NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2010 and 2009

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2010

Governing Board

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

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome Trojan

Chief Financial Officer
John Duff

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the New Mexico Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2010 and 2009, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010 and 2009 and changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Gunderson LLP

Baltimore, Maryland
February 18, 2011

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2010 and financial condition at that date. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

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

Overview of the Financial Statements

These annual financial statements consist of three parts:

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

Condensed Comparative Financial Statements

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

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents:					
Unrestricted	$ 120,385,376	$ 111,877,869	$ 8,507,507	7.6%	$ 88,756,143
Restricted	268,285,157	373,898,180	(105,613,023)	(28.2%)	411,190,481
Loans receivable, net of allowance	1,252,122,229	1,113,608,650	138,513,579	12.4%	1,041,033,758
Intergovernmental receivables	147,842,525	154,793,087	(6,950,562)	(4.5%)	161,605,000
Other accounts receivable	14,730,931	16,645,091	(1,914,160)	(11.5%)	24,348,425
Capital assets	273,500	197,828	75,672	38.3%	377,984
Other assets	11,798,048	11,679,176	118,872	1.0%	12,125,477
Total assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**
Liabilities					
Bonds payable, net	$ 1,233,720,390	$ 1,132,954,148	$ 100,766,242	8.9%	$ 1,084,937,292
Undisbursed loan proceeds	116,283,533	182,920,935	(66,637,402)	(36.4%)	197,721,699
Borrowers' reserve deposits	72,521,339	66,071,327	6,450,012	9.8%	61,634,993
Accounts payable	2,787,600	1,556,822	1,230,778	79.1%	1,579,139
Other liabilities	4,775,269	5,054,228	(278,959)	(5.5%)	5,034,419
Total liabilities	**1,430,088,131**	**1,388,557,460**	**41,530,671**	**3.0%**	**1,350,907,542**
Net assets					
Invested in capital assets	273,500	197,828	75,672	38.3%	377,984
Restricted for debt service	8,996,558	8,962,319	34,239	0.4%	9,921,093
Restricted for program funds	256,256,427	274,378,249	(18,121,822)	(6.6%)	289,676,812
Unrestricted	119,823,150	110,604,025	9,219,125	8.3%	88,553,837
Total net assets	**385,349,635**	**394,142,421**	**(8,792,786)**	1.4%	**388,529,726**
Total liabilities and net assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**2.5%**	**$ 1,739,437,268**

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

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Appropriation revenue	$ 11,722,377	$ 52,379,731	$ (40,657,354)	(77.6%)	$ 136,293,957
Grant revenue	42,184,646	36,494,181	5,690,465	15.6%	27,209,672
Administrative fees	8,621,728	7,670,438	951,290	12.4%	5,730,102
Interest on loans	56,663,765	47,590,234	9,073,531	19.1%	41,142,152
Interest on investments	1,343,523	2,890,591	(1,547,068)	(53.5%)	10,927,088
Operating revenue	**120,536,039**	**147,025,175**	**(26,489,136)**	**(84.1%)**	**221,302,971**
Grant expense	60,106,858	59,785,212	321,646	0.5%	26,380,010
Bond issuance costs	1,840,185	1,467,625	372,560	25.4%	637,662
Professional services	4,727,242	3,642,941	1,084,301	29.8%	3,965,930
Salaries and benefits	3,808,883	3,860,504	(51,621)	(1.3%)	3,202,869
Interest expense	55,622,227	49,554,750	6,067,477	12.2%	45,548,181
Other expense	1,911,215	2,208,820	(297,605)	(13.5%)	1,951,989
Expenses	**128,016,610**	**120,519,852**	**7,496,758**	**53.1%**	**81,686,641**
Operating income	(7,480,571)	26,505,323	(33,985,894)	13.8%	139,616,330
Gain (loss) on investments	6,758,315	(8,205,430)	14,963,745	0.0%	-
Income (loss) before transfers	**(722,256)**	**18,299,893**	**(19,022,149)**	**(103.9%)**	**139,616,330**
Transfers to other agencies	(8,070,530)	(12,687,198)	4,616,668	(36.4%)	37,328,353
Increase (decrease) in net assets	**(8,792,786)**	**5,612,695**	**(14,405,481)**	**(256.7%)**	**102,287,977**
Net assets, beginning of year (restated)	**394,142,421**	**388,529,726**	**5,612,695**	**1.4%**	**286,241,749**
Net assets, end of year	**$ 385,349,635**	**$ 394,142,421**	**$ (8,792,786)**	**(2.2%)**	**$ 388,529,726**

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

- The Authority's unrestricted cash grew by $8.5 million in 2010 primarily due to the receipt of the Governmental Gross Receipts Tax (see discussion on page 4, "the New Mexico Finance Authority"). Restricted cash decreased by $105.6 million in 2010, primarily due to drawdowns of loans funded in the prior year and $27.1 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).

- Loans receivable increased by $139.0 million in 2010 primarily as a result of new loans made during the year totaling $212.2 million less loan payments received of $73.2 million.

- Bonds payable increased by $100.8 million in 2010 resulting from the issuance of $172.3 million of new bonds, principal payments on outstanding bonds of $70.6 million, and amortization of bond premium of $0.9 million.

- The Authority's revenues decreased by $26.5 million in 2010 compared to 2009. The decline was principally due to a $40.7 million decrease in appropriation revenue amounts from the state legislature, which included the reversion to the state's general fund of $21 million of revenues appropriated to the Authority in previous years. Other components of revenues increased, including a $9.1 million increase in interest on loans, a $5.7 million increase in grant revenues, and a $957 thousand increase in administrative fee revenue. Interest earnings from investments decreased by $1.5 million resulting from market conditions in the fixed income markets.

- The Authority's net assets decreased by $8.8 million in 2010.

- During fiscal year 2010, the Authority invested, net of depreciation, a total of $273,500 in capital assets. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

- The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2010, the total amount outstanding was $1.20 billion (excluding the $1.85 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.

- During the fiscal year, the Authority issued $172.3 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Authority Programs

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

Public Project Revolving Fund

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

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

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

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

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents	$ 104,334,458	$ 99,584,576	$ 4,749,882	4.8%	$ 78,584,787
Restricted	194,585,959	252,786,821	(58,200,862)	(23.0%)	260,492,357
Accounts receivable	15,355,772	16,111,757	(755,985)	(4.7%)	21,930,398
Loans receivable, net of allowance	1,175,365,082	1,050,541,321	124,823,761	11.9%	1,000,026,726
Intergovernmental receivables	124,242,525	127,848,087	(3,605,562)	(2.8%)	122,760,000
Capital assets	273,500	-	273,500	100.0%	-
Other assets	11,080,562	10,992,276	88,286	0.8%	11,095,194
Total assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**100.0%**	**$ 1,494,889,462**
Accounts payable and accrued liabilities	$ 5,511,698	$ 4,678,201	$ 833,497	17.8%	$ 4,586,196
Undisbursed loan proceeds	115,755,854	181,136,484	(65,380,630)	(36.1%)	196,132,082
Borrowers' debt service and reserve deposits	72,262,720	65,813,605	6,449,115	9.8%	61,027,236
Bonds payable, net	1,206,727,970	1,102,203,109	104,524,861	9.5%	1,041,962,633
Total liabilities	**1,400,258,242**	**1,353,831,399**	**46,426,843**	**3.4%**	**1,303,708,147**
Net assets					
Invested in capital assets	273,500	118,026	155,474	(37.4%)	188,451
Restricted for program funds	121,455,776	105,344,348	16,111,428	(6.9%)	113,209,182
Unrestricted	103,250,340	98,571,065	4,679,275	26.7%	77,783,682
Total net assets	**224,979,616**	**204,033,439**	**20,946,177**	6.3%	**191,181,315**
Total liabilities and net assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**2.5%**	**$ 1,494,889,462**

