New Mexico Finance Authority

State of New Mexico

Financial Statements
and
Independent Auditors' Report

June 30, 2012

REDW LLC
CPAs | Business & Financial Advisors

New Mexico Finance Authority
Table of Contents

	Page
Official Roster	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Financial Statements	
Statement of Net Assets	14
Statement of Revenues, Expenses and Changes in Net Assets	15
Statement of Cash Flows	16-17
Agency Funds — Statement of Assets and Liabilities	18
Notes to the Financial Statements	19-40
Supplementary Schedules	
Combining Statement of Net Assets	41-43
Combining Statement of Revenues, Expenses, and Changes in Net Assets	44-46
Combining Statement of Cash Flows	47-49
Agency Funds — Schedule of Changes in Assets and Liabilities	50
Schedule of Pledged Collateral	51
Single Audit	
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53
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	54-55

New Mexico Finance Authority

Table of Contents — continued

	Page
Independent Auditor’s 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	56-57
Schedule of Findings and Questioned Costs	58-74
Schedule of Prior Year Findings and Questioned Costs	75
Corrective Action Plan	76
Exit Conference	77

New Mexico Finance Authority

Official Roster

Year Ended June 30, 2012

Governing Board
Denise K. Baker, Chair
William F. Fulginiti, Vice Chair
Paul Gutierrez, Secretary
Blake Curtis, Treasurer
Tom Clifford, Member
Jon Barela, Member
John Bemis, Member
David Martin, Member
Lonnie Marquez, Member
Terry White, Member
Jerry L. Jones, Member

Chief Executive Officer
Richard E. May

Chief Operating Officer/Chief Financial Officer
John Duff

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and cash flows thereof 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 April 24, 2013, on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

REDW LLC

Albuquerque, New Mexico
April 24, 2013

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Introduction

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial position at June 30, 2012 and its financial performance during the fiscal year then ended. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

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

Overview of the Financial Statements

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles and include the following three statements:

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

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

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Financial Highlights

- The Authority's overall financial position improved slightly in the past year. The key indicator is total net assets which increased by $33.2 million or 8.7%.
- The Authority's unrestricted cash was reduced by 32.7%. Restricted cash decreased by 21.4% or $28.9 million in 2012.
- Loans receivable increased by $93.1 million or 7.6% in 2012, primarily as a result of new loans made during the year totaling $322.7 million less loan payments received of $231.1 million and allowance for loan loss decrease of $1.5 million. Loan payments include loan payoffs of $12.7 million. The number and amount of early loan payoffs decreased significantly from 2011 as interest rates began to stabilize.
- Bonds payable decreased by $5.9 million in 2012 resulting from the issuance of $135 million of new bonds, principal payments on outstanding bonds of $139.8 million, and increase in unamortized bond premium of $1.2 million and the amortization (reduction) of bond premium and deferred charge of $2.3 million.
- Undisbursed loan proceeds to be provided decreased by $0.7 million during 2012 indicating stable draw requests against loan proceeds from borrowers.
- Appropriation revenue increased by $8.3 million in fiscal year 2012, representing about 23.8% over fiscal year 2011. The increase reflects the fluctuation in the governmental gross receipts taxes.
- A $.54 million or 8.0% increase in administrative and processing fees revenue from $6.8 million in 2011 to $7.4 million in 2012, was experienced.
- Operating expenses (excluding grants to local governments, bond issuance cost, and debt service – interest expense) decreased 34.6% or from $10.7 million in 2011 to $7.0 million in 2012 representing an expected decrease of $3.7 million.
- Grant expense decreased 21.9% or $11.8 million as the Authority leveled its program grant expenses, which were increased in 2011 to recover from previous years' under activity.
- Reversions to the State General Fund for fiscal year 2012 were $3.4 million.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Statement of Net Assets

The following presents condensed, combined statements of net assets as of June 30, 2012 and 2011, with the dollar and percentage change:

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 80,351,262	$ 119,475,379	$ (39,124,117)	-32.7%
Restricted	106,424,138	135,349,071	(28,924,933)	-21.4%
Investments – restricted	125,496,887	119,189,886	6,307,001	5.3%
Loans receivable, net of allowance	1,315,526,827	1,222,384,290	93,142,537	7.6%
Intergovernmental receivables	132,180,805	140,811,240	(8,630,435)	-6.1%
Other receivables	11,195,806	13,139,725	(1,943,919)	-14.8%
Capital assets	239,589	187,411	52,178	27.8%
Other assets	10,878,718	10,732,577	146,141	1.4%
Total assets	**$ 1,782,294,032**	**$ 1,761,269,579**	**$ 21,024,453**	1.2%
Liabilities				
Bonds payable, net	$ 1,217,118,299	$ 1,223,042,042	$ (5,923,743)	-0.5%
Undisbursed loan proceeds	73,864,493	74,534,357	(669,864)	-0.9%
Advanced loan payments	70,884,890	76,070,383	(5,185,493)	-6.8%
Accounts payable, accrued payroll and compensated absences	571,388	693,147	(121,759)	-17.6%
Other liabilities	6,806,772	7,086,492	(279,720)	-3.9%
Total liabilities	**1,369,245,842**	**1,381,426,421**	**(12,180,579)**	-0.9%
Net Assets				
Invested in capital assets	$ 239,589	187,411	52,178	27.8%
Restricted for debt service	74,009,248	27,721,370	46,287,878	167.0%
Restricted for program commitments	196,844,296	232,903,567	(36,059,271)	-15.5%
Unrestricted	141,955,057	119,030,810	22,924,247	19.3%
Total net assets	**413,048,190**	**379,843,158**	**33,205,032**	8.7%
Total liabilities and net assets	**$ 1,782,294,032**	**$ 1,761,269,579**	**$ 21,024,453**	**1.2%**

The Authority's overall financial position improved slightly in the past year. The key indicator is total net assets which increased by $33.2 million or 8.7%.

Assets

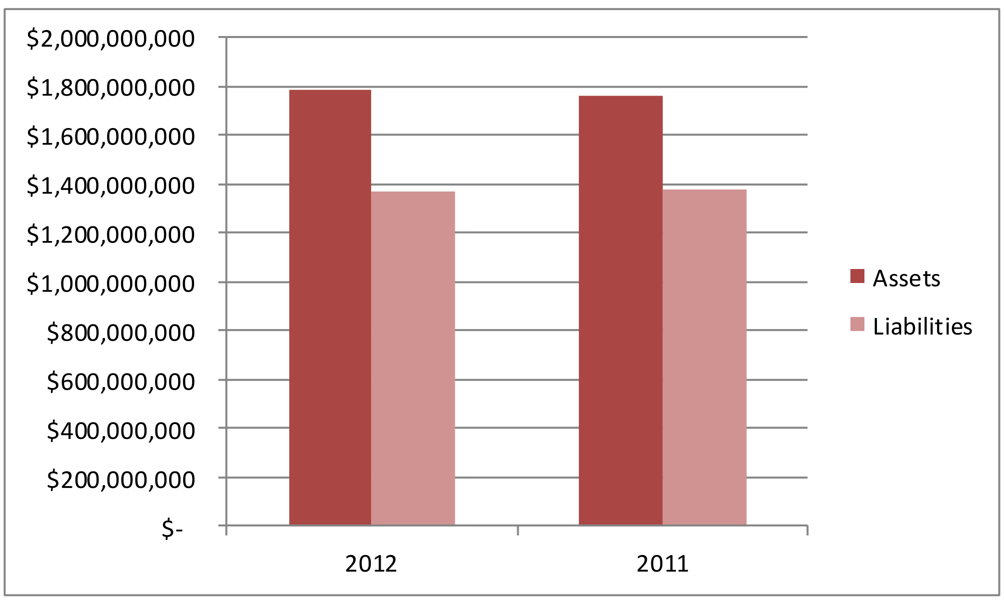
Loans receivable increased by $93.1 million or by 7.6% in 2012. New loans made during the year total $322.7 million; loan payments received were $231.1 million.

The allowance for loans uncollectible loans decreased $1.5 million due to changes in management's estimate of losses, which are supported by risk evaluations performed by a third party. The number and amount of early loan payoffs decreased significantly from 2011 as interest rates began to stabilize.

Total cash and investments declined by 16.5% from $374.0 million in 2011 to $312.3 million in 2012 primarily because new loans made exceeded debt issued during the year. The majority of the new loans will be reimbursed through the issue of new debt in fiscal year 2013.

Liabilities

Bonds payable decreased by $5.9 million in 2012 resulting from the issuance of $135 million of new bonds, principal payments on outstanding bonds of $139.8 million, and amortization of bond premium of $2.3 million. Undisbursed loan proceeds to be provided decreased by $0.7 million during 2012 indicating stable draw requests against loan proceeds from borrowers. Advanced loan payments increased $5.2 million due to increased loans outstanding.
The following chart indicates ratio of assets to liabilities:



Statement of Revenue, Expenses and Changes in Net Assets

The following table presents the condensed combined statement of revenue, expenses and changes in net asset for 2012 and 2011 fiscal years:

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative fees	$ 7,352,753	$ 6,808,876	$ 543,877	8.0%
Interest on loans	54,459,612	55,572,510	(1,112,898)	-2.0%
Interest on investments	436,387	805,923	(369,536)	-45.9%
Total operating revenues	62,248,752	63,187,309	(938,557)	-1.5%
Expenses				
Grants to local governments	42,063,551	53,887,305	(11,823,754)	-21.9%
Bond issuance costs	1,272,046	697,665	574,381	82.3%
Professional services	2,520,763	2,212,384	308,379	13.9%
Salaries and benefits	3,976,586	4,184,572	(207,986)	-5.0%
Debt service – interest expense	55,005,184	56,681,856	(1,676,672)	-3.0%
Other expense	510,604	4,316,239	(3,805,635)	-88.2%
Total operating expenses	105,348,734	121,980,021	(16,631,287)	-13.6%
Net operating loss	(43,099,982)	(58,792,712)	15,692,730	-26.7%
Nonoperating Revenues (Expenses)				
Appropriation revenue	43,146,845	34,842,554	8,304,291	23.8%
Grant revenue	41,883,216	42,924,828	(1,041,612)	-2.4%
Reversions and transfers	(8,725,047)	(24,481,147)	15,756,100	-64.4%
	76,305,014	53,286,235	23,018,779	43.2%
Increase in net assets	33,205,032	(5,506,477)	38,711,509	-703.0%
Net assets, beginning of year	379,843,158	385,349,635	(5,506,477)	-1.4%
Net assets, end of year	**$ 413,048,190**	**$ 379,843,158**	**$ 33,205,032**	**8.7%**

Operating revenue remained fairly constant at $62.2 million. Interest on investments continued to decline, experiencing 45.9% decline in revenues compared to 2011. Appropriation revenue increased 23.8% while grant revenue remained fairly constant at a decrease of 2.4%.

