828)	(1,540)	(61,976)	(1,944)	-	(1,161)	(36,091)
(84,863)	20,735,741	(77,077)	445,713	(599,959)	(17,962)	2,218,641	1,099,190
200,707	-	-	-	-	-	460,179	-
-	(3,012,041)	-	-	-	-	(2,500,567)	(1,064,801)
200,707	(3,012,041)	-	-	-	-	(2,040,388)	(1,064,801)
115,844	17,723,700	(77,077)	445,713	(599,959)	(17,962)	178,253	34,389
674,975	50,259,930	7,654,155	3,414,892	(426,718)	(13,378)	987,335	1,156,574
$ 790,819	$ 67,983,630	$ 7,577,078	$ 3,860,605	$ (1,026,677)	$ (31,340)	$ 1,165,588	$ 1,190,963

Combining Statement of Revenues, Expenditures, and Changes in Net Assets
Year Ended June 30, 2009

	State Capital Imprv Financing	State Office Bldg Bonding Program	Equipment Loan Program	Water and Wastewater Grant Program
OPERATING REVENUES:				
Appropriation revenue	$ 14,531	$ -	$ -	$ -
Federal grant revenue	-	-	-	(3,388,630)
Administrative fees	-	-	-	-
Interest on loans	366,450	-	23,426	-
Interest on investments	5,097	106,021	-	120,989
Total operating revenues	386,078	106,021	23,426	(3,267,641)
OPERATING EXPENDITURES:				
Grant expense	-	-	-	3,210,290
Bond issuance costs	5,807	-	-	-
Administrative fee	13,088	60,348	-	-
Professional services	-	-	-	73,370
Salaries and fringe benefits	-	-	-	54,966
In-state travel	-	-	-	193
Out-of-state travel	-	-	-	124
Operating costs	-	-	-	11,522
Provision for loan losses	-	-	-	-
Debt service - interest expense	353,994	-	29,090	-
Total operating expenses	372,889	60,348	29,090	3,350,465
Operating income before depreciation	13,189	45,673	(5,664)	(6,618,106)
Depreciation	-	-	-	12,744
Total operating income(loss)	13,189	45,673	(5,664)	(6,630,850)
NON-OPERATING REVENUES (EXPENSES):				
Loss on investements	(14,712)	(227,905)	-	(65,332)
TOTAL NON-INTEREST EARNINGS (EXPENSES) BEFORE TRANSFERS	(1,523)	(182,232)	(5,664)	(6,696,182)
TRANSFERS:				
Transfers in (out)	-	1,949,866	-	(108,500)
Transfers from (to) other state agencies	-	(2,931,862)	-	-
TOTAL TRANSFERS	-	(981,996)	-	(108,500)
CHANGE IN NET ASSETS	(1,523)	(1,164,228)	(5,664)	(6,804,682)
TOTAL NET ASSETS, BEGINNING OF YEAR	248,891	7,522,629	5,664	11,766,229
TOTAL NET ASSETS, END OF YEAR	$ 247,368	$ 6,358,401	$ -	$ 4,961,547

