
New Mexico Finance Authority
(A Component Unit of the State of New Mexico)

Financial Statements
and
Independent Auditors' Report
June 30, 2013

REDW^{LLC}
CPAs | Business & Financial Advisors

New Mexico Finance Authority

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New Mexico Finance Authority

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Prepared by:
Finance and Accounting Department
Donna Trujillo CPA
Chief Financial Officer

New Mexico Finance Authority

Official Roster

Year Ended June 30, 2013

Governing Board

Nann Winter, Chair
Paul Gutierrez, Vice Chair
Bill Fulginiti, Secretary
Tom Clifford, Treasurer
Katherine Ulibarri, Member
Jon Barela, Member
Ryan Flynn, Member
David Martin, Member
Blake Curtis, Member
Terry White, Member
Jerry L. Jones, Member

Chief Executive Officer

John Gasparich

Chief Financial Officer

Donna Trujillo

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the accompanying 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

REDW

Albuquerque, New Mexico
December, 2, 2013

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2013

Introduction

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 position at June 30, 2013 and its financial performance during the fiscal year then ended. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

The Authority was created by the New Mexico State Legislature in 1992 to finance infrastructure projects for the state's counties, cities, school districts and certain departments of the 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 Project 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 in which 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

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles. In 2013, the Authority implemented Statement No. 63 of the Governmental Accounting Standards Board. That statement identifies "net position" as the residual of all other elements presented in a statement of financial position. Previously, the residual was referred to as "net assets." Accordingly, the Authority presents and include the following three financial statements for fiscal year 2013:

- ◆ The *Statement of Net Position* presents information on the assets and liabilities of the Authority, with the difference between the assets and the liabilities reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the funds are improving or deteriorating.
- ◆ The *Statement of Revenues, Expenses and Changes in Net Position* present information reflecting how the net position of the Authority changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- ◆ The *Statement of Cash Flows* reports the cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities, and the resulting impact on cash and cash equivalents for the fiscal year.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

As discussed in Note 1, the basic financial statements herein present the financial position, change in financial position and cash flows of the Authority. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

Financial Highlights

- ◆ On August 1, 2012, the criterion for PPRF loans was temporarily amended, placing a lending limit of \$5 million for new loans. The lending protocol amendment was in response to the discovery that fiscal year 2011 financial statements had been inappropriately released and falsely represented as having been audited. The protocol was lifted in March 2013 after the 2011 and 2012 financial statements had been audited and approved for release by the Office of the New Mexico State Auditor. The temporary loan limit impacted activity in several financial areas.
- ◆ The Authority's overall financial position improved slightly in the past year. The key indicator is total net position which increased by \$22.4 million or 5.4%.
- ◆ Unrestricted cash increased 44.5% or \$35.7 million. Restricted cash increased by 4.1% or \$4.3 million in 2013. Restricted investments increased in 2013 by 4.2% or \$5.3 million.
- ◆ Loans receivable decreased by \$84.3 million or 6.4% in 2013, primarily as a result of diminished loan activity due to the lending protocol in place for seven months during fiscal year 2013.
- ◆ Bonds payable decreased by \$36.7 million or 3.0% in 2013, the result of issuing of \$44.3 million of new bonds, principal payments on outstanding bonds of \$81.4 million, and amortization of bond premium of \$0.4 million.
- ◆ Undisbursed loan proceeds decreased by \$28.4 million or 38.4% during 2013 consist with reduced loan activity against loan proceeds from borrowers.
- ◆ Appropriation revenue decreased by \$9.1 million in fiscal year 2013, representing a 21.1% decrease from fiscal year 2012. The decrease reflects a reduction in the Local Transportation Program.
- ◆ The Authority experienced a \$4.0 million or 53.8% decrease in administrative fees revenue from \$7.4 million in 2012 to \$3.4 million in 2013. This drop in revenue was in direct relation to the lending limits that were in place during seven months of the year, as discussed above.
- ◆ Expenses increased 8.0% or from \$105.3 million in 2012 to \$113.8 million in 2013 representing an expected increase of \$8.5 million.
- ◆ Grant revenue and corresponding activity decreased 16.3% or \$6.8 million as the Authority leveled its program grant expenses.
- ◆ No reversions were due to the State General Fund for fiscal year 2013.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Statement of Net Position

The following presents condensed, combined statements of net position as of June 30, 2013 and 2012, with the dollar and percentage change:

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	\$ 116,073,324	\$ 80,351,262	\$ 35,722,062	44.5%
Restricted	109,965,262	106,424,138	3,541,124	3.3%
Investments – restricted	131,565,455	125,496,887	6,068,568	4.8%
Loans receivable, net of allowance	1,231,232,043	1,315,526,827	(84,294,784)	-6.4%
Intergovernmental receivables	125,274,549	132,180,805	(6,906,256)	-5.2%
Other receivables	10,960,455	11,195,806	(235,351)	-2.1%
Capital assets	220,772	239,589	(18,817)	-7.9%
Other assets	10,284,110	10,878,718	(594,608)	-5.5%
Total assets	<u>\$ 1,735,575,970</u>	<u>\$ 1,782,294,032</u>	<u>\$ (46,718,062)</u>	<u>-2.6%</u>
Liabilities				
Bonds payable, net	\$ 1,180,405,517	\$ 1,217,118,299	\$ (36,712,782)	-3.0%
Undisbursed loan proceeds	45,485,533	73,864,493	(28,378,960)	-38.4%
Advanced loan payments	68,380,111	70,884,890	(2,504,779)	-3.5%
Accounts payable, accrued payroll and compensated absences	831,236	571,388	259,848	45.5%
Other liabilities	4,998,215	6,806,772	(1,808,557)	-26.6%
Total liabilities	<u>1,300,100,612</u>	<u>1,369,245,842</u>	<u>(69,145,230)</u>	<u>-5.0%</u>
Net Position				
Invested in capital assets	220,772	239,589	(18,817)	-7.9%
Restricted for debt service	68,069,252	74,009,248	(5,939,996)	-8.0%
Restricted for program commitments	143,292,282	196,844,296	(53,552,014)	-27.2%
Unrestricted	223,893,052	141,955,057	81,937,995	57.7%
Total net position	<u>435,475,358</u>	<u>413,048,190</u>	<u>22,427,168</u>	<u>5.4%</u>
Total liabilities and net position	<u>\$ 1,735,575,970</u>	<u>\$ 1,782,294,032</u>	<u>\$ (46,718,062)</u>	<u>-2.6%</u>

The Authority's overall financial position improved slightly in the past year. The key indicator is total net position which increased by \$22.4 million or 5.4%.

Assets

Loans receivable decreased by \$84.3 million or 6.4% in 2013. New loans made during the year totaled \$73.7 million while loan payments received were \$155.7 million.

New Mexico Finance Authority Management's Discussion and Analysis June 30, 2013

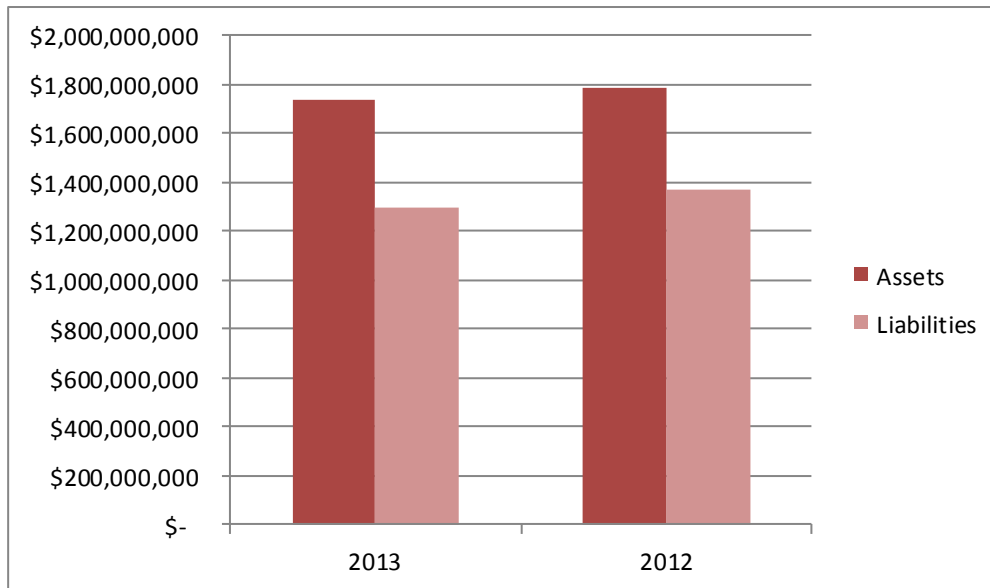
The allowance for uncollectible loans increased \$2.3 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs decreased significantly from 2012 as interest rates continued to stabilize.

Total cash and investments increased 14.5% from \$312.3 million in 2012 to \$357.6 million in 2013 due to the disproportionate number of new loans made compared with loan payments received and debt issued during the year. The majority of the new loans will be reimbursed through the issue of new debt in fiscal year 2014.

Liabilities

Bonds payable decreased by \$36.7 million in 2013 resulting from the issuance of \$44.3 million of new bonds, principal payments on outstanding bonds of \$81.4 million, and amortization of bond premium of \$2.4 million. Undisbursed loan proceeds decreased by \$28.4 million during 2013 indicating stable draw requests against loan proceeds from borrowers. Advanced loan payments remained fairly constant with a \$2.5 million or 3.5% decrease from 2012.

The following chart indicates the ratio of assets to liabilities:



New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Statement of Revenue, Expenses and Changes in Net Position

The following table presents the condensed combined statement of revenue, expenses and changes in net position for 2013 and 2012 fiscal years:

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative and processing fees	\$ 3,395,491	\$ 7,352,753	\$ (3,957,262)	-53.8%
Interest on loans	52,942,880	54,459,612	(1,516,732)	-2.8%
Interest on investments	139,403	436,387	(296,984)	-68.1%
Total operating revenues	<u>56,477,774</u>	<u>62,248,752</u>	<u>(5,770,978)</u>	<u>-9.3%</u>
Expenses				
Grants to local governments	\$ 48,828,884	42,063,551	6,765,333	16.1%
Bond issuance costs	752,792	1,272,046	(519,254)	-40.8%
Professional services	2,651,079	2,520,763	130,316	5.2%
Salaries and benefits	3,926,740	3,976,586	(49,846)	-1.3%
Debt service – interest expense	53,026,726	55,005,184	(1,978,458)	-3.6%
Other expense	4,636,406	510,604	4,125,802	808.0%
Total operating expenses	<u>113,822,627</u>	<u>105,348,734</u>	<u>8,473,893</u>	<u>8.0%</u>
Net operating loss	<u>(57,344,853)</u>	<u>(43,099,982)</u>	<u>(14,244,871)</u>	<u>33.1%</u>
Nonoperating Revenues (Expenses)				
Appropriation revenue	34,033,130	43,146,845	(9,113,715)	-21.1%
Grant revenue	48,692,048	41,883,216	6,808,832	16.3%
Reversions and transfers	(2,953,157)	(8,725,047)	5,771,890	-66.2%
	<u>79,772,021</u>	<u>76,305,014</u>	<u>3,467,007</u>	<u>4.5%</u>
Increase in net position	22,427,168	33,205,032	(10,777,864)	-32.5%
Net position, beginning of year	<u>413,048,190</u>	<u>379,843,158</u>	<u>33,205,032</u>	<u>8.7%</u>
Net position, end of year	<u>\$ 435,475,358</u>	<u>\$ 413,048,190</u>	<u>\$ 22,427,168</u>	<u>5.4%</u>

Operating revenue decreased 9.3% to \$56.5 million in 2013. Interest on investments continued to decline, experiencing 68.1% decline compared to 2012. Appropriation revenue decreased 21.1% while grant revenue increased 16.3%.