Overall costs decreased 13.6% due to a change in estimated loan loss which decreased by $4.0 million and decreased grant expense of $11.8 million. The estimate change was made based on third party review of the risk of the outstanding direct equity loans and grant expense leveled after a grant activity recovery effort in fiscal year 2011.

Long-Term Debt

Long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2012, the total amount outstanding was $1.2 billion (excluding $1.6 billion in GRIP bonds that are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 7 to the financial statements.

During the fiscal year, the Authority issued $135 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

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

Public Project Revolving Fund

The Authority was created in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for-profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 1,052 loans totaling $2.32 billion.

The PPRF issues loans of less than $5 million from its own funds and then replenishes its cash 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 commercial lending institution. Infrastructure finance agencies similar to the PPRF are often called "bond banks." Financial statements for the PPRF are presented in the following pages in a format similar to that employed by commercial banking organizations.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2012

Public Project Revolving Fund
Statements of Net Assets
June 30

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	$ 53,637,734	$ 97,054,346	$ (43,416,612)	-45%
Restricted	67,315,479	96,368,542	(29,053,063)	-30%
Restricted investments	125,496,887	119,189,886	6,307,001	5%
Accounts receivable and other	10,494,432	16,714,736	(6,220,304)	-37%
Loans receivable, net of allowance	1,226,886,603	1,140,391,615	86,494,988	8%
Due from the State of New Mexico	111,305,000	114,370,000	(3,065,000)	-3%
Capital assets	205,513	187,411	18,102	10%
Other assets	26,784,977	17,367,540	9,417,437	54%
Total assets	**$ 1,622,126,625**	**$ 1,601,644,076**	**$ 20,482,549**	1%
Liabilities				
Accounts payable and accrued payroll liabilities	$ 5,923,640	$ 7,647,974	$ (1,724,334)	-22.5%
Undisbursed loan proceeds	73,787,401	74,472,265	(684,864)	-0.9%
Borrowers' debt service and reserve deposits	77,039,173	77,020,002	19,171	0.0%
Bonds payable, net	1,198,797,118	1,199,649,242	(852,124)	-0.1%
Total liabilities	**1,355,547,332**	**1,358,789,483**	**(3,242,151)**	-0.2%
Net Assets				
Invested in capital assets	205,513	187,411	18,102	9.7%
Restricted for program funds	144,405,478	145,612,836	(1,207,358)	-0.8%
Unrestricted	121,968,302	97,054,346	24,913,956	25.7%
Total net assets	**266,579,293**	**242,854,593**	**23,724,700**	9.8%
Total liabilities and net assets	**$ 1,622,126,625**	**$ 1,601,644,076**	**$ 20,482,549**	1.3%

Loan Volume

	2012	2011	Since Inception
Amount of loans made	$310.0 million	$168.2 million	$2.32 billion
Number of loans made	86	87	1,052
Average loan size	$3.6 million	$1.9 million	$2.2 million

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

	2012	2011	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	$ 52,000,267	$ 52,828,553	$ (828,286)	-1.6%
Investments	276,618	384,701	(108,083)	-28.1%
Total interest income	52,276,885	53,213,254	(936,369)	-1.8%
Interest Expense				
Bonds	54,039,449	55,170,397	(1,130,948)	-2.0%
Short-term borrowing	114,479	157,843	(43,364)	-27.5%
Total interest expense	54,153,928	55,328,240	(1,174,312)	-2.1%
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(1,877,043)	(2,114,986)	237,943	-11.3%
Less provision for loan losses	1,633,297	(1,164,527)	2,797,824	-240.3%
Net interest loss after provision for loan losses	(243,746)	(3,279,513)	3,035,767	-92.6%
Noninterest Income				
Loan administration fees	3,366,234	3,134,894	231,340	7.4%
Appropriation revenues	27,405,961	26,909,639	496,322	1.8%
Total noninterest income	30,772,195	30,044,533	727,662	2.4%
Noninterest Expense				
Salaries and benefits	2,543,974	2,421,316	122,658	5.1%
Professional services	1,075,421	1,279,285	(203,864)	-15.9%
Bond issuance costs	1,145,628	610,222	535,406	46.7%
Other	1,283,993	1,883,649	(599,656)	-31.8%
Total noninterest expense	6,049,016	6,194,472	(145,456)	-2.3%
Excess of revenues over expenditures	24,479,433	20,570,548	3,908,885	19.0%
Transfers to other funds or agencies	(754,733)	(2,695,573)	1,940,840	-72.0%
Increase (decrease) in net assets	**23,724,700**	**17,874,975**	**5,849,725**	**32.7%**
Net assets, beginning of year	**242,854,593**	**224,979,618**	**17,874,975**	**7.9%**
Net assets, end of year	**$ 266,579,293**	**$ 242,854,593**	**$ 23,724,700**	**9.8%**

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 2012, the PPRF had a net interest loss of $.24 million, compared to $3.28 million in 2011. This is a result of a reduction in the allowance for loan losses and market conditions in which $111.2 million in PPRF loans exercised their early call in 2011 provisions and the Authority relent those loan repayments at moderately lower interest rates.

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. Seventy-five percent of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $26,204,287 in 2012, a $1,686,073 increase from the $24,518,214 received in 2011. The GGRT funds are used as follows:

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

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2012, and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	$1.6 billion	$1.8 billion	89%
Net assets	$266.6 million	$413.0 million	65%
Revenues	$83.0 million	$147.3 million	56%

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

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

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

A for-profit limited liability company operated by the Authority has been awarded a total of $156 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. During 2012, the Authority made two awards totaling $24 million. Subsequent to June 30, 2012, the Authority has made two additional awards under this program totaling $23 million. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

Contacting the Authority's Financial Management

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

New Mexico Finance Authority (NMFA)
207 Shelby Street
Santa Fe, New Mexico 87501

Financial Statements

Statement of Net Assets
June 30, 2012

Assets	
Current assets	
Cash and equivalents	
Unrestricted	$ 80,351,262
Restricted	106,424,138
Interest receivable	8,452,919
Grants and other receivables	2,440,281
Prepaid rent	19,500
Administrative fees receivable	302,606
Investment in Finance New Mexico LLC	99,010
Loans receivable, net of allowance	91,665,256
Intergovernmental receivables	6,286,962
Total current assets	296,041,934
Noncurrent assets	
Restricted investments	125,496,887
Loans receivable, net of allowance	1,223,861,571
Intergovernmental receivables	125,893,843
Capital assets, net of accumulated depreciation	239,589
Deferred debt issuance cost, net of accumulated amortization	10,760,208
Total assets	$ 1,782,294,032
Liabilities	
Current liabilities	
Accounts payable	$ 199,643
Accrued payroll	94,751
Compensated absences	276,994
Funds held for others	385,495
Bond interest payable	4,287,863
Undisbursed loan proceeds	73,864,493
Advanced loan payments	70,884,890
Bonds payable, net	81,431,000
Costs of loan issuance	984,567
Other liabilities	1,148,847
Total current liabilities	233,558,543
Noncurrent liabilities	
Bonds payable	1,135,687,299
Total liabilities	1,369,245,842
Net Assets	
Invested in capital assets	239,589
Restricted for debt service	74,009,248
Restricted for program commitments	196,844,296
Unrestricted	141,955,057
Total net assets	413,048,190
Total liabilities and net assets	$ 1,782,294,032

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

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating Revenues	
Administrative fees revenue	$ 5,042,154
Processing fees	2,310,599
Interest on loans	54,459,612
Interest on investments	436,387
Total operating revenues	62,248,752
Operating Expenses	
Grants to local governments	42,063,551
Bond issuance costs	1,272,046
Administrative fees	199,650
Professional services	2,520,763
Salaries and benefits	3,976,586
Other operating costs	1,551,350
Depreciation expense	146,719
Bond interest	55,005,184
Provision for loan losses	(1,501,594)
Interest expense	114,479
Total operating expenses	105,348,734
Net operating loss	(43,099,982)
Nonoperating Revenues (Expenses)	
Appropriation revenue	43,146,845
Grant revenue	41,883,216
Transfers to the State of New Mexico	(5,325,047)
Reversions to New Mexico General Fund	(3,400,000)
Increase in net assets	33,205,032
Net assets, beginning of year	379,843,158
Net assets, end of year	$ 413,048,190

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

Cash flows from operating activities	
Cash paid for employee services	$ (4,011,826)
Cash paid to vendors for services	(4,395,069)
Intergovernmental payments received	5,935,198
Loans to local governments received	228,086,281
Loan payments funded	(320,901,262)
Grants to local governments	(42,063,551)
Cash received from federal government for revolving loan funds	9,391,520
Interest on loans	55,085,823
Administrative fees received	7,451,261
Net cash used by operating activities	(65,421,625)
Cash flow From noncapital financing activities	
Reversions to New Mexico General Fund	(3,400,000)
Appropriations received from the State of New Mexico	43,146,845
Cash transfers to the State of New Mexico	27,166,649
Interfund transfers, net	(227,674)
Proceeds from sale of bonds	135,020,000
Payment of bond principal	(139,391,440)
Bond issuance costs	(416,964)
Interest paid	(57,688,472)
Net cash disbursed for program purposes	(785,435)
Net cash provided by noncapital financing activities	3,423,509
Cash flow from capital and related financing activities	
Purchase of capital assets	(198,897)
Net cash used by capital and related financing activities	(198,897)
Cash flow from investing activities	
Purchase of investments	(71,308,651)
Sale of investments	65,020,228
Interest on investments	436,386
Net cash used by investing activities	(5,852,037)
Net decrease in cash and cash equivalents	(68,049,050)
Cash and cash equivalents, beginning of year	254,824,450
Cash and cash equivalents, end of year	$ 186,775,400

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

Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (43,099,982)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	146,719
Amortization on bond issuance costs	728,663
Amortization on bond premiums	(2,294,348)
Provision for loan losses	(1,501,594)
Interest on investments	(436,386)
Bond interest paid	57,404,747
Bond issuance costs	543,382
Cash received from federal grants	9,391,520
Changes in operating assets and liabilities	
Loans receivable	(86,080,381)
Prepaids and other receivables	5,986,625
Payables and accrued liabilities	(6,210,590)
Net cash used by operating activities	$ (65,421,625)

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

Assets

Cash held by Trustee		
Program funds	$	55,196,512
Revenue funds		7,799,994
Rebate fund		1,540,240
Bond reserve funds		43,067,080
Total assets	$	107,603,826

Liabilities

Accounts payable	$	1,540,240
Debt service payable		50,867,074
Program funds held for the NM Department of Transportation		55,196,512
Total liabilities	$	107,603,826

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

1) Nature of Organization

The New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico (the "State"), is a public instrumentality of the State, organized and existing pursuant to the New Mexico Finance Authority Act (the "Act") created by the Laws of 1992 Chapter 61, as amended. The Authority has broad powers to provide financing for an array of infrastructure and economic development projects. The Authority also provides for long-term planning and assessment of state and local capital needs and improves cooperation among the executive and legislative branches of state government and local governments in financing public projects.