Water Projects Program	Emergency Drought Water Program	Local Government Planning Program	Economic Development Program	Local Government Transportation Program	Bio-Mass Diary Program	Total
$ 4,000,000	$ -	$ -	$ -	$ 18,871,153	$ -	$ 52,379,731
19,470,536	-	-	-	-	-	36,494,181
5,872	-	-	-	-	-	7,670,438
	-	-	151,836	-		47,590,234
(20,234)	3,978	10,236	142,944	847,828	27,830	2,890,591
23,456,174	3,978	10,236	294,780	19,718,981	27,830	147,025,175
20,498,040	-	268,420	-	34,827,693	-	$ 59,785,212
-	-	-	-		-	1,604,245
-	-	-	-		-	241,866
459,211	-	41,291	14,161	10,392	-	3,642,941
264,309	-	42,569	152,478	31,062	-	3,860,505
6,424	-	126	6,568	213	-	118,950
2,067	-	482	3,323	786	-	57,960
58,650	-	8,877	44,873	6,160	-	958,017
-	-	-	320,000	-	-	619,113
-	-	-	-	-	-	49,418,130
21,288,701	-	361,765	541,403	34,876,306	-	120,306,939
2,167,473	3,978	(351,529)	(246,623)	(15,157,325)	27,830	26,718,236
17,939	4,210	10,318	20,169	-	-	212,913
2,149,534	(232)	(361,847)	(266,792)	(15,157,325)	27,830	26,505,323
(132,156)	(5,510)	(17,044)	(200,663)	(3,338,656)	(81)	(8,205,430)
2,017,378	(5,742)	(378,891)	(467,455)	(18,495,981)	27,749	18,299,893
-	-	-	-	-	-	-
-	-	-	-	-	-	(12,687,198)
-	-	-	-	-	-	(12,687,198)
2,017,378	(5,742)	(378,891)	(467,455)	(18,495,981)	27,749	5,612,695
9,850,950	293,473	830,398	11,238,957	86,017,537	2,003,260	388,529,726
$ 11,868,328	$ 287,731	$ 451,507	$ 10,771,502	$ 67,521,556	$ 2,031,009	$ 394,142,421

Combining Statement of Cash Flows
Year Ended June 30, 2009

	PPRF	GRIP	BEH Health	Child Care
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash paid for employee services	$ (2,130,317)	$ (495,021)	$ (32,694)	$ (13,018)
Cash paid to vendors for services	(1,790,011)	(651,678)	(28,888)	(8,751)
Bond issuance costs	(330,251)	-	-	-
Interest expense paid	(49,366,990)	-	-	-
Grants awarded	(11,227)	-	-	-
Appropriation revenue	28,045,404	-	-	-
Cash received from federal government for revolving loans	-	-	-	-
Interest income received	46,435,522	(12,623)	5,617	3,922
Administrative fees received	5,006,200	1,442,919	924	-
Transfers from other funds	5,928,557	55,210	13,314	21,769
Net cash provided by (used in) operating activities	31,786,887	338,807	(41,727)	3,922
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers, net	(2,550,519)	-	48,268	-
Cash paid to subrecipients for services	(3,177,927)	-	-	-
Cash provided (used) by funds held for others	(14,995,597)	-	4	-
Net cash provided by (used in) non-capital financing activities	(20,724,043)	-	48,272	-
CASH FLOWS FROM CAPITAL AND RELATED				
Effects of operating assets and liabilities:				
Investment in Partnership	-	-	-	-
Loans funded	(130,091,340)	-	-	(36,466)
Loan payments received	74,346,485	-	32,237	-
Bonds issued	115,463,895	-	-	-
Payment of bonds	(53,708,000)	-	-	-
Debt service	(3,746,868)	-	3,510	-
Capital asset purchases	(32,758)	-	-	-
Net cash provided by (used in) capital and related financing activities	2,231,414	-	35,747	(36,466)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,294,258	338,807	42,292	(32,544)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	339,077,144	1,961,825	188,899	275,058
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 352,371,402	$ 2,300,632	$ 231,191	$ 242,514
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Change in net assets	$ 12,852,124	$ 262,490	$ (7,091)	$ (18,690)
Adjustments to change in net assets:				
Depreciation and amortization	103,184	30,172	1,317	968
Net transfers	5,728,446	-	(48,268)	-
Prepaids and receivables	5,791,698	330	302	(125)
Payables and other accrued liabilities	7,311,435	45,815	12,013	21,769
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 31,786,887	$ 338,807	$ (41,727)	$ 3,922