Overall operating costs increased 8% due to increased grant expenses of \$6.8 million and an increase in loan loss provision of \$2.3 million. The increase in loan loss provision was made based on third party review of the risk of the outstanding direct equity loans. Grant expense increased in 2013 after a grant activity recovery effort in fiscal years 2011 and 2012.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

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 2013, the total amount outstanding was \$1.2 billion (excluding the \$1.6 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 7 to the financial statements.

During the fiscal year, the Authority issued \$44.3 million in PPRF bonds, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

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

Public Project Revolving Fund

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for-profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 1,119 loans totaling \$2.4 billion.

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

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

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Public Project Revolving Fund
Statements of Net Position
June 30

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	\$ 79,007,637	\$ 53,637,734	\$ 25,369,903	47%
Restricted	79,173,378	67,315,479	11,857,899	18%
Restricted investments	130,787,736	125,496,887	5,290,849	4%
Accounts receivable and other	10,367,285	10,494,432	(127,147)	-1%
Loans receivable, net of allowance	1,138,450,511	1,226,886,603	(88,436,092)	-7%
Due from the State of New Mexico	108,025,000	111,305,000	(3,280,000)	-3%
Capital assets	186,696	205,513	(18,817)	-9%
Other assets	22,813,527	26,784,977	(3,971,450)	-15%
Total assets	\$ 1,568,811,770	\$ 1,622,126,625	\$ (53,314,855)	-3%
Liabilities				
Accounts payable and accrued payroll liabilities	\$ 6,202,814	\$ 5,923,640	\$ 279,174	4.7%
Undisbursed loan proceeds	45,423,441	73,787,401	(28,363,960)	-38.4%
Borrowers' debt service and reserve deposits	72,016,499	77,039,173	(5,022,674)	-6.5%
Bonds payable, net	1,165,236,955	1,198,797,118	(33,560,163)	-2.8%
Total liabilities	1,288,879,709	1,355,547,332	(66,667,623)	-4.9%
Net Position				
Invested in capital assets	\$ 186,696	205,513	(18,817)	-9.2%
Restricted for program funds	113,492,695	144,405,478	(30,912,783)	-21.4%
Unrestricted	166,252,670	121,968,302	44,284,368	36.3%
Total net position	279,932,061	266,579,293	13,352,768	5.0%
Total liabilities and net position	\$ 1,568,811,770	\$ 1,622,126,625	\$ (53,314,855)	-3.3%

Loan Volume

	2013	2012	Since Inception
Amount of loans made	\$61.2 million	\$310.0 million	\$2.38 billion
Number of loans made	67	86	1,119
Average loan size	\$0.9 million	\$3.6 million	\$2.1 million

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Public Project Revolving Fund
Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30

	2013	2012	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	\$ 50,708,332	\$ 52,000,267	\$ (1,291,935)	-2.5%
Investments	<u>127,387</u>	<u>276,618</u>	<u>(149,231)</u>	<u>-53.9%</u>
Total interest income	<u>50,835,719</u>	<u>52,276,885</u>	<u>(1,441,166)</u>	<u>-2.8%</u>
Interest Expense				
Bonds	52,317,500	54,039,449	(1,721,949)	-3.2%
Short-term borrowing	<u>94,931</u>	<u>114,479</u>	<u>(19,548)</u>	<u>-17.1%</u>
Total interest expense	<u>52,412,431</u>	<u>54,153,928</u>	<u>(1,741,497)</u>	<u>-3.2%</u>
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(1,576,712)	(1,877,043)	300,331	-16.0%
Provision for loan losses	<u>(699,842)</u>	<u>1,633,297</u>	<u>(2,333,139)</u>	<u>-142.8%</u>
Net interest loss after provision for loan losses	<u>(2,276,554)</u>	<u>(243,746)</u>	<u>(2,032,808)</u>	<u>834.0%</u>
Noninterest Income				
Loan administration fees	1,659,473	3,366,234	(1,706,761)	-50.7%
Appropriation revenues	<u>26,585,797</u>	<u>27,405,961</u>	<u>(820,164)</u>	<u>-3.0%</u>
Total noninterest income	<u>28,245,270</u>	<u>30,772,195</u>	<u>(2,526,925)</u>	<u>-8.2%</u>
Noninterest Expense				
Salaries and benefits	2,507,794	2,543,974	(36,180)	-1.4%
Professional services	874,564	1,075,421	(200,857)	-18.7%
Bond issuance costs	674,703	1,145,628	(470,925)	-41.1%
Other	<u>1,068,106</u>	<u>1,283,993</u>	<u>(215,887)</u>	<u>-16.8%</u>
Total noninterest expense	<u>5,125,167</u>	<u>6,049,016</u>	<u>(923,849)</u>	<u>-15.3%</u>
Excess of revenues over expenditures	20,843,549	24,479,433	(3,635,884)	-14.9%
Transfers to other funds or agencies	<u>193,951</u>	<u>(754,733)</u>	<u>948,684</u>	<u>-125.7%</u>
Increase (decrease) in net assets	21,037,500	23,724,700	(2,687,200)	-11.3%
Net assets, beginning of year	266,579,293	242,854,593	23,724,700	9.8%
Net assets, end of year	\$ 287,616,793	\$ 266,579,293	\$ 21,037,500	7.9%

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Net Interest Income

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2013, the PPRF had a net interest loss of \$1.3 million, compared to \$.24 million in 2012. This is a result of market conditions in which \$ 111.2 million in PPRF loans exercised their early call provisions in 2012 and 2013 and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

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 \$27.8 million in 2013, a \$1.6 million increase from the \$26.2 million received in 2012. The GGRT funds are used as follows:

- ◆ 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.
- ◆ To fund loans to borrowers, especially smaller loans which the Authority may choose to not reimburse in a bond issue.
- ◆ To pay operating expenses of the PPRF.

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2013, and for the year then ended, the relationships were as follows:

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
Total assets	\$1.6 billion	\$1.7 billion	94%
Net assets	\$279.9 million	\$435.5 million	64%
Revenues	\$79.0 million	\$139.2 million	57%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

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

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2013

Similar to the Local Government Transportation Fund, an increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its nonrecurring appropriation received from the state legislature and with final expenditures for projects expected by December 2013.

A for profit limited liability company operated by the Authority has been awarded a total of \$156 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. Prior to 2013, the Authority made two awards totaling \$24 million. During 2013, the Authority has made eight additional awards totaling \$109.3 million. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Substantial additional information is available on the Authority's website at www.nmfa.net. 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 87501

Financial Statements

NEW MEXICO FINANCE AUTHORITY
Statement of Net Position
June 30, 2013

Assets

Current assets

Cash and equivalents	
Unrestricted	\$ 116,073,324
Restricted	109,965,262
Interest receivable	8,307,828
Grants and other receivable	2,440,284
Prepaid rent	19,500
Administrative fees receivable	212,343
Investment in Finance New Mexico	99,130
Loans receivable, net of allowance	97,173,649
Intergovernmental receivables	<u>7,125,628</u>
Total current assets	341,416,948

Noncurrent assets

Restricted investments	131,565,455
Loans receivable, net of allowance	1,134,058,394
Intergovernmental receivables	118,148,921
Capital assets, net of accumulated depreciation	220,772
Deferred cost, net of accumulated amortization	<u>10,165,480</u>
Total assets	<u><u>\$ 1,735,575,970</u></u>

Liabilities

Current liabilities

Accounts payable	473,039
Accrued payroll	84,120
Compensated absences	274,077
Funds held for others	80,263
Bond interest payable	3,961,874
Undisbursed loan proceeds	45,485,533
Advanced loan payments	68,380,111
Bonds payable, net	84,400,000
Cost of loan issuance payable	750,663
Other liabilities	<u>205,415</u>
Total current liabilities	204,095,095

Noncurrent liabilities

Bonds payable	<u>1,096,005,517</u>
Total liabilities	<u><u>1,300,100,612</u></u>

Net Position

Invested in capital assets	220,772
Restricted for debt service	68,069,252
Restricted for program commitments	143,292,282
Unrestricted	<u>223,893,052</u>
Total net position	435,475,358
Total liabilities and net position	<u><u>\$ 1,735,575,970</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Operating Revenues

Administrative fees revenue	\$ 1,661,973
Processing fee	1,733,518
Interest on loans	52,942,880
Interest on investments	<u>139,403</u>
Total operating revenues	<u>56,477,774</u>

Operating Expenses

Grants to others	48,828,884
Bond issuance costs	752,792
Administrative fees	202,713
Professional services	2,651,079
Salaries and benefits	3,926,740
Other operating costs	1,665,905
Depreciation expense	168,246
Bond interest expense	53,026,726
Provision for loan losses	2,321,946
Interest expense	<u>277,596</u>
Total operating expenses	<u>113,822,627</u>
Net operating loss	<u>(57,344,853)</u>

Nonoperating Revenues (Expenses)

Appropriation revenue	34,033,130
Grant revenue	48,692,048
Transfers to the State of New Mexico	<u>(2,953,157)</u>
Increase in net position	22,427,168
Net position, beginning of year	<u>413,048,190</u>
Net position, end of year	<u><u>\$ 435,475,358</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash flows from operating activities	
Cash paid for employee services	\$ (3,682,346)
Cash paid to vendors for services	(5,707,511)
Intergovernmental payments received	7,860,017
Loans payments received	127,297,147
Loans funded	(76,208,868)
Grants to local governments	(48,817,104)
Loan funds on deposit	4,043,047
Interest income received	52,345,390
Administrative fees received	4,227,941
Net cash provided by operating activities	<u>61,357,713</u>
Cash flows from noncapital financing activities	
Appropriations received from the State of New Mexico	35,026,526
Cash transfers to the State of New Mexico	40,702,501
Interfund transfers	(953,761)
Proceeds from the sale of bonds	44,254,000
Payment of bonds	(80,966,782)
Bond issuance costs	(488,392)
Interest expense paid	(53,534,384)
Cash disbursed for program purposes	(54,505)
Net cash used in noncapital financing activities	<u>(16,014,797)</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(149,429)</u>
Net cash used in capital and related financing activities	<u>(149,429)</u>
Cash flows from investing activities	
Purchase of investments	(6,068,568)
Sale of Investments	(430)
Interest received	138,697
Net cash used in investing activities	<u>(5,930,301)</u>
Net increase in cash and cash equivalents	39,263,186
Cash and cash equivalents, beginning of year	<u>186,775,400</u>
Cash and cash equivalents, end of year	<u><u>\$ 226,038,586</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2013

Reconciliation of operating loss to net cash provided	
by operating activities	
Total operating income (loss)	\$ (57,344,878)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	168,246
Amortization on bond issuance costs	594,751
Amortization on bond premiums	(2,304,283)
Provision for loan losses	2,321,946
Interest on investments	(133,653)
Bond interest paid	55,512,924
Bond issuance costs	158,063
Cash received from federal grants	4,042,995
Grants to local governments	11,780
Interest expense	94,931
Changes in assets and liabilities	
Loan receivables	88,369,501
Prepays and receivables	3,270,188
Payables and other accrued liabilities	<u>(33,404,798)</u>
Net cash provided by operating activities	<u>\$ 61,357,713</u>

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2013

Assets

Cash held by Trustee	
Program funds	\$ 41,500
Expense funds	64,712
Revenue funds	54,603,949
Rebate fund	1,540,475
Bond reserve funds	<u>32,979,765</u>
Total assets	<u>\$ 89,230,401</u>

Liabilities

Accounts payable	\$ 1,605,186
Debt service payable	87,583,715
Program funds held for the NM Department of Transportation	<u>41,500</u>
Total liabilities	<u>\$ 89,230,401</u>

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

1) Nature of Organization

The New Mexico Finance Authority (the “Authority”), a component unit of the State of New Mexico (the “State”), is a public instrumentality of the State, organized and existing pursuant to the New Mexico Finance Authority Act (the “Act”) created by the Laws of 1992 Chapter 61, as amended. The Authority has broad powers to provide financing for an array of infrastructure and economic development projects. The Authority also provides for long-term planning and assessment of state and local capital needs and improves 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 eleven members including the Secretary of the Department of Finance and Administration; the Secretary of Economic Development; the Secretary of Energy, Minerals and Natural Resources; the Secretary of the Environment Department; the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the Authority with voting privileges. The Governor, with the advice and consent of the Senate, appoints to the Authority Board, the chief financial officer of an institution of higher education and four other members who are residents of the State. The appointed members serve at the pleasure of the Governor.