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

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Interest income					
Loans	$ 53,236,068	$ 45,103,592	$ 8,132,476	18.0%	$ 38,683,071
Investments	1,147,112	1,118,311	28,801	2.6%	4,978,951
Total interest income	**54,383,180**	**46,221,903**	**8,161,277**	**17.7%**	**43,662,022**
Interest expense					
Bonds	53,958,237	47,591,765	6,366,472	13.4%	42,290,093
Short-term borrowing	124,354	60,833	63,521	104.4%	944,596
Total interest expense	**54,082,591**	**47,652,598**	**6,429,993**	**13.5%**	**43,234,689**
Net interest income (expense)	300,589	(1,430,695)	1,731,284	(121.0%)	427,333
Less provision for loan losses	445,867	299,113	146,754	49.1%	400,123
Net interest income (expense) after provision for loan losses	**(145,278)**	**(1,729,808)**	**1,584,530**	**(91.6%)**	**27,210**
Loan administration fees	4,212,544	4,689,716	(477,172)	(10.2%)	2,786,246
Appropriation revenues	24,314,901	25,645,568	(1,330,667)	(5.2%)	27,341,776
Total noninterest income	**28,527,445**	**30,335,284**	**(1,807,839)**	**(6.0%)**	**30,128,022**
Salaries and benefits	2,169,436	2,215,043	(45,607)	(2.1%)	1,907,427
Professional services	2,423,425	2,020,995	402,430	19.9%	2,953,662
Bond issuance costs	1,752,742	1,190,439	562,303	47.2%	515,580
(Gain) loss on investments	(3,089,577)	3,729,142	(6,818,719)	100.0%	-
Other	846,619	869,286	(22,667)	(2.6%)	824,638
Total noninterest expense	**4,102,645**	**10,024,905**	**(5,922,260)**	**(59.1%)**	**6,201,307**
Excess of revenue over expenses	**24,279,522**	**18,580,571**	**5,698,951**	**30.7%**	**23,953,925**
Transfers from (to) other funds or agencies	**(3,333,344)**	**(5,728,447)**	**2,395,103**	**(41.8%)**	**(31,175,038)**
Increase (decrease) in fund net assets	**20,946,178**	**12,852,124**	**8,094,054**	**63.0%**	**(7,221,113)**
Net assets, beginning of year	**204,033,439**	**191,181,315**	**12,852,124**	**6.7%**	**198,402,428**
Net assets, end of year	**$ 224,979,617**	**$ 204,033,439**	**$ 20,946,178**	**10.3%**	**$ 191,181,315**

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

Loan volume:

	2010	2009	Since Inception
Amount of loans made	$195.2 million	$121.6 million	$1.770 billion
Number of loans made	92	82	882
Average loan size	$2.1 million	$1.5 million	$2.0 million

Both average loan size and the number of loans made in 2010 increased from the previous year.

Loans receivable:

There were no defaults on PPRF loans during 2010 and no delinquencies as of June 30, 2010, or at the date of these financial statements.

Bond issuance:

During fiscal 2010, the PPRF issued 4 series of bonds, with a total par value of $172.3 million.

Net interest income:

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2010, the PPRF had net interest expense of $138 thousand, an improvement from $1.7 million in 2009.

Recovery of investment loss:

In 2009, management recorded an estimated loss of $3.7 million on a money market mutual fund in which the PPRF had invested. During 2010, the PPRF received liquidating distributions of $3 million, resulting in an overall actual, realized loss on this investment of approximately $700 thousand.

Governmental Gross Receipts Tax:

The Governmental Gross Receipts Tax ("GGRT") is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $23,053,051 in 2010, a $1,558,613 increase from the $21,494,438 received in 2009. The GGRT funds are used:

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

Other Programs:

The PPRF accounts for a large portion of total Authority activity. At June 30, 2010 and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	88.9%
Net assets	$225.0 million	$385.3 million	58.4%
Revenues	$82.9 million	$120.5 million	68.8%

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs. Loan and grant activity in these programs in 2010 and 2009 was as follows:

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase /	FY 2008
Drinking Water Revolving Loan Fund	$ 13,319,573	$ 22,139,294	$ (8,819,721)	(39.8%)	$ 10,298,773
Local Transportation Infrastructure Fund	1,189,778	969,543	220,235	22.7%	181,475
Water Projects Fund	33,026,435	22,728,950	10,297,485	45.2%	19,338,532
Economic Development Fund	1,650,000	222,447	1,427,553	641.7%	202,796
Local Government Transportation Fund	27,011,683	34,827,691	(7,816,008)	(22.4%)	4,596,088
Child Care Revolving Loan Fund	6,938	36,466	(29,528)	(81.0%)	-
Behavioral Health Cigarette Tax Revenue Bond Fund	69,578	471,509	(401,931)	(85.2%)	-
Water and Wastewater Project Grant Fund	537,448	3,210,290	(2,672,842)	(83.3%)	2,164,356
Local Government Planning Grant Fund	207,842	268,420	(60,578)	(22.6%)	205,625
Total Assets	**$ 77,019,275**	**$ 84,874,610**	**$ (7,855,335)**	**(9.3%)**	**$ 36,987,645**

The decrease in loan volume for the Drinking Water Revolving Loan Fund resulted from the Authority's concentration of effort on the funds it received for the American Recovery and Reinvestment Act ("ARRA") under the federal government's economic stimulus program. The intensive effort required to quickly deploy the ARRA funds necessitated a slowdown in the activities of the regular Drink Water program.

The increased funding of Water Projects Fund projects resulted primarily from a policy change that requires, as a condition for approval, that a project be ready to begin construction immediately upon approval. This policy change significantly accelerated the funding process.

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

Similar to the Local Government Transportation Fund, the decrease in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program has expended the majority of the one-time appropriation received from the state legislature and is nearing the end of its program life.

In 2008, the Authority was awarded a $110 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. During fiscal 2009, the Authority made its first award of tax credits for $15.5 million. During 2010, the Authority made two additional awards totaling $30.4 million. Subsequent to June 30, 2010, the Authority has made one additional award of $12.5 million. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

Budgetary Variations, capital and infrastructure assets:

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

Contacting the Authority's Financial Management

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

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

FINANCIAL STATEMENTS

NEW MEXICO FINANCE AUTHORITY

Statements of Net Assets
June 30, 2010 and 2009

	2010	As Restated 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 120,385,376	$ 111,877,869
Restricted cash	268,285,157	373,898,180
Tax revenue receivable	-	2,080,571
Interest receivable	9,798,410	8,248,801
Grant and other receivable	4,371,646	5,910,474
Administrative fees receivable	560,875	405,245
Loans receivable, net of allowance	74,586,190	64,956,975
Intergovernmental receivables	147,842,525	154,793,087
Restricted asset - escrow	821,293	659,798
Other assets	57,442	59,029
Total current assets	626,708,914	722,890,029
NONCURRENT ASSETS		
Loans receivable, less current portion	1,177,536,039	1,048,651,675
Capital assets, net of depreciation	273,500	197,828
Deferred cost, net of accumulated amortization	10,919,313	10,960,349
Total noncurrent assets	1,188,728,852	1,059,809,852
TOTAL ASSETS	$ 1,815,437,766	$ 1,782,699,881
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,787,600	$ 1,556,821
Accrued payroll	161,996	169,996
Compensated absences	210,339	226,830
Fund held for others	116,283,533	182,920,935
Accrued interest	4,402,934	3,857,403
Due to other state agencies	-	800,000
Debt service payable	72,521,339	66,071,327
Bonds payable, current, net	65,371,000	57,878,000
Total current liabilities	261,738,741	313,481,312
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	1,168,349,390	1,075,076,148
Total noncurrent liabilities	1,168,349,390	1,075,076,148
Total liabilities	1,430,088,131	1,388,557,460
NET ASSETS		
Invested in capital assets	273,500	197,828
Restricted for debt service	8,996,558	8,962,319
Restricted for program funds	256,256,427	274,378,249
Unrestricted	119,823,150	110,604,025
Total net assets	385,349,635	394,142,421
TOTAL LIABILITIES AND NET ASSETS	$ 1,815,437,766	$ 1,782,699,881

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
OPERATING REVENUES		
Appropriation revenue	$ 11,722,377	$ 52,379,731
Grant revenue	42,184,646	36,494,181
Administrative fees	8,621,728	7,670,438
Interest on loans	56,663,765	47,590,234
Interest on investments	1,343,523	2,890,591
Total operating revenues	120,536,039	147,025,175
OPERATING EXPENSES		
Grant expense	60,106,858	59,785,212
Bond issuance costs	1,840,185	1,604,245
Administrative fee	217,298	241,866
Professional services	4,727,242	3,642,941
Salaries and fringe benefits	3,808,883	3,860,505
In-state travel	80,602	118,950
Out-of-state travel	37,399	57,960
Operating costs	932,221	958,017
Provision for loan losses	445,867	619,113
Interest expense	55,622,227	49,418,130
Total operating expenses	127,818,782	120,306,939
Operating income (loss) before depreciation	(7,282,743)	26,718,236
Depreciation	197,828	212,913
Total operating income (loss)	(7,480,571)	26,505,323
NON-OPERATING REVENUES (EXPENSES)		
Gain (loss) on investments	6,758,315	(8,205,430)
Income (loss) before transfers	(722,256)	18,299,893
TRANSFERS		
Transfers to other state agencies	(8,070,530)	(12,687,198)
CHANGE IN NET ASSETS	(8,792,786)	5,612,695
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	394,142,421	388,529,726
TOTAL NET ASSETS, END OF YEAR	$ 385,349,635	$ 394,142,421