Cigarette Tax 2006	DWRLF	Primary Care	Local Road Program	New Markets Tax Credit	Energy Efficiency	UNM Health Sciences Program	Workers Comp Financing Program
$ -	$ (218,273)	$ (65,343)	$ (4,766)	$ (268,246)	$ (2,716)	$ -	$ -
(2,652)	(401,847)	(166,259)	(3,241)	(264,935)	(14,622)	(126,859)	(641)
-	173,452	-	-	-	-	-	-
(123,975)	-	-	-	-	-	(1,238,359)	(134,180)
-	-	-	(969,543)	-	-	-	-
-	3,460	-	-	-	-	2,103,456	1,126,741
-	21,221,852	-	-	-	-	-	-
39,674	472,122	176,818	(18,819)	(1,619)	-	1,151,783	112,687
-	76,394	-	1,442,909	-	-	-	-
-	-	88,607	(11)	609,731	17,338	-	-
(86,953)	21,327,160	33,823	446,529	74,931	-	1,890,021	1,104,607
200,707	-	-	-	-	-	460,179	-
-	(3,012,041)	-	-	-	-	(2,500,567)	(1,064,801)
-	466,238	(271,409)	-	-	-	-	-
200,707	(2,545,803)	(271,409)	-	-	-	(2,040,388)	(1,064,801)
-	-	-	-	(1,550)	-	-	-
(471,509)	(22,139,294)	-	-	-	-	-	-
-	1,198,908	1,082,260	-	-	-	11,065,000	225,000
-	-	-	-	-	-	-	-
(125,000)	-	-	-	-	-	(11,065,000)	(225,000)
-	(5,615)	(344,498)	-	-	-	-	-
-	-	-	-	-	-	-	-
(596,509)	(20,946,001)	737,762	-	(1,550)	-	-	-
(482,755)	(2,164,644)	500,176	446,529	73,381	-	(150,367)	39,806
2,945,638	19,127,693	2,141,699	3,415,530	-	-	1,371,379	1,126,879
$ 2,462,883	$ 16,963,049	$ 2,641,875	$ 3,862,059	$ 73,381	$ -	$ 1,221,012	$ 1,166,685
$ 115,845	$ 17,723,700	$ (77,076)	$ 445,713	$ (599,958)	$ (17,963)	$ 178,254	$ 34,389
-	8,206	743	827	1,494	624	262,025	-
(200,707)	3,012,041	-	-	-	-	2,040,388	1,064,801
(943)	707,072	25,966	-	-	-	(618,282)	9,354
(1,148)	(123,859)	84,190	(11)	673,395	17,339	27,637	(3,938)
$ (86,953)	$ 21,327,160	$ 33,823	$ 446,529	$ 74,931	$ -	$ 1,890,022	$ 1,104,606

Combining Statement of Cash Flows
Year Ended June 30, 2009

	State Capital Imprv Financing	State Office Bldg Bonding Program	Equipment Loan Program	Water and Wastewater Grant Program
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash paid for employee services	$ -	$ -	$ -	$ (54,966)
Cash paid to vendors for services	(13,087)	-	-	(110,649)
Bond issuance costs	-	-	-	-
Interest expense paid	(366,451)	-	(24,358)	-
Grants awarded	-	-	-	(3,210,291)
Appropriation revenue	14,531	530,000	-	(3,388,630)
Cash received from federal government for revolving loans	-	-	-	-
Interest income received	356,836	(121,884)	24,358	55,656
Administrative fees received	-	(60,347)	-	-
Transfers from other funds	-	-	-	9,070
Net cash provided by (used in) operating activities	(8,171)	347,769	-	(6,699,810)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers, net	-	1,949,865	-	(108,500)
Cash paid to subrecipients for services	-	(2,931,862)	-	-
Cash provided (used) by funds held for others	-	-	-	-
Net cash provided by (used in) non-capital financing activities	-	(981,997)	-	(108,500)
CASH FLOWS FROM CAPITAL AND RELATED				
Effects of operating assets and liabilities:				
Investment in Partnership	-	-	-	-
Loans funded	-	-	-	-
Loan payments received	610,000	-	62,000	-
Bonds issued	-	-	-	-
Payment of bonds	(610,000)	-	(62,000)	-
Debt service	-	-	(1,522)	-
Capital asset purchases	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	(1,522)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,171)	(634,228)	(1,522)	(6,808,310)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	400,144	6,992,629	3,383	11,778,187
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 391,973	$ 6,358,401	$ 1,861	$ 4,969,877
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Change in net assets	$ (1,523)	$ (1,164,228)	$ (5,664)	$ (6,804,683)
Adjustments to change in net assets:				
Depreciation and amortization	-	-	-	12,744
Net transfers	-	981,997	-	108,500
Prepaids and receivables	5,807	529,999	932	-
Payables and other accrued liabilities	(12,455)	-	4,732	(16,370)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (8,171)	$ 347,768	$ -	$ (6,699,809)