The Authority issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving Loan Fund Program (PPRF). The PPRF provides low cost financing to local government entities for a variety of infrastructure projects throughout the State. The PPRF Program receives 75 percent of the Governmental Gross Receipts Tax of the State of New Mexico pursuant to section 7-1-6.1 NMSA, 1978, and may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the New Mexico Finance Authority Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, proceeds and covenants of which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and the Authority. The Authority may also serve as conduit issuer of revenue bonds for other governmental agencies.

The Authority manages the Drinking Water State Revolving Loan Program (DWRLF) and the Water Trust Board Program (WTB).

The DWRLF 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 is required to match by 20%.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

The WTB program provides grant and interest free loans to support water projects which support water use efficiency, resource conservation and protection and fair distribution and allocation of water.

Other significant programs administered by the Authority include:

- ◆ The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- ◆ The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- ◆ The New Markets Tax Credit Program acts as 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.
- ◆ The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 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.
- ◆ The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- ◆ The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- ◆ The 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 UNM Health Sciences Program administers 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.
- ◆ The Worker's 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 2010 Legislature adopted the Colonias Infrastructure Act which appropriates to the Authority 5% of the senior lien severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The act took effect July 1, 2011.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

- ◆ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received \$13.2 million in federal State Small Business Credit Initiative funds to help increase the flow of capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

Activities for all the programs administered by the Authority are reported as supplemental schedules in these financial statements.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. 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 New Mexico Finance Authority Finance Committee was created by the Act and was appointed by the Legislative Council Service to provide legislative oversight.

2) **Summary of Significant Accounting Policies**

Accounting Principles

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

Basis of Presentation

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest expense, program support, as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Nonoperating items consist primarily of governmental gross receipts and other tax distributions reported as appropriations, grant revenue, and transfers-out for excess distributions and reversions of prior year appropriated revenue.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Agency Funds

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

Cash, Cash Equivalents and Investments

The Authority considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with Wells Fargo Bank and the Bank of Albuquerque which also acts as bond trustee. Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment are invested in certain allowable securities. All investments are stated at fair value.

Accounts Receivable

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

Loans Receivable

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

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.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Intergovernmental Receivables

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

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays individually exceeding \$5,000 that significantly extend the useful life of an asset are capitalized.

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. With the implementation of GASB Statement No. 65 in fiscal year 2014, current bond issuance costs will be expensed and previously deferred bond issuance costs of \$10.2 million will be eliminated as a charge against net position.

Compensated Absences

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

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

Undisbursed Loan Proceeds

Program funds to be provided represent loan amounts awaiting disbursement to loan recipients. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as the related project costs are incurred. The accounts, in the majority, represent loans of the PPRF program.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Net Position

In 2013, the Authority implemented GASB Statement No. 63. Accordingly, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Previously, this difference was referred to as net assets. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (net of related debt) is intended to reflect the portion of net position which are associated with 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 net position has third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

Unrestricted net position represents net position not otherwise classified as invested in capital assets or restricted net position.

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.

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.

Budget

The Authority's budget represents a financial plan, not a legal constraint, therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

Component Units

The Authority does not have any component units.

Recently Issued Accounting Standards

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Adopting GASB 65 for fiscal year 2013 will result in a charge to net position of approximately \$10.2m of previously capitalized debt issuance costs.

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012* (GASB 66). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements–Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre – November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority does not anticipate the implementation of GASB 66 will have a significant impact on its financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. GASB 67 will not have an impact on the Authority.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its financial statements.

3) Cash and Cash Equivalents and Investments

The Authority follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

Investments conform to the provisions of the Statements of Investment Policies, Objectives and Guidelines adopted by the Board on March 26, 2008, as revised. The investment policy applies to all of the Authority's funds; including funds the Authority

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

may manage for others, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of funds. This policy is the Authority master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of addenda by the Board applicable to specific categories of the Authority funds.

Except where prohibited by statute, trust indenture, or other controlling authority, the Authority consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives, in order of priority, of investment activity shall be safety, liquidity and yield.

Investments shall be undertaken in a manner that seeks to ensure the preservation and principal in the overall portfolio while mitigating credit risk and interest rate risk.

The Authority has Primary Care Capital Program funds invested in the New Mexico State Treasurer's Office investment pool. State law (Section 8-6-3 NMSA 1978) requires investments of these funds be managed by the New Mexico State Treasurer's Office.

Credit Risk

The Authority minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments, prequalifying financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The New Mexico State Treasurer pools are not rated.

Interest Rate Risk

The Authority minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and by investing operating funds primarily in short-term securities limiting the average maturity of the portfolio.

For the Primary Care Capital program funds invested in the New Mexico State Treasurer's Office investment pool, the New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should refer to the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2013.

Permitted Investments

As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority shall be deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the investment policy:

Description	Maximum Percentage of Authority Funds ¹
A Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%
C SEC-registered money market funds with total assets at time of deposit in excess of \$100,000,000 ²	100%
E Certificates of deposits and bank deposits ³	20%
F Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G Bonds or notes issued by any municipality, county or school district of the State	10%
H Overnight repurchase agreements ⁴	25%
I Investment contracts (guaranteed investment contracts (GIC’s) and flexible repurchase agreements) ¹	N/A
J State Treasurer’s Short-term Investment Fund	50%

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of the Authority may be invested in a GIC or flexible repurchase agreement without regard to the investment allocation ranges set forth in the investment policy, if the GIC or repurchase agreement provides for disbursement upon request of the Authority in amounts necessary to meet expense requirements for the bonds or other obligations.

¹ Limits do not apply to cash invested by trustee per bond indenture.

² Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

³ Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.

⁴ Investment contracts and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Cash and equivalents at June 30, 2013, were as follows:

Description	Balance at June 30, 2013	Rated	Percentage of Authority Funds ¹
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ 10,169,082	N/A	<2.8%
Wells Fargo deposit account	355,231	N/A	<1%
Wells Fargo Repurchase agreement -fully secured ²	418,097	N/A	<1%
Government Money Market Funds	205,059,730	AAA	57.3%
U.S. Treasury notes	<u>10,036,444</u>	AAA	2.8%
Total cash and equivalents	<u>\$ 226,038,584</u>		
Cash held in agency fund	<u>\$ 89,230,400³</u>		

Maturity Restrictions

It is the policy of the Authority to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, the Authority will invest in securities maturing five years or less from date of purchase.

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2013, are comprised of the following:

Description	Fair Value at June 30, 2013	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	\$ 53,666,134	1.05	15.0%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	777,719	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>77,121,602</u>	1.54	21.57%
Total investments	<u>\$ 131,565,455</u>		

¹ Limits described in the “permitted investments” section above do not apply to cash invested by trustee per bond indenture.

² Wells Fargo accounts FDIC insured for \$250,000. Remaining \$544,081 is secured by a pledge of Agency securities in the name of the State of New Mexico monitored by the New Mexico State Treasurer’s Office.

³ All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2013, was as follows:

Program Description	Term (Years)	Rates	2012	Increases	Decreases	2013
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,228,269,914	\$ 61,210,086	\$ 148,949,493	\$ 1,140,530,507
Drinking Water State Revolving Loans	1 to 30	0% to 4%	64,625,366	2,105,419	3,389,558	63,341,227
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,774,422	-	157,613	2,616,809
Primary Care Capital Fund Loans	10 to 20	3%	4,827,517	-	611,141	4,216,376
Water Projects Fund Loan Grants	10 to 20	0%	13,853,297	6,404,485	1,921,236	18,336,546
Smart Money Participation Loans	3 to 20	2% to 5%	3,382,434	1,319,570	540,293	4,161,711
Behavioral Health Care Loan	15	3%	236,787	-	38,275	198,512
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	473,558	-	32,286	441,272
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	139,000	-	31,000	108,000
Colinias Infrastructure Fund Loans	10 to 20	3%	-	202,731	-	202,731
SSBCI Loans	10 to 20	3%	-	2,461,746	-	2,461,746
Child Care Revolving Loans	8	3%	31,952	-	5,982	25,970
			<u>1,318,614,247</u>	<u>73,704,037</u>	<u>155,676,877</u>	<u>1,236,641,407</u>
Less allowance for loan losses			<u>(3,087,420)</u>	<u>(2,321,946)</u>	<u>(2)</u>	<u>(5,409,364)</u>
Totals			<u>\$ 1,315,526,827</u>	<u>\$ 71,382,091</u>	<u>\$ 155,676,875</u>	<u>\$ 1,231,232,043</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2013:

	Principal	Interest	Total
Fiscal year ending June 30			
2014	\$ 97,173,648	\$ 43,979,893	\$ 141,153,541
2015	95,322,467	41,575,111	136,897,578
2016	93,909,896	38,839,050	132,748,946
2017	82,748,272	36,089,076	118,837,348
2018	81,304,402	33,511,899	114,816,301
2019 -- 2023	359,828,356	127,895,801	487,724,157
2024 -- 2028	234,217,326	69,647,727	303,865,053
2029 – 2033	131,108,898	29,934,007	161,042,905
2034 – 2038	56,967,284	6,570,892	63,538,176
2039 – 2042	4,060,858	38,364	4,099,222
Subtotals	<u>1,236,641,407</u>	<u>\$ 428,081,820</u>	<u>\$ 1,664,723,227</u>
Less allowance for loan losses	<u>(5,409,364)</u>		
Loans receivable net	<u>\$ 1,231,232,043</u>		

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

5) 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.