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

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	As Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee services	$ (3,833,373)	$ (3,775,777)
Cash paid to vendors for services	(5,870,202)	(4,493,174)
Bond issuance costs	(1,631,038)	(970,680)
Interest expense paid	(56,075,453)	(49,730,361)
Grants disbursed	(60,086,913)	(59,773,985)
Appropriation revenue	43,877,271	74,008,121
Cash received from federal government for revolving loans	14,013,108	21,221,852
Interest income received	56,457,679	50,623,817
Administrative fees received	8,348,077	7,838,452
Transfers from other funds	-	24,029
Net cash flows provided by (used in) operating activities	(4,800,844)	34,972,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(8,070,533)	(12,687,198)
Cash provided (used) by funds held for others	(66,900,796)	(14,800,764)
Net cash used in noncapital financing activities	(74,971,329)	(27,487,962)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Investment in partnership	(99,010)	(1,550)
Loans funded	(212,138,492)	(155,191,967)
Loan payments received	80,129,608	88,809,874
Bonds issued	172,345,000	114,335,000
Payment of bonds	(70,580,000)	(65,795,000)
Debt service	6,524,733	4,426,927
Loss on investmetns	-	(8,205,430)
Recovery payments from loss on investments	6,758,315	-
Capital asset purchase	(273,500)	(32,758)
Net cash used in capital financing activities	(17,333,346)	(21,654,904)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(97,105,519)	(14,170,572)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	485,776,052	499,946,624
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 388,670,533	$ 485,776,052
CASH FLOWS FROM OPERATING ACTIVITIES		
Total operating income (loss)	$ (7,480,571)	$ 26,505,323
Adjustments to reconcile cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	(626,434)	144,857
Net transfers	-	-
(Increase) decrease in prepaids and receivables	907,916	5,640,416
Increase (decrease) in payables and other accrued liabilities	2,398,245	2,681,698
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (4,800,844)	$ 34,972,294

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

Agency Funds – Statement of Assets and Liabilities
Year Ended June 30, 2010

ASSETS	
Cash at Trustee:	
Program funds	$ 56,874,675
Expense funds	47,824
Bond reserve funds	42,204,406
TOTAL ASSETS	$ 99,126,905
LIABILITIES	
Accounts payable	$ 1,585,452
Debt service payable	49,575,286
Funds held for the NM Department of Transportation	47,966,167
TOTAL LIABILITIES	$ 99,126,905

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

NATURE OF ORGANIZATION

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

- **Basis of Presentation**

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Basis of Presentation** (continued)

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- **Agency Funds**

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

- **Basis of Accounting and Measurement Focus**

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

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate programs. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific program. All other revenues are recognized when received.

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

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

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

- **Use of Estimates**

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

- **Restricted Assets**

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

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

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

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

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

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

- **Accounts Receivable**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans Receivable**

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

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. At June 30, 2010 and 2009, the allowance for loan losses was $2,132,950 and $1,687,083, respectively.

- **Intergovernmental Receivables**

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

- **Capital Assets**

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

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

- **Debt Service Payable**

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

- **Net Assets**

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

> *Investment in capital assets* (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.
>
> *Restricted assets* are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.
>
> *Unrestricted assets* represent assets not otherwise classified as invested in capital assets or restricted assets.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Income Taxes**

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

- **Interprogram and Interagency Transactions**

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

- **Reclassifications**

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

- **New Accounting Pronouncements**

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

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

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

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

	2010	2009
State Treasurer Local Government Investment Pool	$110,742,870	$139,875,817
The Primary Care Capital Fund held at the State Treasurer's Office	2,230,037	1,660,605
State Treasurer's Office cash held at Bank of Albuquerque in money market accounts	71,585,834	98,589,410
Bank of Albuquerque trust accounts	645,733	236,140,975
Bank of New York Mellon	168,041,218	-
Reserve on Bond Payable held in Bank of America	-	279,359
Wells Fargo operating accounts	35,424,841	7,974,376
Cash held at The Reserve Primary money market fund	-	1,255,507
Total	$388,670,533	$485,776,049

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

	2010	2009
Cash and cash equivalents	$120,385,376	$111,877,869
Restricted cash	268,285,157	373,898,180
Total	$388,670,533	$485,776,049

The Authority's State Treasurer funds are contained in the New Mexico*GROW* Local Government Investment Pool, a Securities and Exchange Commission registered money market fund rated AAAm by Standard & Poor's, and at June 30, 2010, are valued at $110,742,870 with a 50-day Weighted Average Maturity (WAM).

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

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its collateral securities that are in the possession of an outside party. All are fully collateralized and the collateral is held in the Authority's name.

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

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. There were no concentrations meeting this criteria at June 30, 2010.

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

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

3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

Program	Length of Loan (Years)	Rates	As Restated 2009	Additions	Payments	2010
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,051,908,405	$ 195,206,131	$ 69,936,504	$ 1,177,178,032
Drinking Water State Revolving Loans	1 to 30	0% to 4%	51,848,151	10,384,433	2,002,402	60,230,182
Drinking Water State Revolving Loans - ARRA	1 to 20	1%	-	149,250	-	149,250
Primary Care Capital Fund Loans	10 to 20	3%	6,094,410	-	530,824	5,563,586
Water Projects Fund Loan Grants	10 to 20	0%	2,270,908	4,672,162	441,904	6,501,166
Smart Money Participation Loans	3 to 20	2% to 5%	1,979,429	1,650,000	82,205	3,547,224
Behavioral Health Care Loan	15	3%	337,455	-	33,207	304,248
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	471,509	100,000	30,422	541,087
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	349,000	-	152,000	197,000
Child Care Revolving Loans	8	3%	36,466	12,155	5,217	43,404
		Subtotals	1,115,295,733	212,174,131	73,214,685	1,254,255,179
		Less: Allowance for loan losses	(1,687,083)	(445,867)	-	(2,132,950)
		Totals	$ 1,113,608,650	$ 211,728,264	$ 73,214,685	$ 1,252,122,229

3. LOANS RECEIVABLE (CONTINUED)

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

The following is a summary of the future loan payments to be collected on the loan repayment schedules as of June 30, 2010.

Totals – Loans Receivable, Net of Allowance

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 74,586,190	$ 48,935,486	$ 123,521,676
2012	78,507,411	46,562,518	125,069,929
2013	81,316,645	44,091,016	125,407,661
2014	80,120,182	41,380,786	121,500,968
2015	80,005,507	38,634,535	118,640,042
2016 - 2020	361,038,692	151,129,570	512,168,262
2021 - 2025	265,113,570	87,549,431	352,663,001
2026 - 2030	142,029,480	39,944,203	181,973,683
2031 - 2035	73,532,842	15,160,783	88,693,625
2036 - 2040	18,004,660	1,598,680	19,603,340
Subtotals	1,254,255,179	$ 514,987,008	$ 1,769,242,187
Less: Allowance for loan losses	(2,132,950)		
Loans receivable, net	$ 1,252,122,229		

4. INTERGOVERNMENTAL RECEIVABLES

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

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

State Entity	Revenue Pledge	Rates	Terms	As Restated 2009	Payments	2010	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.0%	06/01/25	$ 49,030,000	$ 2,080,000	$ 46,950,000	$ 2,180,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.875% to 5.0%	06/01/25	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.0%	06/01/36	47,430,000	715,000	46,715,000	745,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.0%	04/01/19	19,855,000	2,450,000	17,405,000	2,350,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	04/01/19	7,758,087	810,562	6,947,525	796,285
Workers' Compensation Adminstration	Workers' Compensation administrative fee	5.35% to 5.60%	09/01/16	2,315,000	235,000	2,080,000	250,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	3.875% to 5.0%	06/01/25	4,775,000	660,000	4,115,000	710,000
			Totals	$ 154,793,087	$ 6,950,562	$ 147,842,525	$ 7,031,285

The following is a summary of the future loan payments to be collected on the intergovernmental receivables as of June 30, 2010.