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

The Authority manages the Drinking Water State Revolving Loan Fund Program (DWRLF) and the Water Trust Board Program (WTB). The DWRLF provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State is required to match by 20%.

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

Other significant programs administered by the Authority include:

- The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- The New Markets Tax Credit Program acts as managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program.
- The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 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.
- The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- The State Capital Improvement Financing Program accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol.
- The UNM Health Sciences Program administers the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center.
- The Worker`s Compensation Financing Program accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers' Compensation Administration.
- The 2010 Legislature adopted the Colonias Infrastructure Act which appropriates to the Authority 5% of the severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The Act took effect July 1, 2012.

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

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

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The Act does provide for legislative oversight by a committee to be appointed by the Legislative Council Service according to its policies.

2) Summary of Significant Accounting Policies

Accounting Principles
The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 are followed unless they conflict with or contradict GASB pronouncements. Subsequent FASB pronouncements are not applied, as permitted by GASB No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting.*

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

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

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

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

Agency Funds

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

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

Loans Receivable

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

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

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

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

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

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

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

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

Undisbursed Loan Proceeds
Program funds to be provided represent loan amounts awaiting disbursement to loan recipients. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as needed to fund the related project costs. The majority of undisbursed loan proceeds relate to loans of the PPRF program.

Net Assets
Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (*net of related debt*) is intended to reflect the portion of net assets which are associated with capital assets less outstanding capital asset related debt. The Authority has no capital asset related debt.

Restricted net assets 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 net assets represent net assets not otherwise classified as invested in capital assets or restricted net assets.

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

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

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

<u>Recently Issued Accounting Standard</u>
GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance previously contained in FASB and AICPA pronouncements issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements. The requirements of this Statement will become effective for the fiscal year ended June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the difference between assets/deferred outflows and liabilities/deferred inflows, which is known as "net assets," will now be referred to as "net position." The requirements of this Statement will be effective for the fiscal year ended June 30, 2013.

In August 2011, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*, which becomes effective for the Authority for the year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. When implemented in fiscal year 2014, net position currently titled net assets will be reduced by $10,760,208, the amount of unamortized debt issuance costs at June 30, 2012.

3) Cash and Cash Equivalents and Investments

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

Investments conform to the provisions of the Statements of Investment Policies, Objectives and Guidelines adopted by the Board on March 26, 2008. The investment policy applies to all of the Authority's funds, including funds the Authority may manage for others, except for those funds where trust indentures, bond resolutions, or other documents or agreements control the investment of funds. This policy is the Authority master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of addenda by the Board applicable to specific categories of the Authority funds.

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

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

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

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

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

	Description	**Maximum Percentage of Authority Funds** [1]
A	Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B	Obligations of U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%

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

	Description	Maximum Percentage of Authority Funds [1]
C	SEC-registered money market funds with total assets at time of deposit in excess of $100,000,000[2]	100%
E	Certificates of deposits and bank deposits[3]	20%
F	Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G	Bonds or notes issued by any municipality, county or school district of the State	10%
H	Overnight repurchase agreements[4]	25%
I	Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements)[4]	N/A
J	State Treasurer's Short-term Investment Fund	50%

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

[1] Limits do not apply to cash invested by trustee per bond indenture.
[2] Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.
[3] Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.
[4] GIC and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

Cash and equivalents at June 30, 2012, were as follows:

Description	Balance at June 30, 2012	Rated	Percentage of Authority Funds [1]
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	$ 168,510	N/A	<1%
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	15,917,787	N/A	<1%
Wells Fargo deposit account	14,250	N/A	<1%
Wells Fargo repurchase agreement	141,660	N/A	<1%
Government Money Market Funds	90,488,496	AAA	58%
U.S. Treasury notes	54,695,529	AAA	6%
Cash invested by trustee per bond indenture	25,349,168[2]	N/A	N/A
Total cash and equivalents	$ 186,775,400		
Cash held in agency fund	$ 107,603,826[3]		

Maturity Restrictions

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

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures.

Such restricted investments at June 30, 2012, are comprised of the following:

Description	Fair Value at June 30, 2012	Average Years to Maturity	Percentage of Authority Funds [4]
U.S. Treasury notes	$ 65,225,692	1.07	22.01%
Federal Home Loan Mortgage Corporation bonds	60,271,195	1.00	20.34%
Total investments	$ 125,496,887		

[1] Limits do not apply to cash invested by trustee per bond indenture.
[2] As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued.
[3] All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.
[4] Limits do not apply to cash invested by trustee per bond indenture.

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2012, was as follows:

Program Description	Term (Years)	Rates	2011	Increase	Decrease	2012
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	$ 1,143,369,092	$ 310,043,980	$ 225,143,158	$ 1,228,269,914
Drinking Water State Revolving Loans	1 to 30	0% to 4%	62,662,584	5,888,549	3,925,767	64,625,366
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	3,047,537	(151,161)	121,954	2,774,422
Primary Care Capital Fund Loans	10 to 20	3%	4,744,752	600,000	517,235	4,827,517
Water Projects Fund Loan Grants	10 to 20	0%	8,718,815	6,344,453	1,209,971	13,853,297
Smart Money Participation Loans	3 to 20	2% to 5%.	3,447,322	-	64,888	3,382,434
Behavioral Health Care Loan	15	3%	270,042	-	33,255	236,787
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	508,792	-	35,234	473,558
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	169,000	-	30,000	139,000
Child Care Revolving Loans	8	3%	37,760	-	5,808	31,952
			1,226,975,696	322,725,821	231,087,270	1,318,614,247
Less allowance for loan losses			(4,591,406)	-	(1,503,986)	(3,087,420)
Totals			$ 1,222,384,290	$ 322,725,821	$ 229,583,284	$ 1,315,526,827

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2012.

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 92,368,167	$ 46,041,506	$ 138,409,673
2014	97,012,293	43,731,057	140,743,350
2015	95,624,450	41,133,817	136,758,267
2016	94,547,221	38,313,665	132,860,886
2017	80,234,524	35,488,507	115,723,031
2018 – 2022	78,929,329	32,952,435	111,881,764
2023 – 2027	360,845,660	124,616,967	485,462,627
2028 – 2032	237,800,985	64,029,816	301,830,801
2033 – 2037	125,056,710	25,650,888	150,707,598
2038 – 2041	56,194,908	5,499,832	61,694,740
Subtotals	1,318,614,247	$ 457,458,490	$ 1,776,072,737
Less allowance for loan losses	(3,087,420)		
Loans receivable net	$ 1,315,526,827		

5) Intergovernmental Receivables

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

Intergovernmental receivables activity during the year ended June 30, 2012, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2011	Payments	2012	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	$ 44,770,000	$ 2,285,000	$ 42,485,000	$ 2,400,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	-	23,630,000	65,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	45,970,000	780,000	45,190,000	185,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	15,055,000	2,190,000	12,865,000	2,040,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	6,151,240	774,729	5,365,805	776,962
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	9/1/2016	1,830,000	1,830,000	-	-
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	3,405,000	760,000	2,645,000	820,000
			Totals	$ 140,811,240	$ 8,619,729	$ 132,180,805	$ 6,286,962

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2012:

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 6,286,962	$ 6,471,084	$ 12,758,046
2014	7,766,334	6,127,630	13,893,964
2015	7,341,438	5,773,494	13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018 – 2022	39,208,779	20,146,297	59,355,076
2023 – 2027	32,190,000	10,033,138	42,223,138
2028 – 2032	12,695,000	5,134,250	17,829,250
2033 – 2037	12,704,294	1,629,000	14,333,294
Intergovernmental receivables	$ 132,180,805	$ 65,837,311	$ 198,018,116

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2011	Increases	Decreases	**Balance at June 30, 2012**
Depreciable assets				
Furniture and fixtures	$ 227,468	$ -	$ 198,803	**$ 28,665**
Computer hardware and software	835,050	198,897	451,759	**582,188**
Equipment	49,117	-	49,117	**-**
Leasehold improvement	48,490	-	40,249	**8,241**
	1,160,125	198,897	739,928	**619,094**
Accumulated depreciation				
Furniture and fixtures	(208,358)	(9,611)	198,803	**(19,166)**
Computer hardware and software	(666,749)	(137,108)	451,759	**(352,098)**
Equipment	(49,117)	-	49,117	**-**
Leasehold improvement	(48,490)	-	40,249	**(8,241)**
	(972,714)	(146,719)	739,928	**(379,505)**
Net capital assets	$ 187,411	$ 52,178	$ -	**$ 239,589**

Depreciation expense for the fiscal year was $146,719.