Intergovernmental receivables activity during the year ended June 30, 2013, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2012	Payments	2013	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 42,485,000	\$ 2,400,000	\$ 40,085,000	\$ 2,525,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	65,000	23,565,000	120,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	45,190,000	815,000	44,375,000	855,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	12,865,000	2,040,000	10,825,000	1,975,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	5,365,805	766,256	4,599,549	770,628
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	2,645,000	820,000	1,825,000	880,000
Totals				<u>\$ 132,180,805</u>	<u>\$ 6,906,256</u>	<u>\$ 125,274,549</u>	<u>\$ 7,125,628</u>

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2013:

	Principal	Interest	Total
Fiscal year ending June 30			
2014	\$ 7,125,628	\$ 6,127,630	\$ 13,253,258
2015	7,341,438	5,773,494	13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018	7,315,443	4,760,840	12,076,283
2019-2023	40,569,042	18,226,169	58,795,211
2024-2028	25,825,000	8,448,425	34,273,425
2029-2033	13,340,000	4,511,000	17,851,000
2034-2042	9,770,000	993,250	10,763,250
Intergovernmental receivables	<u>\$ 125,274,549</u>	<u>\$ 59,363,226</u>	<u>\$ 184,637,775</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	582,189	149,429	-	731,618
Leasehold improvement	8,241	-	-	8,241
	<u>619,095</u>	<u>149,429</u>	<u>-</u>	<u>768,524</u>
Accumulated depreciation				
Furniture and fixtures	(19,166)	(9,499)	-	(28,665)
Computer hardware and software	(352,099)	(158,747)	-	(510,846)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(379,506)</u>	<u>(168,246)</u>	<u>-</u>	<u>(547,752)</u>
Net total	<u>\$ 239,589</u>	<u>\$ (18,817)</u>	<u>\$ -</u>	<u>\$ 220,772</u>

Depreciation expense for the fiscal year was \$168,246.

7) 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 Court Facilities Fees, Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Bonds payable consist of the following at June 30, 2013:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2013 to June 1, 2023	\$ 55,610,000	\$ 5,010,000
2003 A	3.550% to 4.750%	June 1, 2013 to June 1, 2032	39,945,000	783,000
2003 B	3.500% to 5.000%	June 1, 2013 to June 1, 2021	25,370,000	7,415,000
2004 A-1	3.050% to 4.625%	June 1, 2013 to June 1, 2031	28,410,000	880,000
2004 B-1	4.250% to 5.500%	June 1, 2013 to June 1, 2033	48,135,000	21,405,000
2004 B-2	5.630% to 6.010%	June 1, 2013 to June 1, 2018	1,405,000	630,000
2004 C	3.500% to 5.250%	June 1, 2013 to June 1, 2024	168,890,000	92,765,000
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	19,015,000	8,165,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	5,210,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	28,000,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	47,005,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	42,765,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	134,730,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	27,325,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	22,865,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	15,110,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	47,895,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	10,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	36,955,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	23,155,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	9,160,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2013 to June 1, 2035	38,610,000	31,430,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,445,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	9,485,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	36,115,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	12,995,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	49,100,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	23,605,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	44,285,000
			<u>1,223,195,000</u>	<u>825,853,000</u>
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2013 to June 15, 2025	50,395,000	40,085,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,565,000	23,565,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	17,465,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	44,020,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	29,535,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	20,800,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	26,020,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	103,600,000
			<u>389,660,000</u>	<u>305,090,000</u>
		Subtotal - PPRF Bonds	<u>1,612,855,000</u>	<u>1,130,943,000</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Pooled Equipment Certificates of Participants

1995 A	6.30%	October 1, 2015	4,288,000	83,000
1996 A	5.80%	April 1, 2016	<u>1,458,000</u>	<u>25,000</u>
			<u>5,746,000</u>	<u>108,000</u>

State Capitol Building Improvement Revenue Bonds

1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	9,315,000	1,825,000
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Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project

2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	10,825,000
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Cigarette Tax Revenue Bonds - Behavioral Health Projects

2006	5.51%	May 1, 2012 to May 1, 2026	<u>2,500,000</u>	<u>1,625,000</u>
Total bonds outstanding			<u>\$ 1,669,451,000</u>	1,145,326,000
Add net unamortized premium				36,378,109
Less deferred charge on refunding				<u>(1,298,592)</u>
Total bonds payable, net				1,180,405,517
Less current portion of bonds payable				<u>(84,400,000)</u>
Noncurrent portion of bonds payable				<u>\$ 1,096,005,517</u>

Maturities of bonds payable and interest are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2014	\$ 84,400,000	\$ 54,172,283	\$ 138,572,283
2015	85,400,000	50,696,091	136,096,091
2016	84,669,000	46,914,590	131,583,590
2017	76,477,000	43,149,329	119,626,329
2018	79,980,000	39,595,782	119,575,782
2019-2023	353,045,000	144,678,941	497,723,941
2024-2028	221,205,000	69,170,991	290,375,991
2029-2033	107,565,000	28,767,377	136,332,377
2034-2038	52,530,000	5,670,954	58,200,954
2039-2040	<u>55,000</u>	<u>3,523</u>	<u>58,523</u>
	<u>1,145,326,000</u>	<u>\$ 482,819,861</u>	<u>\$ 1,628,145,861</u>
Add: Unamortized premium	36,378,109		
Less: Deferred charge on refunding	<u>(1,298,592)</u>		
Bonds payable, net	<u>\$ 1,180,405,517</u>		

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

The bonds payable activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Bonds payable	\$ 1,182,472,000	\$ 44,285,000	\$ (81,431,000)	\$ 1,145,326,000	\$ 84,400,000
Add: Unamortized premium	36,052,300	2,742,078	(2,416,269)	36,378,109	-
Less: Deferred charge on refunding	(1,406,003)	-	107,411	(1,298,592)	-
Total	<u>\$ 1,217,118,297</u>	<u>\$ 47,027,078</u>	<u>\$ (83,739,858)</u>	<u>\$ 1,180,405,517</u>	<u>\$ 84,400,000</u>

8) Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was \$68,380,111 at June 30, 2013.

9) 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 \$50,000,000. 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 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2013, was .246. The Authority pays a 15 basis point fee on the unused portion of the facility. No balance was outstanding under the line of credit at June 30, 2013.

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2013, were \$451,066. Future minimum lease payments are as follows:

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Fiscal year ending June 30		
2014	\$	392,655
2015		242,797
2016		-
2017		-
2018		-
Total	\$	<u>635,452</u>

11) 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 \$634,842 for the year ended June 30, 2013. 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 year ended June 30, 2013, were \$475,734.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

12) Compensated Absences

The following changes occurred in the compensated absences liabilities:

Balance at June 30, 2012	\$ 295,994
Additions	172,878
Deletions	<u>(194,795)</u>
Balance at June 30, 2013	<u>\$ 274,077</u>
Due within one year	<u>\$ 274,077</u>

13) Agency Transactions

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.6 billion of such bonds are outstanding at June 30, 2013.

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; therefore, these bonds are not reflected in the Authority's financial statements. The Authority receives an annual fee at 12.5 basis points from the Department of Transportation for management of the bond issues. The fee is recognized on a cost reimbursement basis.

14) Contingencies

Litigation

In the normal course of operations, the Authority is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims. Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of the Authority.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bonds used to fund the loans cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indentures require the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond.

New Mexico Finance Authority
Notes to Financial Statements
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If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately \$593 million and the related bonds total approximately \$473 million at June 30, 2013. During FY 2011, loans totaling \$111.2 million exercised this call provision and \$40.7 million exercised the option during fiscal year 2013.

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 commercial insurance to cover losses to which it may be exposed related to their leased office space.

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 Transactions

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 New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors.

New Mexico Finance Authority
Notes to Financial Statements
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16) Finance New Mexico LLC

The Authority has invested in and is the managing member of, Finance New Mexico, LLC (FNMLLC) which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Market Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC principal is to provide nontraditional investment capital to underserved markets and enhance the return on such investments by providing its members with Federal tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive the tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement of NMFLLC, profits, losses and cash flows are allocated 99% to the New Mexico Finance Authority, the managing member and 1% to New Mexico Community Capital, the nonmanaging member.

The Authority's interest in NMFLLC is accounted for using the cost method of accounting. The Authority's interest in NMFLLC is reported at its initial investment of \$99,130.

New Mexico Finance Authority
Notes to Financial Statements
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The financial statements of FNMLLC as of June 30, 2013 and the year then ended are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet

Assets

Cash	\$ 448,020
Due from affiliates	723,021
Investment in limited liability companies	<u>23,605</u>
Total assets	<u>\$ 1,194,646</u>

Liabilities

Accounts payable	\$ 27,754
Due to affiliate	<u>415,783</u>
Total liabilities	<u>443,537</u>

Equity

Members equity	751,034
Noncontrolling interest	<u>75</u>
	<u>751,109</u>
Total equity	<u>\$ 1,194,646</u>

Statement of Operations

Operating Income

Interest income	\$ 803
Sponsor fee income	450,000
Management fee income	<u>522,262</u>
Total operating income	<u>973,065</u>

Operating Expense

Sponsor fee expense	413,156
Management fee expense	139,350
Gross receipt tax	61,017
Bad debt expense	39,565
Administrative expense	<u>1,293</u>
Total operating expenses	<u>654,381</u>
Net operating income	<u>318,684</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	23
Net income	318,707
Less net income attributable to noncontrolling interest	<u>(32)</u>
Net income attributable to controlling interest	<u>\$ 318,675</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2013

Statement of Members Equity

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2012	\$ 432,358	\$ 43	\$ 432,401
Net income	<u>318,676</u>	<u>32</u>	<u>318,708</u>
Balance, June 30, 2013	<u>\$ 751,034</u>	<u>\$ 75</u>	<u>\$ 751,109</u>

17) Other Matters

In 2012, the Authority underwent a special investigation and audit directed by its oversight agents and the Office of the New Mexico State Auditor. Results of the investigations indicated several areas of concern resulting in the adoption of a protocol severely limiting loan capacity for fiscal year 2013. The protocol limiting loan capacity was lifted during January 2013; however, it resulted in a decrease in loan and related activity for fiscal year 2013.

Supplementary Schedules

	PPRF	GRIP	Behavioral Health	Child Care
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ 79,007,637	\$ 229,333	\$ 398,036	\$ -
Restricted	79,173,378	-	11,750	27,621
Interest receivable	7,936,193	-	2,027	-
Grants and other receivable	2,250,000	188,734	-	-
Due from other funds	7,608,367	-	-	-
Prepaid rent	19,500	-	-	-
Administrative fees receivable	181,092	-	82	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	5,445,719	-	-	-
Loans receivable, net of allowance	91,653,270	-	72,517	6,140
Intergovernmental receivables	5,030,628	-	-	-
Total current assets	<u>278,305,784</u>	<u>418,067</u>	<u>484,412</u>	<u>33,761</u>
Noncurrent assets				
Restricted investments	130,787,736	-	-	-
Loans receivable, net of allowance	1,046,797,241	-	125,997	19,833
Intergovernmental receivables	102,994,372	-	-	-
Capital assets, net of accumulated depreciation	186,696	34,076	-	-
Deferred cost, net of accumulated amortization	9,739,941	-	-	-
Total assets	<u>\$ 1,568,811,770</u>	<u>\$ 452,143</u>	<u>\$ 610,409</u>	<u>\$ 53,594</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 473,039	\$ -	\$ -	\$ -
Accrued payroll	84,120	-	-	-
Compensated absences	274,077	-	-	-
Due to other funds	4,525,408	168,458	6,572	116,524
Funds held for others	80,263	-	-	-
Bond interest payable	3,736,831	-	-	-
Undisbursed loan proceeds	45,423,441	-	-	62,092
Advanced loan payments	68,069,253	-	11,750	-
Notes payable	846,170	-	-	-
Bonds payable, net	81,386,000	-	-	-
Cost of loan issuance payable	-	-	-	-
Other liabilities	130,152	-	-	-
Total current liabilities	<u>205,028,754</u>	<u>168,458</u>	<u>18,322</u>	<u>178,616</u>
Noncurrent liabilities				
Bonds payable	1,083,850,955	-	-	-
Total liabilities	<u>1,288,879,709</u>	<u>168,458</u>	<u>18,322</u>	<u>178,616</u>
Net Position				
Invested in capital assets	186,696	34,076	-	-
Restricted for debt service	68,069,252	-	-	-
Restricted for program commitments	45,423,443	-	194,051	-
Unrestricted	166,252,670	249,609	398,036	(125,022)
Total net position	<u>279,932,061</u>	<u>283,685</u>	<u>592,087</u>	<u>(125,022)</u>
Total liabilities and net position	<u>\$ 1,568,811,770</u>	<u>\$ 452,143</u>	<u>\$ 610,409</u>	<u>\$ 53,594</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position
June 30, 2013