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 7,031,285	$ 7,190,853	$ 14,222,138
2012	7,065,435	6,875,931	13,941,366
2013	7,191,962	6,550,955	13,742,917
2014	7,420,628	6,191,610	13,612,238
2015	7,656,438	5,820,394	13,476,832
2016 - 2020	37,401,777	23,787,679	61,189,456
2021 - 2025	44,395,000	14,111,813	58,506,813
2026 - 2030	11,505,000	6,290,750	17,795,750
2031 - 2035	14,755,000	3,142,500	17,897,500
2036 - 2040	3,420,000	171,000	3,591,000
Intergovernmental receivables	$ 147,842,525	$ 80,133,485	$ 227,976,010

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2009	Additions	Adjustments/ Deletion	Balance June 30, 2010
Depreciable assets:				
Furniture and fixtures	$ 198,802	$ 5,518	$ -	$ 204,320
Computer hardware and software	566,294	267,982	-	834,276
Machinery and equipment	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	862,703	273,500	-	1,136,203
Accumulated depreciation:				
Furniture and fixtures	(159,733)	(39,070)	-	(198,803)
Computer hardware and software	(426,720)	(139,573)	-	(566,293)
Machinery and equipment	(39,464)	(9,653)	-	(49,117)
Leasehold improvement	(38,958)	(9,532)	-	(48,490)
	(664,875)	(197,828)	-	(862,703)
Net total	$ 197,828	$ 75,672	$ -	$ 273,500

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

6. BONDS PAYABLE

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

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

6. BONDS PAYABLE (CONTINUED)

Bonds payable consist of the following at June 30:

Bond Series	Rate	Maturities	2010	2009
Public Project Revolving Fund Revenue Bonds – Senior Lien				
1999 A	4.45% to 4.75%	June 1, 2010 to June 1, 2018	$ -	$ 5,475,000
1999 B	4.60% to 5.00%	June 1, 2010 to June 1, 2018	-	945,000
1999 C	6.05% to 6.60%	June 1, 2010 to June 1, 2018	-	420,000
1999 D	6.25% to 6.80%	June 1, 2010 to June 1, 2018	-	1,740,000
2002 A	4.30% to 5.00%	June 1, 2010 to June 1, 2023	14,610,000	16,345,000
2003 A	3.40% to 4.75%	June 1, 2010 to June 1, 2032	18,808,000	20,326,000
2003 B	4.25% to 5.00%	June 1, 2010 to June 1, 2021	14,865,000	17,145,000
2004 A-1	2.80% to 4.63%	June 1, 2010 to June 1, 2031	14,350,000	17,090,000
2004 A-2	4.40% to 5.88%	June 1, 2010 to June 1, 2027	12,045,000	12,485,000
2004 B-1	4.00% to 5.38%	June 1, 2010 to June 1, 2033	30,505,000	33,345,000
2004 B-2	5.63% to 6.00%	June 1, 2010 to June 1, 2018	1,020,000	1,020,000
2004 C	3.25% to 5.25%	June 1, 2010 to June 1, 2024	128,895,000	139,140,000
2005 A	4.00% to 4.25%	June 1, 2010 to June 1, 2025	12,045,000	13,505,000
2005 B	3.50% to 4.25%	June 1, 2010 to June 1, 2020	10,375,000	12,145,000
2006 B	4.00% to 5.00%	June 1, 2010 to June 1, 2036	33,635,000	35,050,000
2006 D	4.25% to 5.00%	June 1, 2010 to June 1, 2036	49,965,000	50,885,000
2007 E	4.00% to 5.00%	June 1, 2010 to June 1, 2032	53,005,000	56,395,000
2008 A	3.00% to 5.00%	June 1, 2010 to June 1, 2038	149,240,000	153,720,000
2008 B	4.00% to 5.25%	June 1, 2010 to June 1, 2035	32,745,000	34,535,000
2008 C	3.25% to 6.00%	June 1, 2010 to June 1, 2033	27,575,000	28,620,000
2009 A	2.00% to 5.00%	June 1, 2010 to June 1, 2038	17,685,000	18,435,000
2009 B	2.50% to 5.50%	June 1, 2010 to June 1, 2039	30,115,000	30,225,000
2009 C	2.5% to 5.25%	June 1, 2011 to June 1, 2029	53,785,000	-
2009 D-1	3.0% to 4.5%	June 1, 2011 to June 1, 2030	13,215,000	-
2009 D-2	1.81% to 6.07%	June 1, 2011 to June 1, 2036	38,845,000	-
2009 E	3.0% to 4.5%	June 1, 2011 to June 1, 2019	32,425,000	-
2010 A-1	2.0% to 4.5%	June 1, 2011 to June 1, 2034	15,170,000	-
2010 A-2	3.777% to 6.406%	June 1, 2011 to June 1, 2027	13,795,000	-
			818,718,000	698,991,000
Public Project Revolving Fund Revenue Bonds – Subordinate Lien				
2005 C	3.625% to 5.00%	June 15, 2010 to June 15, 2025	46,950,000	49,030,000
2005 E	3.88% to 5.00%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.00% to 5.00%	June 15, 2010 to June 15, 2025	19,640,000	20,095,000
2006 A	4.00% to 5.00%	June 15, 2010 to June 15, 2035	47,240,000	48,180,000
2006 C	4.00% to 5.00%	June 15, 2010 to June 15, 2026	34,295,000	35,760,000
2007 A	4.00% to 5.00%	June 15, 2010 to June 15, 2027	27,930,000	30,440,000
2007 B	4.25% to 5.00%	June 15, 2010 to June 15, 2034	32,140,000	34,175,000
2007 C	4.25% to 5.25%	June 15, 2010 to June 15, 2027	120,190,000	125,045,000
			352,015,000	366,355,000
	Subtotals – PPRF Bonds		1,170,733,000	1,065,346

6. BONDS PAYABLE (CONTINUED)

Bond Series	Rate	Maturities	2010	2009
Pooled Equipment Certificates of Participation (COPS)				
1995 A	6.30% to 6.30%	Oct. 1, 2010 to Oct. 1 , 2015	$ 152,000	$ 172,000
1996 A	5.80% to 5.80%	April 1, 2010 to April 1, 2016	45,000	51,000
1996 B	5.90% to 5.90%	April 1, 2010 to April 1, 2012	-	126,000
		Subtotals	197,000	349,000
Worker's Compensation Administration Building Revenue Bonds				
1996	5.45% to 5.60%	Sept. 1, 2010 to Sept. 1, 2016	2,080,000	2,315,000
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2009 to Mar 15, 2015	4,115,000	4,775,000
Cigarette Tax Revenue Bonds – UNM Health Sciences Center Project				
2004 A	3.00% to 5.00%	April 1, 2010 to April 1, 2019	17,405,000	19,855,000
Cigarette Tax Revenue Bonds – Behavioral Health Projects				
2006	5.51%	May 1, 2010 to May 1, 2026	2,000,000	2,125,000
	Total bonds outstanding		1,196,530,000	1,094,765,000
	Add: Net unamortized premium		38,811,216	39,917,386
	Less: Deferred charge on refundings		(1,620,826)	(1,728,238)
	Total bonds payable, net		1,233,720,390	1,132,954,148
	Less: Current portion of bonds payable		(65,371,000)	(57,878,000)
	Noncurrent portion of bonds payable		$ 1,168,349,390	$ 1,075,076,148

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2011	$ 65,371,000	$ 57,291,212	$ 122,662,212
2012	69,605,000	54,546,433	124,151,433
2013	72,107,000	51,575,248	123,682,248
2014	71,744,000	48,365,689	120,109,689
2015	73,350,000	45,103,237	118,453,237
2016 - 2020	335,443,000	176,152,918	511,595,918
2021 - 2025	274,880,000	100,492,377	375,372,377
2026 - 2030	130,260,000	44,900,485	175,160,485
2031 - 2035	83,685,000	17,994,424	101,679,424
2036 - 2039	20,085,000	1,853,953	21,938,953
	1,196,530,000	$ 598,275,976	$ 1,794,805,976
Add: Unamortized premium	38,811,216		
Less: Deferred charge on refunding	(1,620,826)		
Bonds payable, net	$ 1,233,720,390		

6. BONDS PAYABLE (CONTINUED)

The bonds payable activity for the years ending June 30, 2010 and 2009 was as follows:

	2010				
	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$1,094,765,000	$172,345,000	$ (70,580,000)	$1,196,530,000	$ 65,371,000
Add: Unamortized premium	39,917,386	1,245,562	(2,351,732)	38,811,216	-
Less: Deferred charge on refunding	(1,728,238)	-	107,412	(1,620,826)	-
Total	$1,132,954,148	$173,590,562	$ (72,824,320)	$1,233,720,390	$ 65,371,000

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

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

7. DEBT SERVICE PAYABLE

Debt service payable represents the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. Debt service payable was $72,521,339 and $66,071,327 at June 30, 2010 and 2009, respectively.

8. LINE OF CREDIT

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to $75,000,000. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issue. Interest is due monthly on the outstanding balance, and accrues at 65% of U.S. dollar monthly LIBOR plus 90 basis points. The LIBOR rate at June 30, 2010 and 2009 were .348448 and .308758, respectively. The Authority pays a 20 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2010 and 2009.

9. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are considered to be operating leases. Lease expenditures for the years ended June 30, 2010 and 2009 were $379,044 and $330,506, respectively.

Future minimum lease payments for these leases are as follows:

Years ending June 30:	
2011	$ 389,595
2012	384,135
2013	384,135
2014	384,135
2015	266,727
Total	$ 1,808,727

10. RETIREMENT PLANS

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were $435,373 and $417,088 for the years ended June 30, 2010 and 2009, respectively. Substantially all full-time employees participate in this plan.

The Authority maintains a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the years ended June 30, 2010 and 2009 were $38,135 and $43,823, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

Balance, June 30, 2008	$ 200,238
Additions	219,655
Deletions	(193,063)
Balance June 30, 2009	226,830
Additions	222,400
Deletions	(238,891)
Balance June 30, 2010	$ 210,339

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

12. AGENCY TRANSACTIONS

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

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

13. LOSS ON INVESTMENTS

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

The fund is still in the liquidation process and it is not certain how much the Authority will ultimately recover. Based on distributions from the fund received through June 30, 2009, a loss of $8.2 million, the entire unrecovered balance, was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets. In fiscal year 2010, the Authority received funds from the liquidation process totaling $6.8 million, leaving a maximum potential loss of $1.4 million.

14. CONTINGENCIES

Litigation

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

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bond used to fund the loan cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indenture requires the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond. If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow with respect to the prepayment transaction. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. This variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2010. Loans totaling approximately $82 million have exercised this call provision subsequent to year end.

Risk Management

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

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

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

14. CONTINGENCIES (CONTINUED)

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

Obligating Events

For fiscal year 2010, the Authority has not committed or been the subject of any obligating events which would result in an accrued liability or capitalized asset, including environmental remediation.

15. RELATED PARTY

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

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF 2008 FINANCIAL STATEMENTS

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

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

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

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

17. SUBSEQUENT EVENTS

The following is a summary of loans and bonds that have closed since the Statement of Net Assets date as of June 30, 2010:

- Closed 50 loans totaling $115,370,742 in the Public Project Revolving Fund program.
- Issued one Public Project Revolving Fund Revenue Bond totaling $56,210,000.
- Closed three loans for the Drinking Water State Revolving Fund totaling $2,045,145.
- Closed 23 loan/grant projects totaling $19,677,476 out of the Water Projects Fund.

18. NEW ACCOUNTING PRONOUNCEMENTS

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

SUPPLEMENTARY SCHEDULES

NEW MEXICO FINANCE AUTHORITY

Combining Statement of Net Assets
June 30, 2010

	PPRF	GRIP	BEH Health	Child Care	Cigarette Tax 2006	DWRLF	Primary Care	Local Road Program	New Markets Tax Credit	Energy Efficiency	UNM Health Sciences Program	Workers' Comp Financing Program
ASSETS:												
Cash and equivalents:												
Unrestricted	$ 104,334,458	$ 2,765,231	$ 266,446	$ -	$ -	$ 12,654,134	$ 406	$ -	$ 74,986	$ -	$ -	$ -
Restricted	194,585,959	-	11,555	237,337	2,090,920	6,066,670	2,538,364	4,154,895	-	-	812,706	1,326,570
Receivables:												
Tax revenue	-	-	-	-	-	-	-	-	-	-	-	-
Interest	9,211,411	-	1,394	-	1,083	167,841	9,117	-	-	-	257,231	38,568
Grant and other	2,677,666	1,345,690	-	-	-	8,201	-	-	100,560	-	239,529	-
Due from other funds	3,040,826	(178,901)	(2,136)	(125,493)	-	(105,620)	(238,948)	4,828	(120,058)	(35,066)	-	-
Administrative fees receivable	425,869	112,310	127	-	-	18,454	-	-	-	-	-	-
Loans receivable, net of allowance	1,175,365,082	-	304,248	43,404	541,087	60,379,432	5,563,586	-	-	-	-	-
Intergovernmental receivables	124,242,525	-	-	-	-	-	-	-	-	-	17,405,000	2,080,000
Restricted asset - escrow	821,293	-	-	-	-	-	-	-	-	-	-	-
Capital assets, net of depreciation	273,500	-	-	-	-	-	-	-	-	-	-	-
Deferred cost, net of accumulated amortization	10,201,827	-	-	-	-	-	-	-	-	-	632,463	57,683
Other assets	57,442	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 1,625,237,858	$ 4,044,330	$ 581,634	$ 155,248	$ 2,633,090	$ 79,189,112	$ 7,872,525	$ 4,159,723	$ 55,488	$ (35,066)	$ 19,346,929	$ 3,502,821
LIABILITIES:												
Current Liabilities:												
Accounts payable and accrued liabilities	$ 1,178,415	$ -	$ -	$ -	$ -	$ 653,922	$ -	$ -	$ 75,000	$ -	$ -	$ -
Accrued payroll	121,236	15,735	447	129	-	6,064	1,207	307	5,122	48	-	-
Compensated absences	210,339	-	-	-	-	-	-	-	-	-	-	-
Undisbursed loan proceeds	115,755,854	-	-	250,000	-	-	277,679	-	-	-	-	-
Accrued interest	4,001,708	-	-	-	18,367	-	-	-	-	-	257,230	38,567
Due to other state agencies	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Debt service payable	72,262,720	-	11,555	-	-	245,457	-	-	-	-	-	-
Bonds payable, current, net	61,908,000	-	-	-	125,000	-	-	-	-	-	2,350,000	250,000
	255,438,272	15,735	12,002	250,129	143,367	905,443	278,886	307	80,122	48	2,607,230	288,567
Noncurrent liabilities:												
Bonds payable, noncurrent, net of bond discount/premium	1,144,819,970	-	-	-	1,875,000	-	-	-	-	-	16,250,420	1,830,000
TOTAL LIABILITIES	1,400,258,242	15,735	12,002	250,129	2,018,367	905,443	278,886	307	80,122	48	18,857,650	2,118,567
NET ASSETS:												
Invested in capital assets	273,500	-	-	-	-	-	-	-	-	-	-	-
Restricted for:												
Debt service	-	-	-	-	-	-	-	-	-	-	489,279	1,384,254
Program funds	121,455,776	-	303,506	(94,881)	614,723	66,271,067	7,593,233	4,159,416	-	(35,114)	-	-
Unrestricted	103,250,340	4,028,595	266,126	-	-	12,012,602	406	-	(24,634)	-	-	-
TOTAL NET ASSETS	224,979,616	4,028,595	569,632	(94,881)	614,723	78,283,669	7,593,639	4,159,416	(24,634)	(35,114)	489,279	1,384,254
TOTAL LIABILITIES AND NET ASSETS	$ 1,625,237,858	$ 4,044,330	$ 581,634	$ 155,248	$ 2,633,090	$ 79,189,112	$ 7,872,525	$ 4,159,723	$ 55,488	$ (35,066)	$ 19,346,929	$ 3,502,821