7) Bonds Payable

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2012

Bonds payable consist of the following at June 30, 2012:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	$ 55,610,000	$ 6,170,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	39,945,000	1,063,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	25,370,000	10,020,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	28,410,000	1,390,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	14,990,000	-
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	48,135,000	24,590,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	1,405,000	735,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	168,890,000	105,575,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	19,015,000	9,510,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	13,500,000	6,025,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	38,260,000	29,955,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	56,400,000	48,000,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	61,945,000	45,765,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	158,965,000	139,635,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	36,545,000	29,145,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	29,130,000	24,520,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	18,435,000	15,990,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	30,225,000	-
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	55,810,000	49,915,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	13,570,000	11,395,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,845,000	37,600,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	35,155,000	26,265,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	13,795,000	10,795,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	38,610,000	34,265,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2016	17,600,000	17,600,000
2011 A	2.236% to 6.230%	June 1, 2013 to June 1, 2036	15,375,000	12,485,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2031	42,735,000	39,720,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	13,755,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	52,055,000
2012 A	1.500% to 5.500%	June 1, 2012 to June 1, 2038	24,340,000	24,340,000
			1,224,125,000	842,073,000
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	50,395,000	42,485,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	21,950,000	18,315,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	49,545,000	45,230,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	39,860,000	31,185,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	34,010,000	23,270,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	38,475,000	27,970,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	131,860,000	110,915,000
			389,725,000	323,000,000
		Subtotal - PPRF Bonds	1,613,850,000	1,165,073,000
Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	107,000
1996 A	5.80%	April 1, 2016	1,458,000	32,000
			5,746,000	139,000
State Capitol Building Improvement Revenue Bonds				
1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	4,310,000	-
State Capitol Building Improvement Revenue Bonds				
1999	7.00%	Sept. 15, 2011 to Mar. 15, 2015	9,315,000	2,645,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	12,865,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	2,500,000	1,750,000
Total bonds outstanding			$ 1,674,756,000	1,182,472,000
Add net unamortized premium				36,052,300
Less deferred charge on refunding				(1,406,001)
Total bonds payable, net				1,217,118,299
Less current portion of bonds payable				(81,431,000)
Noncurrent portion of bonds payable				$ 1,135,687,299

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2013	$ 81,431,000	$ 55,901,809	$ 137,332,809
2014	81,360,000	52,398,982	133,758,982
2015	82,065,000	48,922,441	130,987,441
2016	81,329,000	45,240,990	126,569,990
2017	73,107,000	41,609,329	114,716,329
2018 – 2022	348,810,000	156,575,352	505,385,352
2023 – 2027	249,485,000	79,753,538	329,238,538
2028 – 2032	115,410,000	33,993,513	149,403,513
2033 – 2037	66,955,000	8,945,311	75,900,311
2038 – 2041	2,520,000	123,565	2,643,565
	1,182,472,000	$ 523,464,830	$ 1,705,936,830
Add unamortized premium	36,052,300		
Less deferred charge on refunding	(1,406,001)		
Bonds payable, net	$ 1,217,118,299		

The bonds payable activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	$ 1,187,265,000	$ 135,020,000	$ (139,813,000)	$ 1,182,472,000	$ 81,431,000
Add unamortized premium	37,290,456	1,163,605	(2,401,761)	36,052,300	-
Less deferred charge on refunding	(1,513,414)	-	107,413	(1,406,001)	-
	$ 1,223,042,042	$ 136,183,605	$ (142,107,348)	$ 1,217,118,299	$ 81,431,000

8) Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer’s office. The balance of advanced loan payments was $70,884,890 at June 30, 2012.

9) Line Of Credit

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to $50,000,000. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issue. Interest is due monthly on the outstanding balance, and accrues at 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2012, was .246. The Authority pays a 15 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2012.

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2012, were $398,230. Future minimum lease payments are as follows:

Fiscal year ending June 30		
2013	$	401,489
2014		400,891
2015		394,314
2016		276,906
2017		246,000
Total	$	1,719,600

11) Retirement Plans

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were $634,842 for the year ended June 30, 2012. 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. This plan was not active in fiscal year 2012 thus no contributions were made.

12) Compensated Absences

The following changes occurred in the liability for compensated absences:

Balance at June 30, 2011	$	295,994
Additions		156,000
Deletions		(175,000)
Balance at June 30, 2012	$	276,994
Due within one year	$	276,994

13) 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). Approximately $1.6 billion of such bonds are outstanding at June 30, 2012.

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

14) Contingencies

Litigation

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

Loan Prepayment and Bond Call Provisions

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

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately $593 million and the related bonds total approximately $473 million at June 30, 2012. During FY 2011, loans totaling $111.2 million exercised this call provision and $40.7 million exercised the option during fiscal year 2012.

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

- Workers' compensation insurance
- General liability insurance
- Civil rights
- Blanket property insurance
- Boiler and machinery insurance
- Auto physical damage insurance
- Crime insurance

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

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

15) Related Party Transactions

The Authority has issued bonds or purchased securities for several other state entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors.

16) Finance New Mexico LLC

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

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

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

The Authority's interest in NMFLLC is accounted for using the equity method of accounting. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of earnings and decreased by its share of losses and distributions.

The financial statements of FNMLLC are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet
June 30, 2012

Assets	
Cash	$ 1,333,408
Due from affiliates	401,937
Investment in limited liability companies	9,545
Total assets	$ 1,744,890
Liabilities	
Accounts payable	$ 88,067
Due to affiliate	1,224,422
Total liabilities	1,312,489
Equity	
Members equity	432,358
Noncontrolling interest	43
Total liabilities and equity	432,401
	$ 1,744,890
Operating Income	
Interest income	$ 586
Sponsor fee income	1,530,000
Management fee income	250,429
Total operating income	1,781,015
Operating Expense	
Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	514
Total operating expenses	1,666,966
Net operating income	114,049
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	$ 113,616

Statement of Operations
For the Year Ended June 30, 2012

Operating Income	
Interest income	$ 586
Sponsor fee income	1,530,000
Management fee income	250,429
Total operating income	1,781,015
Operating Expense	
Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	514
Total operating expenses	1,666,966
Net operating income	114,049
Nonoperating Expenses	
Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	$ 113,616

Statement of Members Equity
For the Year Ended June 30, 2012

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2011	$ 318,742	$ 32	$ 318,774
Net income	113,616	11	113,627
Balance, June 30, 2012	$ 432,358	$ 43	$ 432,401

17) Subsequent Events

In 2012, the Authority underwent a special investigation and audit directed by its oversight agents and the Office of the New Mexico State Auditor. Results of the investigations indicated several areas of concern resulting in the adoption of a protocol severely impacting loan capacity for the fiscal year 2013 by placing a $5 million limit on Public Project Revolving Fund loans. The external audit report for fiscal year 2011, dated February 5, 2013, reflected findings consistent with the special audit and investigations.

Immediately following the approval of the fiscal year 2011 audit report by the Office of the State Auditor, the protocol limiting new loans was lifted. The Authority will however report a substantial decrease in loan and related activity for fiscal year 2013.

Supplementary Schedules

	PPRF	GRIP	Behavioral Health	Child Care
Assets				
Current assets				
Cash and equivalents				
Unrestricted	$ 53,637,734	$ 832,407	$ 355,008	$ -
Restricted	67,315,479	-	11,697	20,792
Interest receivable	8,035,461	-	5,098	-
Grants and other receivables	2,251,547	188,734	-	-
Due from other funds	10,109,416	-	-	-
Prepaid rent	19,500	-	-	-
Administrative fees receivable	207,424	68,462	98	-
Investment in Finance New Mexico LLC	-	-	-	-
Notes receivable	6,399,480	-	-	-
Loans receivable, net of allowance	91,594,867	-	70,389	-
Intergovernmental receivables	4,246,962	-	-	-
Total current assets	243,817,870	1,089,603	442,290	20,792
Noncurrent assets				
Restricted investments	125,496,887	-	-	-
Loans receivable, net of allowance	1,135,291,736	-	164,419	31,955
Intergovernmental receivables	107,058,038	-	-	-
Capital assets, net of accumulated depreciation	205,513	34,076	-	-
Deferred cost, net of accumulated amortization	10,256,581	-	-	-
Total assets	$ 1,622,126,625	$ 1,123,679	$ 606,709	$ 52,747
Liabilities				
Current liabilities				
Accounts payable	$ 199,643	$ -	$ -	$ -
Accrued payroll	94,751	-	-	-
Compensated absences	276,994	-	-	-
Due to other funds	5,352,252	212,154	4,480	115,770
Funds held for others	310,495	-	-	-
Bond interest payable	4,008,342	-	-	-
Undisbursed loan proceeds	73,787,401	-	-	62,092
Advanced loan payments	70,618,077	-	11,697	-
Notes payable	1,033,675	-	-	-
Bonds payable, net	78,415,000	-	-	-
Cost of loan issuance payable	-	-	-	-
Other liabilities	1,068,584	-	-	-
Total current liabilities	235,165,214	212,154	16,177	177,862
Noncurrent liabilities				
Bonds payable	1,120,382,118	-	-	-
Total liabilities	1,355,547,332	212,154	16,177	177,862
Net Assets				
Invested in capital assets	205,513	34,076	-	-
Restricted for debt service	70,618,077	-	-	-
Restricted for program commitments	73,787,401	-	235,524	(125,115)
Unrestricted	121,968,302	877,449	355,008	-
Total net assets	266,579,293	911,525	590,532	(125,115)
Total liabilities and net assets	$ 1,622,126,625	$ 1,123,679	$ 606,709	$ 52,747

Cigarette Tax	DWLRF	Primary Care	Local Road Program
$ -	$ 25,121,869	$ 94	$ -
2,144,544	268,194	214,884	802,775
-	187,816	10,612	-
-	-	-	-
-	-	-	-
-	-	-	-
-	25,282	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,144,544	25,603,161	225,590	802,775
-	-	-	-
475,537	67,402,174	4,827,517	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 2,620,081	$ 93,005,335	$ 5,053,107	$ 802,775
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	150,865	307,277	854
-	-	-	-
16,171	-	-	-
-	-	15,000	-
-	238,931	14,692	-
-	-	-	-
125,000	-	-	-
-	984,567	-	-
-	-	-	-
141,171	1,374,363	336,969	854
1,625,000	-	-	-
1,766,171	1,374,363	336,969	854
-	-	-	-
3,391,171	-	-	-
-	91,630,972	-	-
(2,537,261)	-	4,716,138	801,921
853,910	91,630,972	4,716,138	801,921
$ 2,620,081	$ 93,005,335	$ 5,053,107	$ 802,775