Cigarette Tax	DWLRF	Primary Care	Local Road Program
\$ -	\$ 35,742,295	\$ 52	\$ -
2,175,915	312,187	31,351	763,327
-	167,904	11,105	-
-	-	-	-
-	-	-	271
-	28,061	-	-
-	-	-	-
-	-	-	-
-	3,716,453	523,689	-
-	-	-	-
<u>2,175,915</u>	<u>39,966,900</u>	<u>566,197</u>	<u>763,598</u>
-	-	777,719	-
441,275	62,241,576	3,692,687	-
-	-	-	-
-	-	-	-
<u>\$ 2,617,190</u>	<u>\$ 102,208,476</u>	<u>\$ 5,036,603</u>	<u>\$ 763,598</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	155,502	336,925	-
-	-	-	-
14,923	-	-	-
-	-	-	-
-	282,923	14,692	-
-	-	-	-
125,000	-	-	-
-	750,663	-	-
-	-	-	-
<u>139,923</u>	<u>1,189,088</u>	<u>351,617</u>	<u>-</u>
<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,639,923</u>	<u>1,189,088</u>	<u>351,617</u>	<u>-</u>
-	-	-	-
-	-	-	-
977,267	65,277,093	3,875,916	763,598
-	35,742,295	809,070	-
<u>977,267</u>	<u>101,019,388</u>	<u>4,684,986</u>	<u>763,598</u>
<u>\$ 2,617,190</u>	<u>\$ 102,208,476</u>	<u>\$ 5,036,603</u>	<u>\$ 763,598</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ 25,691	\$ -	\$ 45,233	\$ -
Restricted	-	-	934,590	(231)
Interest receivable	-	-	133,906	-
Grants and other receivable	1,550	-	-	-
Due from other funds	444,209	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	99,130	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,095,000	-
Total current assets	<u>570,580</u>	<u>-</u>	<u>3,208,729</u>	<u>(231)</u>
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	13,329,549	-
Capital assets, net of accumulated depreciation	-	-	-	-
Deferred cost, net of accumulated amortization	-	-	415,619	-
Total assets	<u>\$ 570,580</u>	<u>\$ -</u>	<u>\$ 16,953,897</u>	<u>\$ (231)</u>
Liabilities				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	1,093	-	-
Funds held for others	-	-	-	-
Bond interest payable	-	-	171,190	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	4,599,549	-
Bonds payable, net	-	-	1,975,000	-
Cost of loan issuance payable	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>1,093</u>	<u>6,745,739</u>	<u>-</u>
Noncurrent liabilities				
Bonds payable	-	-	9,635,562	-
Total liabilities	<u>-</u>	<u>1,093</u>	<u>16,381,301</u>	<u>-</u>
Net Position				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	-	-	572,596	-
Unrestricted	<u>570,580</u>	<u>(1,093)</u>	<u>-</u>	<u>(231)</u>
Total net position	<u>570,580</u>	<u>(1,093)</u>	<u>572,596</u>	<u>(231)</u>
Total liabilities and net position	<u>\$ 570,580</u>	<u>\$ -</u>	<u>\$ 16,953,897</u>	<u>\$ (231)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position - continued
June 30, 2013

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 202,228
409,712	6,645,837	1,493	14,787,301
55,023	-	1,670	-
-	-	-	-
-	-	-	-
-	-	-	3,108
-	-	-	-
-	-	-	-
-	-	-	1,201,580
-	-	-	-
<u>464,735</u>	<u>6,645,837</u>	<u>3,163</u>	<u>16,194,217</u>
-	-	-	-
-	-	108,000	17,134,966
1,825,000	-	-	-
-	-	-	-
9,920	-	-	-
<u>\$ 2,299,655</u>	<u>\$ 6,645,837</u>	<u>\$ 111,163</u>	<u>\$ 33,329,183</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	738,094
-	-	-	-
37,260	-	1,670	-
-	-	-	-
-	-	1,493	-
-	-	-	-
880,000	-	34,000	-
-	-	-	-
75,263	-	-	-
<u>992,523</u>	<u>-</u>	<u>37,163</u>	<u>738,094</u>
945,000	-	74,000	-
<u>1,937,523</u>	<u>-</u>	<u>111,163</u>	<u>738,094</u>
-	-	-	-
-	-	-	-
362,132	6,645,837	-	14,787,301
-	-	-	17,803,788
<u>362,132</u>	<u>6,645,837</u>	<u>-</u>	<u>32,591,089</u>
<u>\$ 2,299,655</u>	<u>\$ 6,645,837</u>	<u>\$ 111,163</u>	<u>\$ 33,329,183</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ -	\$ 25	\$ 422,794	\$ -
Restricted	540,841	-	-	1,006,250
Interest receivable	-	-	-	-
Grants and other receivable	-	-	-	-
Due from other funds	349	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total current assets	<u>541,190</u>	<u>25</u>	<u>422,794</u>	<u>1,006,250</u>
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	832,342
Intergovernmental receivables	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
Deferred cost, net of accumulated amortization	-	-	-	-
Total assets	<u>\$ 541,190</u>	<u>\$ 25</u>	<u>\$ 422,794</u>	<u>\$ 1,838,592</u>
Liabilities				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	80,807	1,110,674
Funds held for others	-	-	-	-
Bond interest payable	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Bonds payable, net	-	-	-	-
Cost of loan issuance payable	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>80,807</u>	<u>1,110,674</u>
Noncurrent liabilities				
Bonds payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>80,807</u>	<u>1,110,674</u>
Net Position				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	541,190	-	-	727,918
Unrestricted	-	25	341,987	-
Total net position	<u>541,190</u>	<u>25</u>	<u>341,987</u>	<u>727,918</u>
Total liabilities and net position	<u>\$ 541,190</u>	<u>\$ 25</u>	<u>\$ 422,794</u>	<u>\$ 1,838,592</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position - continued
June 30, 2013

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Intra Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,073,324
1,416,672	1,687,667	-	39,601	-	109,965,262
-	-	-	-	-	8,307,828
-	-	-	-	-	2,440,284
888	-	-	-	(8,054,084)	-
-	-	-	-	-	19,500
-	-	-	-	-	212,343
-	-	-	-	-	99,130
-	-	-	-	(5,445,719)	-
-	-	-	-	-	97,173,649
-	-	-	-	-	7,125,628
<u>1,417,560</u>	<u>1,687,667</u>	<u>-</u>	<u>39,601</u>	<u>(13,499,803)</u>	<u>341,416,948</u>
-	-	-	-	-	131,565,455
-	2,461,746	202,731	-	-	1,134,058,394
-	-	-	-	-	118,148,921
-	-	-	-	-	220,772
-	-	-	-	-	10,165,480
<u>\$ 1,417,560</u>	<u>\$ 4,149,413</u>	<u>\$ 202,731</u>	<u>\$ 39,601</u>	<u>\$ (13,499,803)</u>	<u>\$ 1,735,575,970</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473,039
-	-	-	-	-	84,120
-	-	-	-	-	274,077
-	158,648	655,379	-	(8,054,084)	-
-	-	-	-	-	80,263
-	-	-	-	-	3,961,874
-	-	-	-	-	45,485,533
-	-	-	-	-	68,380,111
-	-	-	-	(5,445,719)	-
-	-	-	-	-	84,400,000
-	-	-	-	-	750,663
-	-	-	-	-	205,415
<u>-</u>	<u>158,648</u>	<u>655,379</u>	<u>-</u>	<u>(13,499,803)</u>	<u>204,095,095</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,096,005,517</u>
<u>-</u>	<u>158,648</u>	<u>655,379</u>	<u>-</u>	<u>(13,499,803)</u>	<u>1,300,100,612</u>
-	-	-	-	-	220,772
-	-	-	-	-	68,069,252
1,416,672	1,687,667	-	39,601	-	143,292,282
888	2,303,098	(452,648)	-	-	223,893,052
<u>1,417,560</u>	<u>3,990,765</u>	<u>(452,648)</u>	<u>39,601</u>	<u>-</u>	<u>435,475,358</u>
<u>\$ 1,417,560</u>	<u>\$ 4,149,413</u>	<u>\$ 202,731</u>	<u>\$ 39,601</u>	<u>\$ (13,499,803)</u>	<u>\$ 1,735,575,970</u>

	PPRF	GRIP	Behavioral Health	Child Care
Operating Revenues				
Administrative fees revenue	\$ 1,248,055	\$ 171,548	\$ 573	\$ -
Processing fee	411,418	-	-	-
Interest on loans	50,708,332	-	7,403	870
Interest on investments	127,387	1,575	(310)	(23)
Total operating revenues	<u>52,495,192</u>	<u>173,123</u>	<u>7,666</u>	<u>847</u>
Operating Expenses				
Grants to others	11,780	-	-	-
Bond issuance costs	674,703	-	-	-
Administrative fees	106,215	-	-	-
Professional services	874,564	311,693	1,985	56
Salaries and benefits	2,507,794	118,765	8,060	168
Other operating costs	781,865	228,117	1,573	530
Depreciation expense	168,246	-	-	-
Bond interest expense	52,317,500	-	-	-
Provision for loan losses	699,842	-	-	-
Interest expense	94,931	-	-	-
Total operating expenses	<u>58,237,440</u>	<u>658,575</u>	<u>11,618</u>	<u>754</u>
Net operating income (loss)	(5,742,248)	(485,452)	(3,952)	93
Nonoperating Revenues (Expenses)				
Appropriation revenue	26,585,797	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	(7,684,732)	(142,388)	5,507	-
Transfers to the State of New Mexico	193,951	-	-	-
Reversions	-	-	-	-
Increase (decrease) in net assets	13,352,768	(627,840)	1,555	93
Net position, beginning of period	<u>266,579,293</u>	<u>911,525</u>	<u>590,532</u>	<u>(125,115)</u>
Net position, end of period	<u>\$ 279,932,061</u>	<u>\$ 283,685</u>	<u>\$ 592,087</u>	<u>\$ (125,022)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Cigarette Tax	DWLRF	Primary Care	Local Road Program
\$ -	\$ 173,392	\$ -	\$ 320
-	-	-	-
13,803	1,123,882	117,342	-
<u>(1,574)</u>	<u>(11,877)</u>	<u>836</u>	<u>199</u>
<u>12,229</u>	<u>1,285,397</u>	<u>118,178</u>	<u>519</u>
-	2,086,442	-	38,511
-	-	-	-
-	-	-	-
-	358,600	5,731	-
-	171,438	19,141	108
9,613	136,788	124,458	223
-	-	-	-
95,177	-	-	-
-	-	-	-
-	-	-	-
<u>104,790</u>	<u>2,753,268</u>	<u>149,330</u>	<u>38,842</u>
(92,561)	(1,467,871)	(31,152)	(38,323)
-	-	-	-
-	4,042,994	-	-
215,918	6,813,293	-	-
-	-	-	-
-	-	-	-
<u>123,357</u>	<u>9,388,416</u>	<u>(31,152)</u>	<u>(38,323)</u>
<u>853,910</u>	<u>91,630,972</u>	<u>4,716,138</u>	<u>801,921</u>
<u>\$ 977,267</u>	<u>\$ 101,019,388</u>	<u>\$ 4,684,986</u>	<u>\$ 763,598</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Operating Revenues				
Administrative fees revenue	\$ -	\$ -	\$ -	\$ -
Processing fee	1,322,100	-	-	-
Interest on loans	-	-	740,640	-
Interest on investments	175	-	346	971
Total operating revenues	<u>1,322,275</u>	<u>-</u>	<u>740,986</u>	<u>971</u>
Operating Expenses				
Grants to others	-	-	-	-
Bond issuance costs	-	-	72,282	-
Administrative fees	-	-	90,387	-
Professional services	148,857	-	-	-
Salaries and benefits	253,756	-	-	-
Other operating costs	96,974	-	-	-
Depreciation expense	-	-	-	-
Bond interest expense	-	-	452,297	-
Provision for loan losses	-	-	-	-
Interest expense	-	-	182,665	-
Total operating expenses	<u>499,587</u>	<u>-</u>	<u>797,631</u>	<u>-</u>
Net operating income (loss)	822,688	-	(56,645)	971
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	3,027,054	-
Grant revenue	-	-	-	-
Inter-fund transfers	120	-	(350,106)	-
Transfers to the State of New Mexico	-	-	(2,678,707)	-
Reversions	-	-	-	-
Increase (decrease) in net assets	822,808	-	(58,404)	971
Net position, beginning of period	<u>(252,228)</u>	<u>(1,093)</u>	<u>631,000</u>	<u>(1,202)</u>
Net position, end of period	<u>\$ 570,580</u>	<u>\$ (1,093)</u>	<u>\$ 572,596</u>	<u>\$ (231)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position - continued
For the Year Ended June 30, 2013