Combining Statement of Net Assets (Continued)
June 30, 2010

	State Capital Imprv Financing	State Office Bldg Bonding Program	Equipment Loan Program	Water and Wastewater Grant Program	Water Projects Program	Emergency Drought Water Program	Local Government Planning Program	Economic Development Program	Local Government Transportation Program	Bio-Mass Diary Program	Total
ASSETS:											
Cash and equivalents:											
Unrestricted	$ -	$ -	$ -	$ -	$ -	$ 289,715	$ -	$ -	$ -	$ -	$ 120,385,376
Restricted	404,926	6,771,022	1,607	4,404,799	11,247,341	-	191,786	3,952,421	27,459,868	2,026,411	268,285,157
Receivables:											
Tax revenue	-	-	-	-	-	-	-	-	-	-	-
Interest	84,015	-	3,047	-	-	-	-	24,703	-	-	9,798,410
Grant and other	-	-	-	-	-	-	-	-	-	-	4,371,646
Due from other funds	-	-	-	(57,709)	(759,279)	-	(10,729)	(1,290,762)	(120,953)	-	-
Administrative fees receivable	-	-	-	-	4,115	-	-	-	-	-	560,875
Loans receivable, net of allowance	-	-	197,000	-	6,501,166	-	-	3,227,224	-	-	1,252,122,229
Intergovernmental receivables	4,115,000	-	-	-	-	-	-	-	-	-	147,842,525
Restricted asset - escrow	-	-	-	-	-	-	-	-	-	-	821,293
Capital assets, net of depreciation	-	-	-	-	-	-	-	-	-	-	273,500
Deferred cost, net of accumulated amortization	27,340	-	-	-	-	-	-	-	-	-	10,919,313
Other assets	-	-	-	-	-	-	-	-	-	-	57,442
TOTAL ASSETS	$ 4,631,281	$ 6,771,022	$ 201,654	$ 4,347,090	$ 16,993,343	$ 289,715	$ 181,057	$ 5,913,586	$ 27,338,915	$ 2,026,411	$ 1,815,437,766
LIABILITIES:											
Current Liabilities:											
Accounts payable and accrued liabilities	$ 80,263	$ -	$ -	$ -	$ 800,000	$ -	$ -	$ -	$ -	$ -	$ 2,787,600
Accrued payroll	-	-	-	1,690	4,509	-	1,258	2,975	1,269	-	161,996
Compensated absences	-	-	-	-	-	-	-	-	-	-	210,339
Undisbursed loan proceeds	-	-	-	-	-	-	-	-	-	-	116,283,533
Accrued interest	84,015	-	3,047	-	-	-	-	-	-	-	4,402,934
Due to other state agencies	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Debt service payable	-	-	1,607	-	-	-	-	-	-	-	72,521,339
Bonds payable, current, net	710,000	-	28,000	-	-	-	-	-	-	-	65,371,000
	874,278	-	32,654	1,690	804,509	-	1,258	2,975	1,269	-	261,738,741
Noncurrent liabilities:											
Bonds payable, noncurrent, net of bond discount/premium	3,405,000	-	169,000	-	-	-	-	-	-	-	1,168,349,390
TOTAL LIABILITIES	4,279,278	-	201,654	1,690	804,509	-	1,258	2,975	1,269	-	1,430,088,131
NET ASSETS:											
Invested in capital assets	-	-	-	-	-	-	-	-	-	-	273,500
Restricted for:											
Debt service	352,003	6,771,022	-	-	-	-	-	-	-	-	8,996,558
Program funds	-	-	-	4,345,400	16,188,834	-	179,799	5,910,611	27,337,646	2,026,411	256,256,427
Unrestricted	-	-	-	-	-	289,715	-	-	-	-	119,823,150
TOTAL NET ASSETS	352,003	6,771,022	-	4,345,400	16,188,834	289,715	179,799	5,910,611	27,337,646	2,026,411	385,349,635
TOTAL LIABILITIES AND NET ASSETS	$ 4,631,281	$ 6,771,022	$ 201,654	$ 4,347,090	$ 16,993,343	$ 289,715	$ 181,057	$ 5,913,586	$ 27,338,915	$ 2,026,411	$ 1,815,437,766

Combining Statement of Revenues, Expenditures, and Changes in Net Assets
June 30, 2010

	PPRF	GRIP	BEH Health	Child Care	Cigarette Tax 2006	DWRLF	Primary Care	Local Road Program	New Markets Tax Credit	Energy Efficiency	UNM Health Sciences Program	Workers' Comp Financing Program
OPERATING REVENUES:												
Appropriation revenue	$ 24,314,901	$ -	$ -	$ -	$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ 2,398,664	$ 996,743
Federal grant revenue	-	-	-	-	-	12,933,604	-	-	-	-	-	-
Administrative fees	4,212,544	1,431,698	970	-	-	145,491	-	1,439,466	1,368,155	-	-	-
Interest on loans	53,236,068	-	9,128	1,409	16,401	1,056,381	142,109	-	-	-	1,401,415	160,556
Interest on investments	1,147,112	4,028	391	227	2,031	27,432	25,644	5,692	132	-	899	1,618
Total operating revenues	82,910,625	1,435,726	10,489	1,636	18,432	15,162,908	167,753	1,445,158	1,368,287	-	3,800,978	1,158,917
OPERATING EXPENDITURES:								-	-	-	-	-
Grant expense	19,945	-	-	-	-	2,785,889	-	1,189,778	-	-	-	-
Bond issuance costs	1,752,742	-	-	-	-	-	-	-	-	-	72,282	9,354
Administrative fee	61,288	-	-	-	-	-	-	-	-	-	107,691	-
Professional services	2,423,424	474,942	571	3,483	9,337	1,241,355	97,070	183	55,948	-	2,669	853
Salaries and fringe benefits	2,169,436	451,915	13,087	12,598	-	303,930	44,045	3,874	241,890	2,700	-	-
In-state travel	52,271	7,925	550	1,609	-	838	243	73	5,977	-	-	-
Out-of-state travel	15,831	9,705	116	116	-	3,149	116	205	6,498	1	-	-
Operating costs	579,258	93,483	2,832	3,135	-	57,615	10,371	1,038	56,204	594	-	-
Provision for loan losses	445,867	-	-	-	-	-	-	-	-	-	-	-
Debt service - interest expense	54,082,589	-	-	-	115,940	-	-	-	-	-	978,856	117,798
Total operating expenses	61,602,651	1,037,970	17,156	20,941	125,277	4,392,776	151,845	1,195,151	366,517	3,295	1,161,498	128,005
Operating income before depreciation	21,307,974	397,756	(6,667)	(19,305)	(106,845)	10,770,132	15,908	250,007	1,001,770	(3,295)	2,639,480	1,030,912
Depreciation	118,025	23,457	1,024	821	-	3,592	596	681	1,200	478	-	-
Total operating income (loss)	21,189,949	374,299	(7,691)	(20,126)	(106,845)	10,766,540	15,312	249,326	1,000,570	(3,773)	2,639,480	1,030,912
NON-OPERATING REVENUES (EXPENSES):												
Gain on investments	3,089,576	22,458	3,056	-	-	264,151	1,249	49,485	1,473	-	880	29,899
TOTAL NON-INTEREST EARNINGS (EXPENSES) BEFORE TRANSFERS	24,279,525	396,757	(4,635)	(20,126)	(106,845)	11,030,691	16,561	298,811	1,002,043	(3,773)	2,640,360	1,060,811
TRANSFERS:												
Transfers in (out)	(431,192)	-	31,981	-	(69,252)	-	-	-	-	-	(432,017)	-
Transfers from (to) other state agencies	(2,902,153)	-	-	-	-	(730,653)	-	-	-	-	(2,884,652)	(867,520)
TOTAL TRANSFERS	(3,333,345)	-	31,981	-	(69,252)	(730,653)	-	-	-	-	(3,316,669)	(867,520)
CHANGE IN NET ASSETS	20,946,180	396,757	27,346	(20,126)	(176,097)	10,300,038	16,561	298,811	1,002,043	(3,773)	(676,309)	193,291
TOTAL NET ASSETS, BEGINNING OF YEAR (as restated)	204,033,436	3,631,838	542,286	(74,755)	790,820	67,983,631	7,577,078	3,860,605	(1,026,677)	(31,341)	1,165,588	1,190,963
TOTAL NET ASSETS, END OF YEAR	$ 224,979,616	$ 4,028,595	$ 569,632	$ (94,881)	$ 614,723	$ 78,283,669	$ 7,593,639	$ 4,159,416	$ (24,634)	$ (35,114)	$ 489,279	$ 1,384,254

Combining Statement of Revenues, Expenditures, and Changes in Net Assets (Continued)
June 30, 2010