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	$ 125,516	$ -	$ 45,110	$ -
Restricted	-	-	1,071,139	(1,202)
Interest receivable	1,550	-	156,231	-
Grants and other receivables	-	-	-	-
Due from other funds	-	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico LLC	99,010	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,040,000	-
Total current assets	226,076	-	3,312,480	(1,202)
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	16,190,805	-
Capital assets, net of accumulated depreciation	-	-	-	-
Deferred cost, net of accumulated amortization	-	-	487,900	-
Total assets	$ 226,076	$ -	$ 19,991,185	$ (1,202)
Liabilities				
Current liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	403,304	1,093	-	-
Funds held for others	75,000	-	-	-
Bond interest payable	-	-	207,199	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	5,365,805	-
Bonds payable, net	-	-	2,040,000	-
Cost of loan issuance payable	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	478,304	1,093	7,613,004	-
Noncurrent liabilities				
Bonds payable	-	-	11,747,181	-
Total liabilities	478,304	1,093	19,360,185	-
Net Assets				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	-	-	631,000	-
Unrestricted	(252,228)	(1,093)	-	(1,202)
Total net assets	(252,228)	(1,093)	631,000	(1,202)
Total liabilities and net assets	$ 226,076	$ -	$ 19,991,185	$ (1,202)

State Capitol Improvement Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
$ -	$ -	$ -	$ 201,676
406,775	6,684,818	1,493	15,992,323
54,002	-	2,149	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,340
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
460,777	6,684,818	3,642	16,195,339
-	-	-	-
-	-	139,000	13,853,297
2,645,000	-	-	-
-	-	-	-
15,727	-	-	-
$ 3,121,504	$ 6,684,818	$ 142,642	$ 30,048,636
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	2,150,278
-	-	-	-
54,002	-	2,149	-
-	-	-	-
-	-	1,493	-
-	-	-	-
820,000	-	31,000	-
-	-	-	-
80,263	-	-	-
954,265	-	34,642	2,150,278
1,825,000	-	108,000	-
2,779,265	-	142,642	2,150,278
-	-	-	-
-	-	-	-
342,239	-	-	27,898,358
-	6,684,818	-	-
342,239	6,684,818	-	27,898,358
$ 3,121,504	$ 6,684,818	$ 142,642	$ 30,048,636

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	$ -	$ -	$ 31,848	$ -
Restricted	546,995	44	-	1,757,765
Interest receivable	-	-	-	-
Grants and other receivables	-	-	-	-
Due from other funds	-	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico LLC	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total current assets	546,995	44	31,848	1,757,765
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	1,675,936
Intergovernmental receivables	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
Deferred cost, net of accumulated amortization	-	-	-	-
Total assets	$ 546,995	$ 44	$ 31,848	$ 3,433,701
Liabilities				
Current liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	3,829	44	36,588	989,784
Funds held for others	-	-	-	-
Bond interest payable	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Bonds payable, net	-	-	-	-
Cost of loan issuance payable	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	3,829	44	36,588	989,784
Noncurrent liabilities				
Bonds payable	-	-	-	-
Total liabilities	3,829	44	36,588	989,784
Net Assets				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	-	-	-	2,443,917
Unrestricted	543,166	-	(4,740)	-
Total net assets	543,166	-	(4,740)	2,443,917
Total liabilities and net assets	$ 546,995	$ 44	$ 31,848	$ 3,433,701

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Intra Program Eliminations	Total
$ -	$ -	$ -	$ -	$ -	$ 80,351,262
4,799,818	4,350,980	-	34,825	-	106,424,138
-	-	-	-	-	8,452,919
-	-	-	-	-	2,440,281
-	-	-	-	(10,109,416)	-
-	-	-	-	-	19,500
-	-	-	-	-	302,606
-	-	-	-	-	99,010
-	-	-	-	(6,399,480)	-
-	-	-	-	-	91,665,256
-	-	-	-	-	6,286,962
4,799,818	4,350,980	-	34,825	(16,508,896)	296,041,934
-	-	-	-	-	125,496,887
-	-	-	-	-	1,223,861,571
-	-	-	-	-	125,893,843
-	-	-	-	-	239,589
-	-	-	-	-	10,760,208
$ 4,799,818	$ 4,350,980	$ -	$ 34,825	$ (16,508,896)	$ 1,782,294,032
$ -	$ -	$ -	$ -	$ -	$ 199,643
-	-	-	-	-	94,751
-	-	-	-	-	276,994
136,867	69,602	174,375	-	(10,109,416)	-
-	-	-	-	-	385,495
-	-	-	-	-	4,287,863
-	-	-	-	-	73,864,493
-	-	-	-	-	70,884,890
-	-	-	-	(6,399,480)	-
-	-	-	-	-	81,431,000
-	-	-	-	-	984,567
-	-	-	-	-	1,148,847
136,867	69,602	174,375	-	(16,508,896)	233,558,543
-	-	-	-	-	1,135,687,299
136,867	69,602	174,375	-	(16,508,896)	1,369,245,842
-	-	-	-	-	239,589
-	-	-	-	-	74,009,248
-	-	-	-	-	196,844,296
4,662,951	4,281,378	(174,375)	34,825	-	141,955,057
4,662,951	4,281,378	(174,375)	34,825	-	413,048,190
$ 4,799,818	$ 4,350,980	$ -	$ 34,825	$ (16,508,896)	$ 1,782,294,032

	PPRF	GRIP	Behavioral Health	Child Care
Operating Revenues				
Administrative fees revenue	$ 1,551,423	$ 1,638,397	$ 661	$ -
Processing fees	1,814,811	-	-	-
Interest on loans	52,000,267	-	11,287	1,047
Interest on investments	276,618	4,004	1,079	58
Total operating revenues	55,643,119	1,642,401	13,027	1,105
Operating Expenses				
Grants to local governments	14,620	-	-	-
Bond issuance costs	1,145,628	-	-	-
Administrative fees	111,925	-	-	-
Professional services	1,075,421	529,785	-	904
Salaries and benefits	2,543,974	211,188	10,474	6,444
Other operating costs	1,010,729	90,173	2,785	1,642
Depreciation expense	146,719	-	-	-
Bond interest	54,039,449	-	-	-
Provision for loan losses	(1,633,297)	-	-	-
Interest expense	114,479	-	-	-
Total operating expenses	58,569,647	831,146	13,259	8,990
Net operating income (loss)	(2,926,528)	811,255	(232)	(7,885)
Nonoperating Revenues (Expenses)				
Appropriation revenue	27,405,961	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	(118,770)	-	17,235	-
Transfers to the State of New Mexico	(635,963)	-	-	-
Reversions to New Mexico General Fund	-	(700,000)	-	-
Increase (decrease) in net assets	23,724,700	111,255	17,003	(7,885)
Net assets, beginning of year	242,854,593	800,270	573,529	(117,230)
Net assets, end of year	$ 266,579,293	$ 911,525	$ 590,532	$ (125,115)

Cigarette Tax	DWLRF	Primary Care	Local Road Program
$ -	$ 167,011	$ -	$ 1,638,397
-	-	-	-
13,321	1,139,991	116,121	-
7,645	70,437	827	488
20,966	1,377,439	116,948	1,638,885
-	4,475,629	-	220,323
-	-	-	-
-	-	-	-
-	127,824	4,125	393
-	308,023	27,157	3,818
9,613	99,263	109,105	-
-	-	-	-
102,226	-	-	-
-	-	-	-
-	-	-	-
111,839	5,010,739	140,387	224,534
(90,873)	(3,633,300)	(23,439)	1,414,351
228,274	-	-	-
-	9,391,520	-	-
(17,235)	1,527	-	-
-	2,388	-	-
-	-	-	(700,000)
120,166	5,762,135	(23,439)	714,351
733,744	85,868,837	4,739,577	87,570
$ 853,910	$ 91,630,972	$ 4,716,138	$ 801,921

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Operating Revenues				
Administrative fees revenue	$ -	$ -	$ -	$ -
Processing fees	495,788	-	-	-
Interest on loans	-	-	843,360	82,444
Interest on investments	41	-	254	1,050
Total operating revenues	495,829	-	843,614	83,494
Operating Expenses				
Grants to local governments	-	-	-	-
Bond issuance costs	-	-	72,282	48,329
Administrative fees	-	-	79,681	-
Professional services	184,588	-	-	-
Salaries and benefits	274,277	3,005	-	-
Other operating costs	76,615	550	-	-
Depreciation expense	-	-	-	-
Bond interest	-	-	561,897	82,640
Provision for loan losses	-	-	-	-
Interest expense	-	-	-	-
Total operating expenses	535,480	3,555	713,860	130,969
Net operating income (loss)	(39,651)	(3,555)	129,754	(47,475)
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	3,015,064	-
Grant revenue	-	-	-	-
Inter-fund transfers	-	41,750	75,537	-
Transfers to the State of New Mexico	-	-	(3,200,338)	(1,032,111)
Reversions to New Mexico General Fund	-	-	-	-
Increase (decrease) in net assets	(39,651)	38,195	20,017	(1,079,586)
Net assets, beginning of year	(212,577)	(39,288)	610,983	1,078,384
Net assets, end of year	$ (252,228)	$ (1,093)	$ 631,000	$ (1,202)

State Capitol Improvement Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
$ -	$ -	$ -	$ 46,265
-	-	-	-
209,708	2,958	9,264	-
596	-	-	49,719
210,304	2,958	9,264	95,984
-	-	-	28,314,965
5,807	-	-	-
8,044	-	-	-
-	-	-	330,573
-	-	-	386,812
-	-	-	86,597
-	-	-	-
209,708	-	9,264	-
-	-	-	-
-	-	-	-
223,559	-	9,264	29,118,947
(13,255)	2,958	-	(29,022,963)
6,769	409,045	-	4,000,000
-	-	-	32,491,696
-	-	-	-
-	(459,023)	-	-
-	-	-	-
(6,486)	(47,020)	-	7,468,733
348,725	6,731,838	-	20,429,625
$ 342,239	$ 6,684,818	$ -	$ 27,898,358