Water Projects Program	Emergency Drought Water Program	Local Government Planning Program	Economic Development Program	Local Government Transportation Program	Bio-Mass Diary Program	Total
$ (264,308)	$ -	$ (42,569)	$ (152,478)	$ (31,062)	$ -	$ (3,775,777)
(543,438)	-	(58,070)	(77,169)	(17,553)	-	(4,280,350)
-	-	-	-	-	-	(156,799)
-	-	-	-	-	-	(51,254,313)
(20,498,040)	-	(268,420)	-	(34,827,691)	-	(59,785,212)
23,470,536	-	-	-	18,871,152	-	70,776,650
-	-	-	-	-	-	21,221,852
(152,390)	(1,533)	(6,808)	91,291	(2,490,830)	27,749	46,147,529
4,573	-	-	-	-	-	7,913,572
176,127	-	3,114	229,647	48,614	-	7,201,087
2,193,060	(1,533)	(372,753)	91,291	(18,447,370)	27,749	34,008,239
-	-	-	-	-	-	-
-	-	-	-	-	-	(12,687,198)
-	-	-	-	-	-	(14,800,764)
-	-	-	-	-	-	(27,487,962)
-	-	-	-	-	-	(1,550)
(2,230,911)	-	-	(222,447)	-	-	(155,191,967)
276,653	-	-	68,272	-	-	88,966,815
-	-	-	-	-	-	115,463,895
-	-	-	-	-	-	(65,795,000)
(5,294)	-	-	-	-	-	(4,100,287)
-	-	-	-	-	-	(32,758)
(1,959,552)	-	-	(154,175)	-	-	(20,690,852)
233,508	(1,533)	(372,753)	(62,884)	(18,447,370)	27,749	(14,170,575)
9,557,753	286,351	830,576	10,390,827	86,071,770	2,003,260	499,946,624
$ 9,791,261	$ 284,818	$ 457,823	$ 10,327,943	$ 67,624,400	$ 2,031,009	$ 485,776,049
$ 2,017,378	$ (5,743)	$ (378,891)	$ (467,456)	$ (18,495,981)	$ 27,749	$ 5,612,695
17,939	4,210	10,318	340,169	-	-	794,940
-	-	-	-	-	-	12,687,198
(1,299)	-	-	(2,827)	-	-	6,447,984
159,042	-	(4,180)	221,405	48,611	-	8,465,422
$ 2,193,060	$ (1,533)	$ (372,753)	$ 91,291	$ (18,447,370)	$ 27,749	$ 34,008,239

Agency Funds – Schedule of Changes in Assets and Liabilities
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Department of Transportation Revenue Bonds, Series 2004				
Fund 315				
ASSETS				
Cash and investments	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
TOTAL ASSETS	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
LIABILITIES				
Deposit held in trust for others	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
TOTAL LIABILITIES	$ 144,490,815	$ 64,729,527	$ 126,681,479	$ 82,538,863
Department of Transportation Revenue Bonds, Series 2006				
Fund 322				
ASSETS				
Cash and investments	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
TOTAL ASSETS	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
LIABILITIES				
Deposit held in trust for others	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
TOTAL LIABILITIES	$ 232,347,119	$ 20,059,042	$ 175,547,038	$ 76,859,122
Department of Transportation Refunding Revenue Bonds, Series 2008				
Fund 326				
ASSETS				
Cash and investments	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
TOTAL ASSETS	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
LIABILITIES				
Deposit held in trust for others	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637
TOTAL LIABILITIES	$ 3,334,907	$ 35,513,856	$ 35,192,127	$ 3,656,637

SINGLE AUDIT

Schedule of Expenditures of Federal Awards

	Federal Catalog Number	Federal Expenditures FY 2009
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 20,412,275

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	$ 3,012,041
Total non-interest expense	279,504
Total EPA expenditures per Statement of Revenues, Expenditures and Changes in Fund Net Assets	3,291,545
Total loans issued from Federal Draws included in loans receivable on Statement of Net Assets	16,859,666
Reimbursement for prior year transfers to other State agencies	261,064
Total EPA expenditures	$20,412,275

The Authority administers loans under the EPA Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2009 are $51,848,157. Only the value of new loans expended during the fiscal year are included in the accompanying schedule.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2009, and have issued our report thereon dated March 25, 2010. 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2009-1 to be a material weakness.