	State Capital Imprv Financing	State Office Bldg Bonding Program	Equipment Loan Program	Water and Wastewater Grant Program	Water Projects Program	Emergency Drought Water Program	Local Government Planning Program	Economic Development Program	Local Government Transportation Program	Bio-Mass Diary Program	Total
OPERATING REVENUES:											
Appropriation revenue	$ 12,069	$ -	$ -	$ -	$ 4,000,000	$ -	$ -	$ (5,000,000)	$ (16,000,000)	$ -	$ 11,722,377
Federal grant revenue	-	-	-	-	29,251,042	-	-	-	-	-	42,184,646
Administrative fees	-	-	-	-	23,404	-	-	-	-	-	8,621,728
Interest on loans	406,889	-	17,615	-	-	-	-	215,794	-	-	56,663,765
Interest on investments	757	14,107	29	8,302	22,216	496	644	14,434	63,860	3,472	1,343,523
Total operating revenues	419,715	14,107	17,644	8,302	33,296,662	496	644	(4,769,772)	(15,936,140)	3,472	120,536,039
OPERATING EXPENDITURES:											
Grant expense	-	-	-	537,448	28,354,274	-	207,841	-	27,011,683	-	60,106,858
Bond issuance costs	5,807	-	-	-	-	-	-	-	-	-	1,840,185
Administrative fee	11,531	36,788	-	-	-	-	-	-	-	-	217,298
Professional services	-	-	-	17,575	326,791	-	16,658	53,344	2,658	381	4,727,242
Salaries and fringe benefits	-	-	-	54,653	310,500	-	44,653	141,915	13,687	-	3,808,883
In-state travel	-	-	-	13	5,287	-	1,153	4,663	-	-	80,602
Out-of-state travel	-	-	-	3	527	-	25	1,107	-	-	37,399
Operating costs	-	-	-	11,250	68,039	-	10,259	35,111	3,032	-	932,221
Provision for loan losses	-	-	-	-	-	-	-	-	-	-	445,867
Debt service - interest expense	309,400	-	17,644	-	-	-	-	-	-	-	55,622,227
Total operating expenses	326,738	36,788	17,644	620,942	29,065,418	-	280,589	236,140	27,031,060	381	127,818,782
Operating income before depreciation	92,977	(22,681)	-	(612,640)	4,231,244	496	(279,945)	(5,005,912)	(42,967,200)	3,091	(7,282,743)
Depreciation	-	-	-	9,136	13,532	2,912	7,175	15,199	-	-	197,828
Total operating income (loss)	92,977	(22,681)	-	(621,776)	4,217,712	(2,416)	(287,120)	(5,021,111)	(42,967,200)	3,091	(7,480,571)
NON-OPERATING REVENUES (EXPENSES):											
Gain on investments	11,658	173,874	-	52,129	102,794	4,400	15,412	160,220	2,783,290	(7,689)	6,758,315
TOTAL NON-INTEREST EARNINGS (EXPENSES) BEFORE TRANSFERS	104,635	151,193	-	(569,647)	4,320,506	1,984	(271,708)	(4,860,891)	(40,183,910)	(4,598)	(722,256)
TRANSFERS:											
Transfers in (out)	-	946,980	-	(46,500)	-	-	-	-	-	-	-
Transfers from (to) other state agencies	-	(685,552)	-	-	-	-	-	-	-	-	(8,070,530)
TOTAL TRANSFERS	-	261,428	-	(46,500)	-	-	-	-	-	-	(8,070,530)
CHANGE IN NET ASSETS	104,635	412,621	-	(616,147)	4,320,506	1,984	(271,708)	(4,860,891)	(40,183,910)	(4,598)	(8,792,786)
TOTAL NET ASSETS, BEGINNING OF YEAR	247,368	6,358,401	-	4,961,547	11,868,328	287,731	451,507	10,771,502	67,521,556	2,031,009	394,142,421
TOTAL NET ASSETS, END OF YEAR	$ 352,003	$ 6,771,022	$ -	$ 4,345,400	$ 16,188,834	$ 289,715	$ 179,799	$ 5,910,611	$ 27,337,646	$ 2,026,411	$ 385,349,635

Combining Statement of Cash Flows
June 30, 2010

	PPRF	GRIP	BEH Health	Child Care	Cigarette Tax 2006	DWRLF	Primary Care	Local Road Program	New Markets Tax Credit	Energy Efficiency	UNM Health Sciences Program	Workers' Comp Financing Program
CASH FLOWS FROM OPERATING ACTIVITIES												
Cash paid for employee services	$ (2,193,921)	$ (451,916)	$ (13,088)	$ (12,598)	$ -	$ (303,930)	$ (44,046)	$ (3,874)	$ (241,890)	$ (2,700)	$ -	$ -
Cash paid to vendors for services	(3,039,472)	(590,881)	(4,069)	(8,342)	(9,337)	(2,102,955)	(107,800)	(1,500)	(124,629)	(596)	(110,360)	(854)
Bond issuance costs	(1,799,148)	-	-	-	-	168,110	-	-	-	-	-	-
Interest expense paid	(54,349,412)	-	-	-	(117,088)	-	-	-	-	-	(1,144,185)	(121,989)
Grants awarded	-	-	-	-	-	(2,785,889)	-	(1,189,778)	-	-	-	-
Appropriation revenue	26,600,472	-	-	-	-	1,000,000	-	-	-	-	3,016,945	996,743
Cash received from federal government for revolving loans	-	-	-	-	-	14,013,108	-	-	-	-	-	-
Interest income received	53,194,527	4,028	9,671	1,761	18,293	1,119,292	158,636	5,692	132	-	1,145,084	123,607
Administrative fees received	3,963,740	1,439,466	844	-	-	152,536	-	1,439,466	1,368,155	-	-	-
Transfers from other funds	86,756	41,445	(14,825)	20,939	-	76,915	32,034	(6,655)	(902,626)	3,296	-	-
Net cash provided by (used in) operating activities	22,463,542	442,142	(21,467)	1,760	(108,132)	11,337,187	38,824	243,351	99,142	-	2,907,484	997,507
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES												
Operating transfers, net	(431,192)	-	31,981	-	(69,252)	-	-	-	-	-	(432,017)	-
Cash paid to subrecipients for services	(2,902,153)	-		-	-	(730,653)	-	-	-	-	(2,884,652)	(867,520)
Cash provided (used) by funds held for others	(65,380,630)	-	(796)	-	-	(581,974)	(937,396)	-	-	-	-	-
Net cash provided by (used in) non-capital financing activities	(68,713,975)	-	31,185	-	(69,252)	(1,312,627)	(937,396)	-	-	-	(3,316,669)	(867,520)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Effects of operating assets and liabilities:												
Investment in Partnership	-	-	-	-	-	-	-	-	(99,010)	-	-	-
Loans funded	(195,206,132)	-	-	(6,938)	(69,578)	(10,533,683)	-	-	-	-	-	-
Loan payments received	73,542,066	-	33,207	-	-	2,002,402	530,824	-	-	-	2,450,000	235,000
Bonds issued	172,345,000	-	-	-	-	-	-	-	-	-	-	-
Payment of bonds	(66,958,000)	-	-	-	(125,000)	-	-	-	-	-	(2,450,000)	(235,000)
Debt service	6,260,442	-	828	-	-	325	263,394	-	-	-	(1)	-
Loss on investments	-	-	-	-	-	-	-	-	-	-	-	-
Recovery payments from loss on investments	3,089,577	22,458	3,056	-	-	264,151	1,249	49,485	1,473	-	880	29,899
Capital asset purchases	(273,500)	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	(7,200,547)	22,458	37,091	(6,938)	(194,578)	(8,266,805)	795,467	49,485	(97,537)	-	879	29,899
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,450,980)	464,600	46,809	(5,178)	(371,962)	1,757,755	(103,105)	292,836	1,605	-	(408,306)	159,886
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	352,371,397	2,300,631	231,192	242,515	2,462,882	16,963,049	2,641,875	3,862,059	73,381	-	1,221,012	1,166,684
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 298,920,417	$ 2,765,231	$ 278,001	$ 237,337	$ 2,090,920	$ 18,720,804	$ 2,538,770	$ 4,154,895	$ 74,986	$ -	$ 812,706	$ 1,326,570
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES												
Total operating income (loss)	$ 21,189,949	$ 374,299	$ (7,691)	$ (20,126)	$ (106,845)	$ 10,766,540	$ 15,312	$ 249,326	$ 1,000,570	$ (3,773)	$ 2,639,480	$ 1,030,912
Adjustments to change in net assets:												
Depreciation and amortization	(641,897)	23,458	1,024	821	-	3,592	595	681	1,200	477	(64,338)	-
Net transfers	-	-	-	-	-	-	-	-	-	-	-	-
Prepaids and receivables	(451,187)	2,939	25	125	(139)	1,122,029	(9,117)	-	-	-	361,052	(29,213)
Payables and other accrued liabilities	2,366,677	41,446	(14,825)	20,940	(1,148)	(554,974)	32,034	(6,656)	(902,628)	3,296	(28,710)	(4,192)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 22,463,542	$ 442,142	$ (21,467)	$ 1,760	$ (108,132)	$ 11,337,187	$ 38,824	$ 243,351	$ 99,142	$ -	$ 2,907,484	$ 997,507