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
Operating Revenues				
Administrative fees revenue	$ -	$ -	$ -	$ -
Processing fees	-	-	-	-
Interest on loans	-	-	-	29,844
Interest on investments	2,040	-	321	5,949
Total operating revenues	2,040	-	321	35,793
Operating Expenses				
Grants to local governments	178,232	-	239,326	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	-	-
Professional services	7,531	-	75,119	155,281
Salaries and benefits	20,491	-	11,794	4,797
Other operating costs	3,358	-	3,800	-
Depreciation expense	-	-	-	-
Bond interest	-	-	-	-
Provision for loan losses	-	-	-	131,703
Interest expense	-	-	-	-
Total operating expenses	209,612	-	330,039	291,781
Net operating income (loss)	(207,572)	-	(329,718)	(255,988)
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	-	(44)	-	-
Transfers to the State of New Mexico	-	-	-	-
Reversions to New Mexico General Fund	-	-	-	-
Increase (decrease) in net assets	(207,572)	(44)	(329,718)	(255,988)
Net assets, beginning of year	750,738	44	324,978	2,699,905
Net assets, end of year	$ 543,166	$ -	$ (4,740)	$ 2,443,917

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Total
$ -	$ -	$ -	$ -	$ 5,042,154
-	-	-	-	2,310,599
-	-	-	-	54,459,612
7,885	5,424	-	1,952	436,387
7,885	5,424	-	1,952	62,248,752
8,620,456	-	-	-	42,063,551
-	-	-	-	1,272,046
-	-	-	-	199,650
-	8,587	20,632	-	2,520,763
5,693	46,501	112,138	-	3,976,586
1,001	14,514	41,605	-	1,551,350
-	-	-	-	146,719
-	-	-	-	55,005,184
-	-	-	-	(1,501,594)
-	-	-	-	114,479
8,627,150	69,602	174,375	-	105,348,734
(8,619,265)	(64,178)	(174,375)	1,952	(43,099,982)
3,736,176	4,345,556	-	-	43,146,845
-	-	-	-	41,883,216
-	-	-	-	-
-	-	-	-	(5,325,047)
-	-	-	(2,000,000)	(3,400,000)
(4,883,089)	4,281,378	(174,375)	(1,998,048)	33,205,032
9,546,040	-	-	2,032,873	379,843,158
$ 4,662,951	$ 4,281,378	$ (174,375)	$ 34,825	$ 413,048,190

	PPRF	GRIP	Behavioral Health	Child Care
Cash flows from operating activities				
Cash paid for employee services	$ (2,579,214)	$ (211,188)	$ (10,474)	$ (6,444)
Cash paid to vendors for services	(2,784,346)	(1,458,564)	(6,762)	6,444
Intergovernmental payments received	2,884,351	1,220,847	-	-
Loans payments received	219,993,142	-	35,234	5,805
Loans funded	(309,764,307)	-	-	-
Grants to local governments	(14,620)	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	52,465,860	-	7,530	1,047
Administrative fees received	3,467,706	1,638,397	676	-
Net cash provided (used) by operating activities	(36,331,428)	1,189,492	26,204	6,852
Cash flow from noncapital financing activities				
Reversions to New Mexico General Fund	-	(700,000)	-	-
Appropriations received from the State of New Mexico	27,405,961	-	-	-
Cash transfers to the State of New Mexico	(635,963)	-	-	-
Interfund transfers, net	(346,444)	-	17,235	-
Proceeds from sale of bonds	135,020,000	-	-	-
Payment of bond principal	(134,306,440)	-	-	-
Bond issuance costs	(416,964)	-	-	-
Interest paid	(56,663,193)	-	-	-
Net cash disbursed for program purposes	-	-	-	-
Net cash provided (used) by noncapital financing activities	(29,943,043)	(700,000)	17,235	-
Cash flow from capital and related financing activities				
Purchase of capital assets	(164,821)	(34,076)	-	-
Net cash provided used by capital and related financing activities	(164,821)	(34,076)	-	-
Cash flow from investing activities				
Purchase of investments	(71,308,651)	-	-	-
Sale of investments	65,001,650	-	-	-
Interest on investments	276,618	4,004	1,079	58
Net cash provided (used) by investing activities	(6,030,383)	4,004	1,079	58
Net increase (decrease) in cash and cash equivalents	(72,469,675)	459,420	44,518	6,910
Cash and cash equivalents, beginning of year	193,422,888	372,987	322,187	13,882
Cash and cash equivalents, end of year	$ 120,953,213	$ 832,407	$ 366,705	$ 20,792
Adjustments to reconcile operating income (loss) to net provided by operating activities				
Net operating income (loss)	$ (2,926,528)	$ 811,255	$ (232)	$ (7,885)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation	146,719	-	-	-
Amortization on bond issuance costs	602,246	-	-	-
Amortization on bond premiums	(2,294,348)	-	-	-
Provision for loan losses	(1,633,297)	-	-	-
Interest on investments	(276,618)	(4,004)	(1,079)	(58)
Bond interest paid	56,448,276	-	-	-
Bond issuance costs	543,382	-	-	-
Cash received from federal grants	-	-	-	-
Changes in operating assets and liabilities				
Loans receivable	(84,861,691)	-	35,234	5,805
Prepaids and other receivables	4,595,056	1,220,847	(3,845)	-
Payables and accrued liabilities	(6,674,625)	(838,606)	(3,874)	8,990
Net cash provided (used) by operating activities	$ (36,331,428)	$ 1,189,492	$ 26,204	$ 6,852

Cigarette Tax	DWRLF	Primary Care	Local Road Fund
$ -	$ (308,023)	$ (27,157)	$ (3,818)
(9,613)	(247,859)	(91,421)	(1,729)
-	-	-	-
33,256	3,264,276	522,594	-
-	(4,956,329)	(605,359)	-
-	(4,475,629)	-	(220,323)
-	9,391,520	-	-
14,592	1,112,575	111,248	-
-	163,064	-	1,638,397
38,235	3,943,595	(90,095)	1,412,527
-	-	-	(700,000)
228,274	-	-	-
-	2,388	-	-
(17,235)	1,527	-	-
-	-	-	-
(125,000)	-	-	-
-	-	-	-
(103,274)	-	-	-
-	-	-	-
(17,235)	3,915	-	(700,000)
-	-	-	-
-	-	-	-
-		-	-
-	3,578	15,000	-
7,645	70,437	827	488
7,645	74,015	15,827	488
28,645	4,021,525	(74,268)	713,015
2,115,899	21,368,538	289,246	89,760
$ 2,144,544	$ 25,390,063	$ 214,978	$ 802,775
$ (90,873)	$ (3,633,300)	$ (23,439)	$ 1,414,351
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(7,645)	(70,437)	(827)	(488)
102,226	-	-	-
-	-	-	-
-	9,391,520	-	-
33,255	(1,692,053)	(87,638)	-
1,272	(31,363)	-	-
-	(20,772)	21,809	(1,336)
$ 38,235	$ 3,943,595	$ (90,095)	$ 1,412,527

	NM Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Cash flows from operating activities				
Cash paid for employee services	$ (274,277)	$ (3,005)	$ -	$ -
Cash paid to vendors for services	(171,510)	(38,745)	159,848	-
Intergovernmental payments received	-	-	-	1,830,000
Loans payments received	-	-	2,975,435	-
Loans funded	-	-	-	-
Grants to local governments	-	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	916,172	116,470
Administrative fees received	495,788	-	-	-
Net cash provided (used) by operating activities	50,001	(41,750)	4,051,455	1,946,470
Cash flow from noncapital financing activities				
Reversions to New Mexico General Fund	-	-	-	-
Appropriations received from the State of New Mexico	-	-	3,015,064	-
Cash transfers to the State of New Mexico	-	-	(3,200,338)	(1,032,111)
Interfund transfers, net	-	41,750	75,537	-
Proceeds from sale of bonds	-	-	-	-
Payment of bond principal	-	-	(2,340,000)	(1,830,000)
Bond issuance costs	-	-	-	-
Interest paid	-	-	(570,360)	(116,666)
Net cash disbursed for program purposes	-	-	(785,435)	-
Net cash provided (used) by noncapital financing activities	-	41,750	(3,805,532)	(2,978,777)
Cash flow from capital and related financing activities				
Purchase of capital assets	-	-	-	-
Net cash provided used by capital and related financing activities	-	-	-	-
Cash flow from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	-	-	-	-
Interest on investments	41	-	254	1,050
Net cash provided (used) by investing activities	41	-	254	1,050
Net increase (decrease) in cash and cash equivalents	50,042	-	246,177	(1,031,257)
Cash and cash equivalents, beginning of year	75,474	-	870,072	1,030,055
Cash and cash equivalents, end of year	$ 125,516	$ -	$ 1,116,249	$ (1,202)
Adjustments to reconcile operating income (loss) to net provided by operating activities				
Net operating income (loss)	$ (39,651)	$ (3,555)	$ 129,754	$ (47,475)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation	-	-	-	-
Amortization on bond issuance costs		-	72,282	48,329
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	-
Interest on investments	(41)	-	(254)	(1,050)
Bond interest paid	-	-	561,897	82,640
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Changes in operating assets and liabilities				
Loans receivable	-	-	2,975,435	1,830,000
Prepaids and other receivables	-	-	72,812	34,026
Payables and accrued liabilities	89,693	(38,195)	239,529	-
Net cash provided (used) by operating activities	$ 50,001	$ (41,750)	$ 4,051,455	$ 1,946,470