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*.

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

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
March 25, 2010

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and 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 the compliance of New Mexico Finance Authority (the Authority) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-02.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2009-02 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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
March 25, 2010

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	X	Yes		No
• Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		None reported

Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?		Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		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?	X	Yes		No

Identification of Major Programs

Name of Federal Program	CFDA Number	Expenditures
Capitalization Grant for Drinking Water State Revolving Funds	66.468	$ 20,412,275

Dollar threshold used to distinguish between type A and type B programs: $ 612,368

Auditee qualified as low-risk auditee?	X	Yes		No

Finding 2009-01 – Material Adjustments

Condition

During the course of our audit, management discovered several misstatements that had a material effect on the Authority's financial statements and resulted in restatement of prior period net assets. Several adjustments were required to properly record various transactions as follows:

- Disposition of refunding escrow balances related to defeased bonds reported as assets in error. This resulted in a prior period adjustment of ($82,377,416).
- Intergovernmental receivables not previously recorded. This resulted in a prior period adjustment of $168,165,000.
- Defeased bonds payable and related accrued interest recorded as liabilities in error. This resulted in a prior period adjustment of $84,345,199.
- Write-off of unamortized deferred issuance costs related to defeased bonds. This resulted in a prior period adjustment of ($1,264,976).
- Revenues originally reported as appropriation revenue restated as reductions to intergovernmental receivables. This resulted in a prior period adjustment of ($6,560,000).
- Other revenues and expenses removed to reflect to reflect defeased bonds payable. This resulted in a prior period adjustment of $25,975.

The effect of the above adjustments is a net change in the net assets balance of $162,373,702.

Criteria

Generally accepted accounting principles (GAAP) specify how to account for transactions relating to bonds payable, defeased bonds, loans receivable, intergovernmental receivables, appropriations revenue, other revenues and expenses. These standards were not applied when the transactions occurred.

Cause

Incorrect identification and application of applicable accounting standards relating to bonds payable, defeased bonds, loans receivable, intergovernmental receivables, appropriations revenue, other revenues and expenses for transactions that occurred in prior periods.

Effect

Material misstatements of prior period account balances relating to bonds payable, defeased bonds, loans receivable, intergovernmental receivables, appropriations revenue, other revenues and expenses.

Recommendation

We recommend that management enhance its processes for reviewing, monitoring and accounting for all transactions. In addition, management should establish procedures to ensure the identification and application of correct accounting standards for recording and reporting.

Management's Response

The Authority's management agrees with this finding. Management had implemented what it believed and continues to believe were adequate procedures for review of transactions and accounting standards during the course of the audit. These procedures, in fact, resulted in the detection of the misstatements.

Finding 2009-2 – 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 the completion of the audit were a result of change in presentation and prior period adjustments. 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.

Finding No. 2008-01 – Missing Documentation

Condition
Of 25 payroll and personnel transactions tested, we noted that one employee file did not contain I-9 documentation.

Status
This finding was corrected in the current year.

An exit conference was held with the Authority on February 22, 2010. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

NEW MEXICO FINANCE AUTHORITY

Stephen R. Flance, Chairman, NMFA Board
Katherine Miller, Board Member, Chair of Audit Committee
William F. Fulginiti, Vice Chairman
Lonnie Marquez, Board Member
Dan Silva, Board Member
William C. Sisneros, Chief Executive Officer
Jerome Trojan, Chief Operating Officer
John Duff, Chief Financial Officer
Greg Campbell, Controller
Rick Martinez
J. Michael Stephens, Clifton Gunderson LLP

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Independent Auditor, with the assistance and review of the Authority.