	State Capital Imprv Financing	State Office Bldg Bonding Program	Equipment Loan Program	Water and Wastewater Grant Program	Water Projects Program	Emergency Drought Water Program	Local Government Planning Program	Economic Development Program	Local Government Transportation Program	Bio-Mass Diary Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES											
Cash paid for employee services	$ -	$ -	$ -	$ (54,653)	$ (310,502)	$ -	$ (44,654)	$ (141,915)	$ (13,686)	$ -	$ (3,833,373)
Cash paid to vendors for services	(11,531)	-	-	(28,842)	399,357	-	(28,095)	(94,225)	(5,690)	(381)	(5,870,202)
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	(1,631,038)
Interest expense paid	(322,875)	-	(19,904)	-	-	-	-	-	-	-	(56,075,453)
Grants awarded	-	-	-	(537,447)	(28,354,274)	-	(207,842)	-	(27,011,683)	-	(60,086,913)
Appropriation revenue	12,069	-	-	-	33,251,042	-	-	(5,000,000)	(16,000,000)	-	43,877,271
Cash received from federal government for revolving loans	-	-	-	-	-	-	-	-	-	-	14,013,108
Interest income received	323,632	14,107	19,904	8,302	22,216	496	645	220,323	63,859	3,472	56,457,679
Administrative fees received	-	(36,788)	-	-	20,658	-	-	-	-	-	8,348,077
Transfers from other funds	-	-	-	41,932	555,045	-	(1,502)	47,869	19,377	-	-
Net cash provided by (used in) operating activities	1,295	(22,681)	-	(570,708)	5,583,542	496	(281,448)	(4,967,948)	(42,947,823)	3,091	(4,800,844)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES											
Operating transfers, net	-	946,980	-	(46,500)	-	-	-	-	-	-	-
Cash paid to subrecipients for services	-	(685,552)	-	-	-	-	-	-	-	-	(8,070,530)
Cash provided (used) by funds held for others	-	-	-	-	-	-	-	-	-	-	(66,900,796)
Net cash provided by (used in) non-capital financing activities	-	261,428	-	(46,500)	-	-	-	-	-	-	(74,971,326)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES											
Effects of operating assets and liabilities:											
Investment in Partnership	-	-	-	-	-	-	-	-	-	-	(99,010)
Loans funded	-	-	-	-	(4,672,161)	-	-	(1,650,000)	-	-	(212,138,492)
Loan payments received	660,000	-	152,000	-	441,904	-	-	82,205	-	-	80,129,608
Bonds issued	-	-	-	-	-	-	-	-	-	-	172,345,000
Payment of bonds	(660,000)	-	(152,000)	-	-	-	-	-	-	-	(70,580,000)
Debt service	-	-	(255)	-	-	-	-	-	-	-	6,524,733
Loss on investments	-	-	-	-	-	-	-	-	-	-	-
Recovery payments from loss on investments	11,658	173,874	-	52,129	102,794	4,400	15,411	160,220	2,783,290	(7,689)	6,758,315
Capital asset purchases	-	-	-	-	-	-	-	-	-	-	(273,500)
Net cash provided by (used in) capital and related financing activities	11,658	173,874	(255)	52,129	(4,127,463)	4,400	15,411	(1,407,575)	2,783,290	(7,689)	(17,333,346)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,953	412,621	(255)	(565,079)	1,456,079	4,896	(266,037)	(6,375,523)	(40,164,533)	(4,598)	(97,105,516)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	391,973	6,358,401	1,862	4,969,878	9,791,262	284,819	457,823	10,327,944	67,624,401	2,031,009	485,776,049
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 404,926	$ 6,771,022	$ 1,607	$ 4,404,799	$ 11,247,341	$ 289,715	$ 191,786	$ 3,952,421	$ 27,459,868	$ 2,026,411	$ 388,670,533
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES											
Total operating income (loss)	$ 92,977	$ (22,681)	$ -	$ (621,776)	$ 4,217,712	$ (2,416)	$ (287,120)	$ (5,021,111)	$ (42,967,200)	$ 3,091	$ (7,480,571)
Adjustments to change in net assets:											
Depreciation and amortization	-	-	-	9,136	13,532	2,912	7,174	15,199	-	-	(626,434)
Net transfers	-	-	-	-	-	-	-	-	-	-	-
Prepaids and receivables	(78,207)	-	2,261	-	(2,747)	-	-	(9,905)	-	-	907,916
Payables and other accrued liabilities	(13,475)	-	(2,261)	41,932	1,355,045	-	(1,502)	47,869	19,377	-	2,398,245
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 1,295	$ (22,681)	$ -	$ (570,708)	$ 5,583,542	$ 496	$ (281,448)	$ (4,967,948)	$ (42,947,823)	$ 3,091	$ (4,800,844)

Agency Funds – Schedule of Changes in Assets and Liabilities
Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Department of Transportation Revenue Bonds, Series 2004				
Fund 315				
ASSETS				
Cash and investments	$ 82,538,863	$ 61,262,599	$ 82,380,781	$ 61,420,681
TOTAL ASSETS	$ 82,538,863	$ 61,262,599	$ 82,380,781	$ 61,420,681
LIABILITIES				
Deposit held in trust for others	$ 82,538,863	$ 61,262,599	$ 82,380,781	$ 61,420,681
TOTAL LIABILITIES	$ 82,538,863	$ 61,262,599	$ 82,380,781	$ 61,420,681
Department of Transportation Revenue Bonds, Series 2006				
Fund 322				
ASSETS				
Cash and investments	$ 76,859,122	$ 34,479,367	$ 76,942,148	$ 34,396,341
TOTAL ASSETS	$ 76,859,122	$ 34,479,367	$ 76,942,148	$ 34,396,341
LIABILITIES				
Deposit held in trust for others	$ 76,859,122	$ 34,479,367	$ 76,942,148	$ 34,396,341
TOTAL LIABILITIES	$ 76,859,122	$ 34,479,367	$ 76,942,148	$ 34,396,341
Department of Transportation Refunding Revenue Bonds, Series 2008				
Fund 326				
ASSETS				
Cash and investments	$ 3,656,637	$ 24,796,381	$ 25,192,244	$ 3,260,774
TOTAL ASSETS	$ 3,656,637	$ 24,796,381	$ 25,192,244	$ 3,260,774
LIABILITIES				
Deposit held in trust for others	$ 3,656,637	$ 24,796,381	$ 25,192,244	$ 3,260,774
TOTAL LIABILITIES	$ 3,656,637	$ 24,796,381	$ 25,192,244	$ 3,260,774
Fund 327				
ASSETS				
Cash and investments	$ -	$ 415,412	$ 366,303	$ 49,109
TOTAL ASSETS	$ -	$ 415,412	$ 366,303	$ 49,109
LIABILITIES				
Deposit held in trust for others	$ -	$ 415,412	$ 366,303	$ 49,109
TOTAL LIABILITIES	$ -	$ 415,412	$ 366,303	$ 49,109

SINGLE AUDIT

	Federal Catalog Number	Federal Expenditures FY 2010
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 8,769,931
Capitalization Grants for Drinking Water - ARRA State Revolving Funds	66.468	4,159,208
Total		$ 12,929,139

GENERAL

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

1. BASIS OF ACCOUNTING

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

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

Transfers to other State agencies	$ 1,530,563
Total non-interest expense	1,216,780
Total EPA expenditures per Statement of Revenues, Expenditures and Changes in Fund Net Assets	2,747,433
Total loans issued from Federal Draws included in loans receivable on Statement of Net Assets	8,200,282
Loan forgiveness	2,785,889
Reimbursement for prior year transfers to other State agencies	(800,000)
Total EPA expenditures	$ 12,933,604

The Authority administers loans under the EPA Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2010 are $60,379,432. Only the value of new loans expended during the fiscal year are included in the accompanying schedule.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

We have audited the basic financial statements of New Mexico Finance Authority (the Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs and responses as finding 2010-1 to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Authority in a separate letter dated February 18, 2011.

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

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

Clifton Gunderson LLP

Baltimore, Maryland
February 18, 2011

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

Compliance

We have audited New Mexico Finance Authority's (the Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Clifton Gunderson LLP

Baltimore, Maryland
February 18, 2011

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

Name of Federal Program	CFDA Number	Expenditures
Capitalization Grant for Drinking Water State Revolving Funds	66.468	$ 8,769,931
Capitalization Grant for Drinking Water State Revolving Funds - ARRA	66.468	4,159,208

Dollar threshold used to distinguish between type A and type B programs: $ 387,874

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

Finding 2010-1 – Reporting Deadline

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

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

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

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

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

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

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

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

Finding 2009-01 – Material Adjustments

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

- Disposition of refunding escrow balances related to defeased bonds reported as assets in error. This resulted in a prior period adjustment of ($82,377,416).
- Intergovernmental receivables not previously recorded. This resulted in a prior period adjustment of $168,165,000.
- Defeased bonds payable and related accrued interest recorded as liabilities in error. This resulted in a prior period adjustment of $84,345,199.
- Write-off of unamortized deferred issuance costs related to defeased bonds. This resulted in a prior period adjustment of ($1,264,976).
- Revenues originally reported as appropriation revenue restated as reductions to intergovernmental receivables. This resulted in a prior period adjustment of ($6,560,000).
- Other revenues and expenses removed i77to reflect defeased bonds payable. This resulted in a prior period adjustment of $25,975.

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

Status
This finding was corrected in the current year.

Finding 2009-2 – Reporting Deadline

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

Status
See current year finding 2010-1.

An exit conference was held with the Authority on February 28, 2011. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

NEW MEXICO FINANCE AUTHORITY

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