State Capitol Improvement Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
$ -	$ -	$ -	$ (386,812)
(8,044)	-	-	254,422
-	-	-	-
760,000	-	30,000	309,082
-	-	-	(5,443,564)
-	-	-	(28,314,965)
-	-	-	-
225,224	2,958	9,728	-
-	-	-	47,233
977,180	2,958	39,728	(33,534,604)
-	-	-	-
6,769	409,045	-	4,000,000
-	(459,023)	-	32,491,696
-	-	-	-
-	-	-	-
(760,000)	-	(30,000)	-
-	-	-	-
(225,225)	-	(9,754)	-
-	-	-	-
(978,456)	(49,978)	(39,754)	36,491,696
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
596	-	-	49,719
596	-	-	49,719
(680)	(47,020)	(26)	3,006,811
407,455	6,731,838	1,519	13,187,188
$ 406,775	$ 6,684,818	$ 1,493	$ 16,193,999
$ (13,255)	$ 2,958	$ -	$ (29,022,963)
-	-	-	-
5,806	-	-	-
-	-	-	-
-	-	-	-
(596)	-	-	(49,719)
209,708	-	-	-
-	-	-	-
-	-	-	-
760,000	-	30,000	(5,134,482)
15,517	-	9,728	-
-	-	-	672,560
$ 977,180	$ 2,958	$ 39,728	$ (33,534,604)

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
Cash flows from operating activities				
Cash paid for employee services	$ (20,491)	$ -	$ (11,794)	$ (4,797)
Cash paid to vendors for services	(24,899)	44	(58,845)	(77,824)
Intergovernmental payments received	-	-	-	-
Loans payments received	-	-	-	157,457
Loans funded	-	-	-	(131,703)
Grants to local governments	(178,232)	-	(239,326)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	-	102,419
Administrative fees received	-	-	-	-
Net cash provided (used) by operating activities	(223,622)	44	(309,965)	45,552
Cash flow from noncapital financing activities				
Reversions to New Mexico General Fund	-	-	-	-
Appropriations received from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	-	-	-	-
Interfund transfers, net	-	(44)	-	-
Proceeds from sale of bonds	-	-	-	-
Payment of bond principal	-	-	-	-
Bond issuance costs	-	-	-	-
Interest paid	-	-	-	-
Net cash disbursed for program purposes	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	(44)	-	-
Cash flow from capital and related financing activities				
Purchase of capital assets	-	-	-	-
Net cash provided used by capital and related financing activities	-	-	-	-
Cash flow from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	-	-	-	-
Interest on investments	2,040	-	321	5,949
Net cash provided (used) by investing activities	2,040	-	321	5,949
Net increase (decrease) in cash and cash equivalents	(221,582)	-	(309,644)	51,501
Cash and cash equivalents, beginning of year	768,577	44	341,492	1,706,264
Cash and cash equivalents, end of year	$ 546,995	$ 44	$ 31,848	$ 1,757,765
Adjustments to reconcile operating income (loss) to net provided by operating activities				
Net operating income (loss)	$ (207,572)	$ -	$ (329,718)	$ (255,988)
Adjustments to reconcile operating loss to net cash provided by operating activities				
Depreciation	-	-	-	-
Amortization on bond issuance costs	-	-	-	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	131,703
Interest on investments	(2,040)	-	(321)	(5,949)
Bond interest paid	-	-	-	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Changes in operating assets and liabilities				
Loans receivable	-	-	-	25,754
Prepaids and other receivables	-	-	-	72,575
Payables and accrued liabilities	(14,010)	44	20,074	77,457
Net cash provided (used) by operating activities	$ (223,622)	$ 44	$ (309,965)	$ 45,552

Local Government Transportation	SSBCI	Colonias	BioMass Dairy	Total
$ (5,693)	$ (46,501)	$ (112,138)	$ -	$ (4,011,826)
5,695	46,501	112,138	-	(4,395,069)
-	-	-	-	5,935,198
-	-	-	-	228,086,281
-	-	-	-	(320,901,262)
(8,620,456)	-	-	-	(42,063,551)
-	-	-	-	9,391,520
-	-	-	-	55,085,823
-	-	-	-	7,451,261
(8,620,454)	-	-	-	(65,421,625)
-	-	-	(2,000,000)	(3,400,000)
3,736,176	4,345,556	-	-	43,146,845
-	-	-	-	27,166,649
-	-	-	-	(227,674)
-	-	-	-	135,020,000
-	-	-	-	(139,391,440)
-	-	-	-	(416,964)
-	-	-	-	(57,688,472)
-	-	-	-	(785,435)
3,736,176	4,345,556	-	(2,000,000)	3,423,509
-	-	-	-	(198,897)
-	-	-	-	(198,897)
-	-	-	-	(71,308,651)
-	-	-	-	65,020,228
7,884	5,424	-	1,952	436,386
7,884	5,424	-	1,952	(5,852,037)
(4,876,394)	4,350,980	-	(1,998,048)	(68,049,050)
9,676,212	-	-	2,032,873	254,824,450
$ 4,799,818	$ 4,350,980	$ -	$ 34,825	$ 186,775,400
$ (8,619,265)	$ (64,178)	$ (174,375)	$ 1,952	$ (43,099,982)
-	-	-	-	146,719
-	-	-	-	728,663
-	-	-	-	(2,294,348)
-	-	-	-	(1,501,594)
(7,884)	(5,424)	-	(1,952)	(436,386)
-	-	-	-	57,404,747
-	-	-	-	543,382
-	-	-	-	9,391,520
-	-	-	-	(86,080,381)
-	-	-	-	5,986,625
6,695	69,602	174,375	-	(6,210,590)
$ (8,620,454)	$ -	$ -	$ -	$ (65,421,625)

	Balance July 1, 2011	Increase	Decrease	Balance July 1, 2012
Fund 315 Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	$ 53,365,815	$ 128,636,685	$ 137,600,383	$ 44,402,117
Total assets	$ 53,365,815	$ 128,636,685	$ 137,600,383	$ 44,402,117
Liabilities				
Deposit held in trust for others	$ 53,365,815	$ 128,636,685	$ 137,600,383	$ 44,402,117
Total liabilities	$ 53,365,815	$ 128,636,685	$ 137,600,383	$ 44,402,117
Fund 322 Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	$ 27,280,655	$ 11,303,093	$ 37,910,143	$ 673,605
Total assets	$ 27,280,655	$ 11,303,093	$ 37,910,143	$ 673,605
Liabilities				
Deposit held in trust for others	$ 27,280,655	$ 11,303,093	$ 37,910,143	$ 673,605
Total liabilities	$ 27,280,655	$ 11,303,093	$ 37,910,143	$ 673,605
Fund 326 Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	$ 5,698,685	$ 33,877,252	$ 34,156,631	$ 5,419,306
Total assets	$ 5,698,685	$ 33,877,252	$ 34,156,631	$ 5,419,306
Liabilities				
Deposit held in trust for others	$ 5,698,685	$ 33,877,252	$ 34,156,631	$ 5,419,306
Total liabilities	$ 5,698,685	$ 33,877,252	$ 34,156,631	$ 5,419,306
Fund 327 Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	$ 47,064	$ 50,910,188	$ 50,909,670	$ 47,582
Total assets	$ 47,064	$ 50,910,188	$ 50,909,670	$ 47,582
Liabilities				
Deposit held in trust for others	$ 47,064	$ 50,910,188	$ 50,909,670	$ 47,582
Total liabilities	$ 47,064	$ 50,910,188	$ 50,909,670	$ 47,582
Fund 328 Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	$ 69,209,270	$ 26,542,204	$ 40,619,711	$ 55,131,763
Total assets	$ 69,209,270	$ 26,542,204	$ 40,619,711	$ 55,131,763
Liabilities				
Deposit held in trust for others	$ 69,209,270	$ 26,542,204	$ 40,619,711	$ 55,131,763
Total liabilities	$ 69,209,270	$ 26,542,204	$ 40,619,711	$ 55,131,763
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	$ 203,972	$ 33,308,754	$ 33,308,792	$ 203,934
Total assets	$ 203,972	$ 33,308,754	$ 33,308,792	$ 203,934
Liabilities				
Deposit held in trust for others	$ 203,972	$ 33,308,754	$ 33,308,792	$ 203,934
Total liabilities	$ 203,972	$ 33,308,754	$ 33,308,792	$ 203,934
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	$ -	$ 15,005,883	$ 13,280,374	$ 1,725,509
Total assets	$ -	$ 15,005,883	$ 13,280,374	$ 1,725,509
Liabilities				
Deposit held in trust for others	$ -	$ 15,005,883	$ 13,280,374	$ 1,725,509
Total liabilities	$ -	$ 15,005,883	$ 13,280,374	$ 1,725,509
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	$ -	$ 472,508	$ 472,498	$ 10
Total assets	$ -	$ 472,508	$ 472,498	$ 10
Liabilities				
Deposit held in trust for others	$ -	$ 472,508	$ 472,498	$ 10
Total liabilities	$ -	$ 472,508	$ 472,498	$ 10

Wells Fargo		
Deposit account	$	141,660
Repurchase agreements		14,250
Total amount of deposits		155,910
FDIC insurance on deposit accounts		(141,660)
Total uninsured public funds		14,250
Collateral requirement (102%)	$	14,535

Pledges and Securities

Federated Government Corporate Intermediate Fund 15 year, issued December 1, 2010; matures June 1, 2026 CUSIP 31371MT31 rate 6.0%	$	20,081,250
Total collateral	$	20,081,250

Single Audit

New Mexico Finance Authority
Schedule of Expenditures of Federal Awards
June 30, 2012

Grantor / Program Title	Federal Catalog Number	Federal Expenditures FY 2012
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 8,695,888
Capitalization Grants for Drinking Water – ARRA State Revolving Funds	66.468	695,632
Total expenditures of federal awards		$ 9,391,520

New Mexico Finance Authority
Note to Schedule of Expenditures of Federal Awards
June 30, 2012

1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the New Mexico Finance Authority (the Authority).

Basis of Accounting

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

The Authority administers loans under the EPA Program (Federal Catalog Number 66.468), which have outstanding balances at June 30, 2012 of $67,402,174. Additions to existing loans were $6,832,051 in the fiscal year ended 2012.