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 61,484
-	-	-	-
172,170	-	7,344	-
299	22,891	-	(5,264)
<u>172,469</u>	<u>22,891</u>	<u>7,344</u>	<u>56,220</u>
-	-	-	41,973,355
5,807	-	-	-
6,111	-	-	-
-	-	-	473,229
-	-	-	441,108
-	-	-	131,455
-	-	-	-
154,408	-	7,344	-
-	-	-	-
-	-	-	-
<u>166,326</u>	<u>-</u>	<u>7,344</u>	<u>43,019,147</u>
6,143	22,891	-	(42,962,927)
13,750	406,529	-	4,000,000
-	-	-	43,655,658
-	-	-	-
-	(468,401)	-	-
-	-	-	-
19,893	(38,981)	-	4,692,731
342,239	6,684,818	-	27,898,358
<u>\$ 362,132</u>	<u>\$ 6,645,837</u>	<u>\$ -</u>	<u>\$ 32,591,089</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
Operating Revenues				
Administrative fees revenue	\$ -	\$ -	\$ -	\$ -
Processing fee	-	-	-	-
Interest on loans	-	-	-	30,118
Interest on investments	(204)	25	1,404	(2,356)
Total operating revenues	<u>(204)</u>	<u>25</u>	<u>1,404</u>	<u>27,762</u>
Operating Expenses				
Grants to others	-	-	539,592	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	-	-
Professional services	524	-	70,855	38,870
Salaries and benefits	888	-	32,205	58,658
Other operating costs	360	-	12,025	24,129
Depreciation expense	-	-	-	-
Bond interest expense	-	-	-	-
Provision for loan losses	-	-	-	1,622,104
Interest expense	-	-	-	-
Total operating expenses	<u>1,772</u>	<u>-</u>	<u>654,677</u>	<u>1,743,761</u>
Net operating income (loss)	(1,976)	25	(653,273)	(1,715,999)
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	-	-	1,000,000	-
Transfers to the State of New Mexico	-	-	-	-
Reversions	-	-	-	-
Increase (decrease) in net assets	(1,976)	25	346,727	(1,715,999)
Net position, beginning of period	543,166	-	(4,740)	2,443,917
Net position, end of period	<u>\$ 541,190</u>	<u>\$ 25</u>	<u>\$ 341,987</u>	<u>\$ 727,918</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position - continued
For the Year Ended June 30, 2013

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Total
\$ 6,601	\$ -	\$ -	\$ -	\$ 1,661,973
-	-	-	-	1,733,518
-	20,976	-	-	52,942,880
<u>5,392</u>	<u>(5,265)</u>	<u>-</u>	<u>4,776</u>	<u>139,403</u>
<u>11,993</u>	<u>15,711</u>	<u>-</u>	<u>4,776</u>	<u>56,477,774</u>
3,388,538	-	790,666	-	48,828,884
-	-	-	-	752,792
-	-	-	-	202,713
3,468	71,702	290,945	-	2,651,079
5,731	173,163	135,757	-	3,926,740
2,035	61,459	54,301	-	1,665,905
-	-	-	-	168,246
-	-	-	-	53,026,726
-	-	-	-	2,321,946
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,596</u>
<u>3,399,772</u>	<u>306,324</u>	<u>1,271,669</u>	<u>-</u>	<u>113,822,627</u>
(3,387,779)	(290,613)	(1,271,669)	4,776	(57,344,853)
-	-	-	-	34,033,130
-	-	993,396	-	48,692,048
142,388	-	-	-	-
-	-	-	-	(2,953,157)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(3,245,391)	(290,613)	(278,273)	4,776	22,427,168
<u>4,662,951</u>	<u>4,281,378</u>	<u>(174,375)</u>	<u>34,825</u>	<u>413,048,190</u>
<u>\$ 1,417,560</u>	<u>\$ 3,990,765</u>	<u>\$ (452,648)</u>	<u>\$ 39,601</u>	<u>\$ 435,475,358</u>

	PPRF	GRIP	Behavioral Health	Child Care
Cash flows from operating activities				
Cash paid for employee services	\$ (2,521,342)	\$ (118,765)	\$ (8,059)	\$ -
Cash paid to vendors for services	(983,705)	(539,810)	(1,466)	-
Intergovernmental payments received	4,233,761	-	-	-
Loans payments received	120,582,374	-	36,294	5,982
Loans funded	(63,758,910)	-	-	-
Grants to local governments	-	-	-	-
Cash received from federal government for revolving loan funds	-	-	52	-
Interest on loans	50,807,600	-	10,474	870
Administrative fees received	1,687,352	240,010	589	-
Net cash provided by (used in) operating activities	<u>110,047,130</u>	<u>(418,565)</u>	<u>37,884</u>	<u>6,852</u>
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	26,585,797	-	-	-
Cash transfers to the State of New Mexico	193,951	-	-	-
Interfund transfers	(7,872,237)	(142,388)	5,507	-
Proceeds from the sale of bonds	44,285,000	-	-	-
Payment of bonds	(77,845,163)	-	-	-
Bond issuance costs	(158,063)	-	-	-
Interest expense paid	(52,683,942)	-	-	-
Net cash disbursed for program purposes	(11,780)	(43,696)	-	-
Net cash provided by (used in) noncapital financing activities	<u>(67,506,437)</u>	<u>(186,084)</u>	<u>5,507</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of Capital assets	(149,429)	-	-	-
Net cash capital and related financing activities	<u>(149,429)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Purchase of investments	(5,290,849)	-	-	-
Sale of investments	-	-	(310)	-
Interest received	127,387	1,575	-	(23)
Net cash provided by (used in) investing activities	<u>(5,163,462)</u>	<u>1,575</u>	<u>(310)</u>	<u>(23)</u>
Net increase decrease in cash and cash equivalents	37,227,802	(603,074)	43,081	6,829
Cash and cash equivalents, beginning of year	120,953,213	832,407	366,705	20,792
Cash and cash equivalents, end of year	<u>\$ 158,181,015</u>	<u>\$ 229,333</u>	<u>\$ 409,786</u>	<u>\$ 27,621</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ (5,742,248)	\$ (485,452)	\$ (3,952)	\$ 93
Adjustments to change in net assets				
Depreciation	168,246	-	-	-
Amortization on bond issuance costs	516,640	-	-	23
Amortization on bond premiums	(2,304,283)	-	-	-
Provision for loan losses	699,842	-	-	-
Interest on investments	(127,387)	(1,575)	310	-
Bond interest paid	54,621,783	-	-	-
Bond issuance costs	158,063	-	-	-
Cash received from federal grants	-	-	-	-
Grants to local governments	11,780	-	-	-
Interest expense	94,931	-	-	-
Changes in assets and liabilities				
Loan receivables	91,016,248	-	36,294	5,982
Prepays and receivables	3,581,957	68,462	3,087	-
Payables and other accrued liabilities	(32,648,442)	-	2,145	754
	<u>\$ 110,047,130</u>	<u>\$ (418,565)</u>	<u>\$ 37,884</u>	<u>\$ 6,852</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows
For the Year Ended June 30, 2013

Cigarette Tax	DWRLF	Primary Care	Local Road Fund
\$ -	\$ (171,438)	\$ (19,141)	\$ (108)
(9,613)	(490,752)	(100,541)	(1,348)
-	-	-	-
34,262	3,549,564	596,141	-
-	(2,061,427)	-	-
-	(2,086,442)	-	(38,511)
-	4,042,995	-	-
13,803	1,143,794	116,849	-
-	170,613	-	320
<u>38,452</u>	<u>4,096,907</u>	<u>593,308</u>	<u>(39,647)</u>
-	-	-	-
-	-	-	-
215,918	6,813,293	-	-
-	-	-	-
(125,000)	-	-	-
(96,425)	(233,904)	-	-
-	-	-	-
-	-	-	-
<u>(5,507)</u>	<u>6,579,389</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	(777,719)	-
-	-	-	-
<u>(1,574)</u>	<u>(11,877)</u>	<u>836</u>	<u>199</u>
<u>(1,574)</u>	<u>(11,877)</u>	<u>(776,883)</u>	<u>199</u>
31,371	10,664,419	(183,575)	(39,448)
<u>2,144,544</u>	<u>25,390,063</u>	<u>214,978</u>	<u>802,775</u>
<u>\$ 2,175,915</u>	<u>\$ 36,054,482</u>	<u>\$ 31,403</u>	<u>\$ 763,327</u>
\$ (92,561)	\$ (1,467,871)	\$ (31,152)	\$ (38,323)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,574	11,877	(836)	(199)
93,929	-	-	-
-	-	-	-
-	4,042,995	-	-
-	-	-	-
-	-	-	-
34,262	1,444,145	611,141	-
-	17,132	(493)	(271)
1,248	48,629	14,648	(854)
<u>38,452</u>	<u>4,096,907</u>	<u>593,308</u>	<u>(39,647)</u>

	NM Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Cash flows from operating activities				
Cash paid for employee services	\$ (253,755)	\$ -	\$ -	\$ -
Cash paid to vendors for services	(1,168,344)	-	(90,387)	-
Intergovernmental payments received	-	-	2,806,256	-
Loans payments received	-	-	-	-
Loans funded	-	-	-	-
Grants to local governments	-	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	22,325	-
Administrative fees received	1,322,100	-	740,640	-
Net cash provided by (used in) operating activities	(99,999)	-	3,478,834	-
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	-	-	3,027,054	-
Cash transfers to the State of New Mexico	-	-	(2,678,707)	-
Interfund transfers	120	-	(1,116,362)	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	(2,176,619)	-
Bond issuance costs	-	-	-	-
Interest expense paid	-	-	(670,972)	-
Net cash disbursed for program purposes	-	-	-	971
Net cash provided by (used in) noncapital financing activities	120	-	(3,615,606)	971
Cash flows from capital and related financing activities				
Purchase of Capital assets	-	-	-	-
Net cash capital and related financing activities	-	-	-	-
Cash flows from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	(120)	-	-	-
Interest received	174	-	346	-
Net cash provided by (used in) investing activities	54	-	346	-
Net increase decrease in cash and cash equivalents	(99,825)	-	(136,426)	971
Cash and cash equivalents, beginning of year	125,516	-	1,116,249	(1,202)
Cash and cash equivalents, end of year	\$ 25,691	\$ -	\$ 979,823	\$ (231)
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ 822,688	\$ -	\$ (56,645)	\$ 971
Adjustments to change in net assets				
Depreciation	-	-	-	-
Amortization on bond issuance costs	-	-	72,281	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	-
Interest on investments	(174)	-	(346)	-
Bond interest paid	-	-	634,963	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Grants to local governments	-	-	-	-
Interest expense	-	-	-	-
Changes in assets and liabilities				
Loan receivables	(478,304)	-	2,806,256	-
Prepays and receivables	(444,209)	-	22,325	-
Payables and other accrued liabilities	-	-	-	(971)
	(99,999)	\$ -	\$ 3,478,834	\$ -

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows — continued
For the Year Ended June 30, 2013

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ (441,108)
(11,111)	-	-	(2,016,868)
820,000	-	-	-
-	-	31,000	1,921,236
-	-	-	(6,404,485)
-	-	-	(41,973,355)
-	-	-	-
171,149	-	8,320	-
-	-	-	59,716
<u>980,038</u>	<u>-</u>	<u>39,320</u>	<u>(48,854,864)</u>
13,750	406,529	-	4,000,000
-	(468,401)	-	43,655,658
-	-	-	-
-	-	(31,000)	-
(820,000)	-	-	-
-	-	-	-
(171,150)	-	(8,320)	-
-	-	-	-
<u>(977,400)</u>	<u>(61,872)</u>	<u>(39,320)</u>	<u>47,655,658</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
299	22,891	-	(5,264)
<u>299</u>	<u>22,891</u>	<u>-</u>	<u>(5,264)</u>
2,937	(38,981)	-	(1,204,470)
<u>406,775</u>	<u>6,684,818</u>	<u>1,493</u>	<u>16,193,999</u>
<u>\$ 409,712</u>	<u>\$ 6,645,837</u>	<u>\$ 1,493</u>	<u>\$ 14,989,529</u>
\$ 6,143	\$ 22,891	\$ -	\$ (42,962,927)
-	-	-	-
5,807	-	-	-
-	-	-	-
-	-	-	-
(299)	(22,891)	-	5,264
154,408	-	7,841	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
820,000	-	479	(4,483,249)
(1,021)	-	31,000	(1,768)
(5,000)	-	-	(1,412,184)
<u>980,038</u>	<u>-</u>	<u>39,320</u>	<u>(48,854,864)</u>

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
Cash flows from operating activities				
Cash paid for employee services	\$ (888)	\$ -	\$ (32,205)	\$ (38,104)
Cash paid to vendors for services	(5,062)	-	(38,661)	38,103
Intergovernmental payments received	-	-	-	-
Loans payments received	-	-	-	540,294
Loans funded	-	-	-	(1,319,570)
Grants to local governments	-	-	(539,592)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	-	30,118
Administrative fees received	-	-	-	-
Net cash provided by (used in) operating activities	<u>(5,950)</u>	<u>-</u>	<u>(610,458)</u>	<u>(749,159)</u>
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	-	-	-	-
Interfund transfers	-	-	1,000,000	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Interest expense paid	-	-	-	-
Net cash disbursed for program purposes	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of Capital assets	-	-	-	-
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	-	-	-	-
Interest received	(204)	(19)	1,404	(2,356)
Net cash provided by (used in) investing activities	<u>(204)</u>	<u>(19)</u>	<u>1,404</u>	<u>(2,356)</u>
Net increase decrease in cash and cash equivalents	(6,154)	(19)	390,946	(751,515)
Cash and cash equivalents, beginning of year	546,995	44	31,848	1,757,765
Cash and cash equivalents, end of year	<u>\$ 540,841</u>	<u>\$ 25</u>	<u>\$ 422,794</u>	<u>\$ 1,006,250</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ (1,976)	\$ -	\$ (653,273)	\$ (1,715,999)
Adjustments to change in net assets				
Depreciation	-	-	-	-
Amortization on bond issuance costs	-	-	-	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	1,622,104
Interest on investments	204	-	(1,404)	2,356
Bond interest paid	-	-	-	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Grants to local governments	-	-	-	-
Interest expense	-	-	-	-
Changes in assets and liabilities				
Loan receivables	-	-	-	(779,276)
Prepays and receivables	(349)	-	-	-
Payables and other accrued liabilities	(3,829)	-	44,219	121,656
	<u>(5,950)</u>	<u>-</u>	<u>(610,458)</u>	<u>(749,159)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows — continued
For the Year Ended June 30, 2013

Local Government Transportation	SSBCI	Colonias	BioMass Dairy	Total
\$ (5,731)	\$ (71,702)	\$ -	\$ -	\$ (3,682,346)
(142,370)	(145,576)	-	-	(5,707,511)
-	-	-	-	7,860,017
-	-	-	-	127,297,147
-	(2,461,746)	(202,730)	-	(76,208,868)
(3,388,538)	-	(790,666)	-	(48,817,104)
-	-	-	-	4,043,047
(888)	20,976	-	-	52,345,390
6,601	-	-	-	4,227,941
<u>(3,530,926)</u>	<u>(2,658,048)</u>	<u>(993,396)</u>	<u>-</u>	<u>61,357,713</u>
-	-	993,396	-	35,026,526
-	-	-	-	40,702,501
142,388	-	-	-	(953,761)
-	-	-	-	44,254,000
-	-	-	-	(80,966,782)
-	-	-	-	(488,392)
-	-	-	-	(53,534,384)
-	-	-	-	(54,505)
<u>142,388</u>	<u>-</u>	<u>993,396</u>	<u>-</u>	<u>(16,014,797)</u>
-	-	-	-	(149,429)
-	-	-	-	(149,429)
-	-	-	-	(6,068,568)
-	-	-	-	(430)
5,392	(5,265)	-	4,776	138,697
<u>5,392</u>	<u>(5,265)</u>	<u>-</u>	<u>4,776</u>	<u>(5,930,301)</u>
(3,383,146)	(2,663,313)	-	4,776	39,263,186
<u>4,799,818</u>	<u>4,350,980</u>	<u>-</u>	<u>34,825</u>	<u>186,775,400</u>
<u>\$ 1,416,672</u>	<u>\$ 1,687,667</u>	<u>\$ -</u>	<u>\$ 39,601</u>	<u>\$ 226,038,586</u>
\$ (3,387,779)	\$ (290,613)	\$ (1,271,669)	\$ 4,776	\$ (57,344,878)
-	-	-	-	168,246
-	-	-	-	594,751
-	-	-	-	(2,304,283)
-	-	-	-	2,321,946
(5,392)	5,265	-	-	(133,653)
-	-	-	-	55,512,924
-	-	-	-	158,063
-	-	-	-	4,042,995
-	-	-	-	11,780
-	-	-	-	94,931
-	(2,461,746)	(202,731)	-	88,369,501
(888)	-	-	(4,776)	3,270,188
<u>(136,867)</u>	<u>89,046</u>	<u>481,004</u>	<u>-</u>	<u>(33,404,798)</u>
<u>\$ (3,530,926)</u>	<u>\$ (2,658,048)</u>	<u>\$ (993,396)</u>	<u>\$ -</u>	<u>\$ 61,357,713</u>

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities
For the Year Ended June 30, 2013

	Balance July 1, 2012	Increase	Decrease	Balance July 1, 2013
Fund 315 Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	\$ 44,402,117	\$ 34,172,517	\$ 43,881,923	\$ 34,692,711
Total assets	<u>\$ 44,402,117</u>	<u>\$ 34,172,517</u>	<u>\$ 43,881,923</u>	<u>\$ 34,692,711</u>
Liabilities				
Deposit held in trust for others	\$ 44,402,117	\$ 34,172,517	\$ 43,881,923	\$ 34,692,711
Total liabilities	<u>\$ 44,402,117</u>	<u>\$ 34,172,517</u>	<u>\$ 43,881,923</u>	<u>\$ 34,692,711</u>
Fund 322 Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	\$ 673,606	\$ 9,258,644	\$ 7,586,096	\$ 2,346,154
Total assets	<u>\$ 673,606</u>	<u>\$ 9,258,644</u>	<u>\$ 7,586,096</u>	<u>\$ 2,346,154</u>
Liabilities				
Deposit held in trust for others	\$ 673,606	\$ 9,258,644	\$ 7,586,096	\$ 2,346,154
Total liabilities	<u>\$ 673,606</u>	<u>\$ 9,258,644</u>	<u>\$ 7,586,096</u>	<u>\$ 2,346,154</u>
Fund 326 Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	\$ 5,419,307	\$ 6,389,889	\$ 8,673,424	\$ 3,135,772
Total assets	<u>\$ 5,419,307</u>	<u>\$ 6,389,889</u>	<u>\$ 8,673,424</u>	<u>\$ 3,135,772</u>
Liabilities				
Deposit held in trust for others	\$ 5,419,307	\$ 6,389,889	\$ 8,673,424	\$ 3,135,772
Total liabilities	<u>\$ 5,419,307</u>	<u>\$ 6,389,889</u>	<u>\$ 8,673,424</u>	<u>\$ 3,135,772</u>
Fund 327 Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	\$ 47,582	\$ 28,944,537	\$ 28,942,976	\$ 49,143
Total assets	<u>\$ 47,582</u>	<u>\$ 28,944,537</u>	<u>\$ 28,942,976</u>	<u>\$ 49,143</u>
Liabilities				
Deposit held in trust for others	\$ 47,582	\$ 28,944,537	\$ 28,942,976	\$ 49,143
Total liabilities	<u>\$ 47,582</u>	<u>\$ 28,944,537</u>	<u>\$ 28,942,976</u>	<u>\$ 49,143</u>
Fund 328 Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	\$ 55,131,763	\$ 69,858,447	\$ 80,188,549	\$ 44,801,661
Total assets	<u>\$ 55,131,763</u>	<u>\$ 69,858,447</u>	<u>\$ 80,188,549</u>	<u>\$ 44,801,661</u>
Liabilities				
Deposit held in trust for others	\$ 55,131,763	\$ 69,858,447	\$ 80,188,549	\$ 44,801,661
Total liabilities	<u>\$ 55,131,763</u>	<u>\$ 69,858,447</u>	<u>\$ 80,188,549</u>	<u>\$ 44,801,661</u>
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	\$ 203,934	\$ 20,059,969	\$ 20,061,157	\$ 202,746
Total assets	<u>\$ 203,934</u>	<u>\$ 20,059,969</u>	<u>\$ 20,061,157</u>	<u>\$ 202,746</u>
Liabilities				
Deposit held in trust for others	\$ 203,934	\$ 20,059,969	\$ 20,061,157	\$ 202,746
Total liabilities	<u>\$ 203,934</u>	<u>\$ 20,059,969</u>	<u>\$ 20,061,157</u>	<u>\$ 202,746</u>

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities — continued
For the Year Ended June 30, 2013

Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B

Assets				
Cash and investments	\$ 1,725,509	\$ 20,335,194	\$ 18,123,835	\$ 3,936,868
Total assets	<u>\$ 1,725,509</u>	<u>\$ 20,335,194</u>	<u>\$ 18,123,835</u>	<u>\$ 3,936,868</u>
Liabilities				
Deposit held in trust for others	\$ 1,725,509	\$ 20,335,194	\$ 18,123,835	\$ 3,936,868
Total liabilities	<u>\$ 1,725,509</u>	<u>\$ 20,335,194</u>	<u>\$ 18,123,835</u>	<u>\$ 3,936,868</u>

Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B

Assets				
Cash and investments	\$ 10	\$ -	\$ 10	\$ -
Total assets	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>
Liabilities				
Deposit held in trust for others	\$ 10	\$ -	\$ 10	\$ -
Total liabilities	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>

Fund 332 Department of Transportation Refunding Revenue Bonds, Series 2012

Assets				
Cash and investments	\$ -	\$ 7,144,800	\$ 7,079,454	\$ 65,346
Total assets	<u>\$ -</u>	<u>\$ 7,144,800</u>	<u>\$ 7,079,454</u>	<u>\$ 65,346</u>
Liabilities				
Deposit held in trust for others	\$ -	\$ 7,144,800	\$ 7,079,454	\$ 65,346
Total liabilities	<u>\$ -</u>	<u>\$ 7,144,800</u>	<u>\$ 7,079,454</u>	<u>\$ 65,346</u>

NEW MEXICO FINANCE AUTHORITY
Schedule of Pledged Collateral
For the Year Ended June 30, 2013

Bank Accounts	Wells Fargo	Wells Fargo
Deposit account	\$ 438,850	\$ -
Repurchase agreements	-	355,231
Total amount of deposits (bank balances)	438,850	355,231
FDIC Coverage	(250,000)	-
Total uninsured public funds	<u>\$ 188,850</u>	<u>\$ 355,231</u>
Collateral Requirement @ 50%	\$ 94,425	\$ -
Collateral Requirement @ 102%	-	362,336

Additional deposits not covered by the FDIC including those of the New Mexico Finance Authority are collateralized along with the deposits of the State of New Mexico in accordance with applicable New Mexico State Statutes. As of June 30, 2013, the value of collateral pledged on behalf of the State of New Mexico held at Wells Fargo totaled \$34,962,372 and was compliant with state statute.

Single Audit

New Mexico Finance Authority
Schedule of Expenditures of Federal Awards
June 30, 2013

Grantor / Program Title	Federal Catalog Number	Federal Expenditures FY 2013
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 4,042,994
Total expenditures of federal awards		<u>\$ 4,042,994</u>

New Mexico Finance Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

1) General

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

Basis of Accounting

The accompanying 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.

Reconciliation to Financial Statements

New Mexico Drinking Water Revolving Loan Program

Total federal revenue according to statement of revenues	
expenses and changes in net position (page 44)	\$ 4,042,994
Total EPA expenditures	<u>\$ 4,042,994</u>

The Authority administers loans under the EPA Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2013 are \$63,341,227. Only the value of new loans expended during the fiscal year is included in the accompanying schedule.

2) Subrecipients

Subrecipient Name	Pass-Through Funds
City of Eunice	\$ 395,368
Silver City	316,379
Dona Ana County and City of Las Cruces	255,233
City of Santa Fe	239,431
City of Alamogordo	181,523
Lower Rio Grande Public Works Authority	181,413
City of Socorro	175,150
City of Elephant Butte	95,987
City of Tucumcari	42,914
Dona Ana MDWCA	5,127
Anthony Water and Sanitation District	3,669
 NMED Drinking Water Bureau	 1,759,405
NMFA Other	391,395
Total	<u>\$ 4,042,994</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the New Mexico Finance Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2011-001 and 2013-001 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-008.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering their internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

REDW

Albuquerque, New Mexico
December 2, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited New Mexico Finance Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2013. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of management, the Governing Board, the New Mexico Office of the 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.

REDW

Albuquerque, New Mexico
December 2, 2013

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2013

Section I — Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ No
- Noncompliance material to financial statements noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X None
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None

Type of auditors' report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Capitalization Grant for Drinking Water State Revolving Funds	66.468	\$ 4,042,994

Dollar threshold used to distinguish between type A and type B programs: \$300,000

- Auditee qualified as low-risk auditee? _____ Yes X No

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2013

Section II — Financial Statement Findings

2011-001 (FS) Financial Reporting Oversight (Significant Deficiency)

Condition: Serious internal control and financial reporting oversight issues were communicated in finding 2011-001 of the 2012 audit. That finding reported lack of adequate internal policies and procedures and lack of effective oversight by those charged with governance that contributed to the failure to obtain a timely audit and to the release of a fraudulent financial report by the Authority in April 2012. Corrective actions to address internal control and corporate governance weaknesses that contributed to the release of the fraudulent financial report had not been fully implemented in the first several months of fiscal year 2013. The Authority's Chief Financial Officer was dismissed in August 2012 and the position was not filled until November 2012, leaving the organization without appropriate leadership and oversight in the accounting department for several months.

As a result, accounting and financial reporting review processes that are key internal controls over financial reporting were absent until the CFO position was filled. Also, oversight of the financial reporting process by the governing body was not adequate until improvements in corporate governance were made in the first several months of fiscal year 2013. Such improvements included enhanced oversight by the Board and the Audit Committee and improved policies and procedures to ensure timely and accurate financial reporting.

Criteria: Procedures should be in place to ensure that accurate, timely annual financial statements are prepared, audited in accordance with applicable New Mexico statutes and regulations, and released timely, after review and approval by the Audit Committee, the Board, and the New Mexico Office of the State Auditor.

Effect: Without adequate review, supervision and corporate governance there was an increased possibility of deficient financial reporting during the first several months of fiscal year 2013.

Cause: As disclosed in the prior year finding, causes ranged from the governing board and audit committee having limited involvement in, and oversight of, the financial reporting processes, lack of policies and procedures for the audit committee, and management not fully informing those charged with governance about the status of compliance with financial reporting requirements.

Auditors' Recommendations: Management and the Board should continue to evaluate internal controls and corporate oversight processes and procedures that were implemented in response to the fraudulent financial report to ensure that financial reporting is timely and accurate.

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2013

Section II — Financial Statement Findings — continued

2011-001 (FS) Financial Reporting Oversight (Significant Deficiency) — continued

Management's Response: Procedures are currently in place to ensure that accurate, timely annual financial statements are prepared and audited in accordance with applicable New Mexico statutes and regulations, and released timely, after review and approval by the audit committee, the Board, and the New Mexico Office of the State Auditor. In addition:

- The positions of the Chief Financial Officer and Controller are considered key positions that will be filled at all times to ensure internal control compliance, and
- New Mexico Finance Authority governance includes an Audit Committee that is chaired by the state controller who has the financial expertise to help direct compliance and improve operations.

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2013

Section III — Other Findings and Questioned Costs

2011-008 (SA) IRS Required Reporting of Taxable Fringe Benefits — Other

Condition: The Authority provided automobiles to certain employees which were being used in part for personal use. The value of personal use was not included in the employee's 2012 W-2 forms.

Criteria: Employee fringe benefits are presumed by the IRS to be income to the employee unless they are specifically excluded from income by the tax code. Any employee fringe benefits not excluded from income by the tax code must be reported on the employee's W-2. Personal use of a government agency vehicle is always taxable income to the employee unless the vehicle is a qualified nonpersonal use vehicle [Rev.1.274-5T(k)(3)] provided to the employee as a "working condition fringe benefit."

Cause: Authority personnel lacked a full understanding of taxable employee fringe benefits causing benefits not to be reported to the payroll service organization.

Effect: Personal use of the Authority's vehicle was not reported to the Internal Revenue Service (IRS) through the employees' W-2s, as required.

Auditors' Recommendation: We recommend the Authority develop procedures to report vehicle personal use in compliance with IRS required reporting of taxable fringe benefits.

Management's Response: There are currently no directly owned vehicles available for personal or take home use by any staff of the Authority. All business use vehicles are leased from the General Services Department of the State of New Mexico. An amended IRS form W-2 and corresponding W-3 will be prepared by the Authority's payroll service provider to include the compensation received for the car usage benefit.

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2013

Section III — Other Findings and Questioned Costs — continued

2013-001 (FS) Business Continuity and Disaster Recovery Plan (Significant Deficiency)

Condition: The Authority does not have a comprehensive, Business Continuity and Disaster Recovery Plan (BCP/DRP) that specifies contingency plans for continuing the Authority operations and recovery of operations in the event of a disaster.

Criteria: A Business Continuity and Disaster Recovery Plan should be developed, documented and tested to minimize disruption in the event of disaster.

Cause and Effect: Failure to develop and test a BCP/DRP could result in the availability of data to be compromised if critical systems were to fail as a result of a disaster.

Auditors' Recommendations: Ensure that completing, testing, and training on the new BCP/DRP is a priority and is completed before the end of 2013.

Management's Response: The Authority plans to have the BCP/DRP completed and a formal disaster recovery drill conducted in fiscal year 2014. Management has established a formal BCP committee to review and test all recovery procedures. The Authority is also in the process of establishing a data center in Albuquerque to be used as a DR site.

New Mexico Finance Authority
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2013

Audit Finding	Status
2009-002	Resolved
2011-001	Repeated and modified
2011-002	Resolved
2011-003	Resolved
2011-004	Resolved
2011-005	Separated into 2011-005 and 2013-001 (2011-005 Resolved)
2011-006	Resolved
2011-007	Resolved
2011-008	Repeated and modified
2011-009	Resolved
2011-010	Resolved
2011-011	Resolved

New Mexico Finance Authority
Corrective Action Plan
June 30, 2013

Audit Finding	Responsible Party	Corrective Action to be Taken	Target Date
2011-001	Chief Financial Officer	See Management's Response 2011-001	March 2014
2011-008	Chief Financial Officer	See Management's Response 2011-008	July 2013
2013-001	Chief Financial Officer	See Management's Response 2013-001	December 2013

New Mexico Finance Authority
Exit Conference
June 30, 2013

An exit conference was held on November 18, 2013, with the Authority. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

New Mexico Finance Authority

John Gasparich	Chief Executive Officer
Donna Trujillo	Chief Financial Officer
Michael Zavelle	Chief Investment Strategist
Dan Opperman	General Counsel
Bryan Otero	Assistant General Counsel
Robert Brannon	Controller
Bob Spradley	Senior Accountant II
Celina Sandoval	Staff Accountant I
Steve Kopelman	Board Member
Brett Woods	Board Member
Ricky A. Bejarano	State Controller / DFA Cabinet Secretary
Tom Clifford, Ph.D.	Board Member / DFA Deputy Cabinet Secretary

REDW_{LLC}

Bruce Bleakman	Principal
Javier Machuca	Senior Manager
Richard Gillespie	In-Charge Auditor