2) Subrecipients

Subrecipients of the Drinking Water State Revolving Loan Fund program include the following:

Subrecipient Name	Pass-Through Funds
Eunice, NM	$ 2,561,578
City of Las Cruces, NM	1,706,854
Sunland Park, NM	724,736
City of Farmington, NM	482,141
Silver City, NM	316,808
Elephant Butte, NM	135,972
Alamagordo, NM	103,584
Rio Rancho, NM	70,232
Santa Fe, NM	67,026
Placitas, NM	61,883
Albuquerque Bernalillo County Water Authority, NM	56,584
Southwest College	39,399
Alto Lakes, NM	27,750
Canjilon, NM	1,149
NMED Construction Program Bureau	15,688
NMED Drinking Water Bureau	2,202,259
NMFA Other	817,877
Total	$ 9,391,520

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

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

We have audited the basic financial statements of the New Mexico Finance Authority (the "Authority"), as of and for the year ended June 30, 2012, and have issued our report thereon dated April 24, 2013. 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

Management of Authority is responsible for establishing and maintaining effective 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and certain other deficiencies that we consider to be significant deficiencies.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2011-2 thru 2011-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-6.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 2011-8 through 2011-11.

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

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

REDW LLC

Albuquerque, New Mexico
April 24, 2013

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

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

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 the Authority's major federal program for the year ended June 30, 2012. The Authority's major federal program is 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 its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies and material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-2 to be a material weakness and consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-7 to be a significant deficiency.

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

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

REDW LLC

Albuquerque, New Mexico
April 24, 2013

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2012

Section I — Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

Name of Federal Program	CFDA Number	Expenditures
Capitalization Grant for Drinking Water State Revolving Loan Fund	66.468	$ 695,632
Capitalization Grant for Drinking Water State Revolving Loan Fund – ARRA	66.468	$ 8,595,888

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

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

Section II — Financial Statement Findings

2011-1 (FS) Financial Reporting Oversight (Repeated and Modified) (Material Weakness)

Condition: Financial statements purporting to be the Authority's fiscal year 2011 audited financial statements were released by the Authority's controller on March 12, 2012 and included in an official statement, dated March 22, 2012, supporting a public offering of the Authority's bonds (Senior Lien PPR Series 2012A). In July 2012, it was established that auditor's report accompanying those financial statements was fraudulent and the financial statements had not been audited. As a result, three separate investigations were conducted under the direction of the New Mexico Office of the State Auditor (OSA), the New Mexico Regulation and Licensing Department's Securities Division (NMR&L), and the New Mexico Legislative Council (NMLC). Those investigations revealed serious weaknesses in corporate governance and financial reporting oversight that led to the failure to prevent, and timely detect, the release of the fraudulent audit report. Findings and recommendations resulting from these procedures are detailed in separately issued reports, which are available on request from the Authority.

Consistent with the reports issued by the OSA, NMR&L, and NMLC, we noted the following issues evidencing lack of adequate internal policies and procedures, and lack of effective oversight by those charged with governance, that contributed to the failure to obtain a timely audit and to the release of the fraudulent report:

- The Authority's audit committee does not have a charter defining its makeup and responsibilities.
- The Authority's policies and procedures require that management meet with the audit committee monthly; however, the audit committee only met with management four times during fiscal year 2012.
- In fiscal year 2012, no members of the audit committee were certified public accountants (CPA). (Note: After the fraudulent audit report was discovered, the Chairman of the Board requested that a CPA be designated by a board member to sit on the audit committee.)
- The Board minutes dated April 27, 2012, document that the audit committee accepted the 2011 audit report provided to them by the Authority's Controller; however, there was no documentation of communication with representatives of the audit firm, including certain communications that are required by generally accepted auditing standards between auditors and those charged with governance.

Section II — Financial Statement Findings — continued

2011-1 **(**FS) Financial Reporting Oversight (Material Weakness) — continued

- The Audit Rule issued by the Office of the State Auditor requires an exit conference, attended by the auditor, management and representatives of the entity's governing body. The Audit Rule further requires presentation of the audit report by the auditor to the entity's governing body upon its release by the Office of the State Auditor. In 2012, meetings of the Authority's Audit Committee and Board addressed the fiscal year 2011 audit; however, representatives of the audit firm did not attend these meetings and the financial reports provided at the meetings were not audited.

  The Authority eventually complied with the provisions of the Audit Rule for the fiscal year 2011 audit, when the audit was completed, an exit conference attended by the required participants was held, the report was approved for issuance the Office of the State Auditor and the final report was presented to the Authority's Board in a public meeting in February 2013.
- The Authority's bylaws do not require Board approval of the audited financial statements.

Additionally, issuance of the fraudulent audit report appears to be a violation of the Government Conduct Act of the State of New Mexico.

Criteria: Procedures should be in place to ensure that accurate, timely annual financial statements are prepared, audited in accordance with applicable New Mexico statutes and regulations, and released timely, after review and approval by the audit committee, the Board, and the New Mexico Office of the State Auditor. New Mexico Statutes Section 10-16-3 (b) NMSA provides that a public officer or employee shall conduct himself in a manner that justifies the confidence placed in him by the people, at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

Effect: The financial information released to the public was fraudulent. Rating agencies and the investment community has had to wait on the Authority's 2011 and 2012 financial reports. Substantial additional costs were incurred to determine both the extent of the fraud and its impact on the Authority. The investigations by the New Mexico Office of the State Auditor, New Mexico Regulation and Licensing's Securities Division and the New Mexico Legislative Council resulted in findings as follows:

- New Mexico Office of the State Auditor – 14 findings.
- New Mexico Regulation and Licensing's Securities Division - 4 findings.
- New Mexico Legislative Council - 7 findings.

Consequently, the Authority has developed, and implemented corrective actions.

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

Section II — Financial Statement Findings — continued

2011-1 **(**FS) Financial Reporting Oversight (Material Weakness) — continued

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Auditors' Recommendations: We recommend the Authority review the investigative reports and implement a comprehensive corrective action plan which that will include establishment of appropriate policies, procedures and controls over the financial reporting process. The Authority should educate all persons required to perform duties under the Governmental Conduct Act of those duties. This includes advising all those persons at least annually of the Governmental Conduct Act's ethical principles. The Authority should also educate all persons of their required duties under the Audit Act and Audit Rule.

Management's Response: The Authority has reviewed the audits and investigative reports thoroughly. A compilation of all the findings has been prepared. It is organized by the noted deficiencies with all related recommendations listed. Progress to date on all issues is documented and further corrective action, prioritized. This compilation will be updated as required and will serve as a tool for continued improvements. Specific items are listed below.

- The Authority prepares the financial information that was previously provided directly to the Board. Currently that information is submitted to the Audit Committee each month to allow detailed monthly discussions regarding the financial position of the Authority and provide status updates regarding new business for the audit committees' review thereby mandating the committee convene. Previously there were no meetings held if it was deemed there was no new business to discuss.
- The Audit Committee is chaired by the state controller who, as well as being a CPA, also has the financial expertise to drive compliance and improve operations.
- The audit committee is currently very involved with the audits of the Authority and now meets with the auditors regularly. Policies will require training for the Board and Audit Committee that will include the audit process of the State of New Mexico, which is complex in nature.
- The Authority will require attendance of the Audit Committee at the Exit Conference for each fiscal year and, after each fiscal year audit has been released by the New Mexico State Auditor, will require the external auditors to present the final report to the Board.
- The Authority plans to have the financial staff attend the annual New Mexico Office of the State Auditor's presentation on the Audit Rule.

All staff of the Authority will acknowledge receipt of a code of conduct policy which will include reference to the Government Conduct Act.

Section II — Financial Statement Findings — continued

2011-2 (FS) Payment of Public Funds Without an Approved Contract (Repeated) (Significant Deficiency)

Condition: The Authority made payments to an independent audit firm without an approved contract. Four payments were made, totaling $67,600, during the time period from May 2011 to October 2011.

Criteria: Section 12-6-14(A) NMSA 1978 (Contract Audits) states that "payment of public funds may not be made to an independent auditor unless a contract is entered into and approved as provided in this section."

Effect: Payments were made without following the procurement procedures set forth in the NM Office of the State Auditor (OSA) Audit Rule. As a result, there is a shortage of funds for which the Authority is accountable for under law.

Cause: Procedures were not in place to prevent payments in violation of Audit Rule 2012 Requirements for Contracting and Conducting Audits of Agencies 2.2.2. NMAC.

Auditors' Recommendations: Establish procedures to ensure compliance with the OSA Audit Rule requirements, including the requirement that contracts be approved prior to issuing payment for audit services.

Management's Response: The Authority is in the process of updating its policies related to contracts. The policy will detail:

- The Authority's Office of General Counsel will maintain the procurement file for all contracts.
- When is it appropriate to enter into a contract, memorandum of understanding (MOU), joint powers agreement (JPA) or other obligating instrument;
- Who may legally obligate the Authority;
- When is a contract fully executed;
- When does an obligation become a liability;

The policy will detail the documentation required to support the process for review prior to payment, require the maintenance of a list of current contracts and other agreements with corresponding expiration dates and balances, and include a training and communication plan.

Section II — Financial Statement Findings — continued

2011-3 (FS) Account Reconciliations and Cutoff Procedures – (Repeated and Modified) (Significant Deficiency)

Condition: Many balance sheet accounts were lacking reconciliations that agreed to the Authority's general ledger as of June 30, 2012. All reconciliation were prepared and reviewed by the Authority's current accounting staff by January 31, 2013.

Criteria: The Authority, as a custodian of public funds, is required to prepare monthly reconciliations of all accounts from the Authority's balance sheet sub-ledgers to the general ledger. Individual accounts should be reconciled on a monthly basis and discrepancies or inconsistencies should be investigated and resolved timely.

Cause: Procedures were not in place to ensure timely reconciliation of each general ledger balance to supporting detail sub-ledgers.

Effect: There is a potential for inaccurate financial reporting. The information produced by the system may not be reliable for the purpose of making financial decisions. Problems reporting timely and current financial information throughout the year can significantly impact management's ability to effectively manage the Authority.

Auditors' Recommendations: Establish internal control procedures to ensure accurate, timely accounting and financial reporting. This should include the agreement to the general ledger and posting of entries to agree the balance sheet sub ledgers to the general ledger.

Management's Response:

- Policies have been implemented that establish internal reporting and closing deadlines.
- Current procedures are being analyzed to ensure that system controls are appropriate and effective. Procedures will then be updated as needed.
- Proper cutoff based on the eligibility requirement relating to each program have been determined and are now used to accurately accrue for outstanding liabilities.
- All reconciliations performed for cash accounts and investments are prepared and reviewed prior to month-end close.
- A new loan servicing system is being implemented that will automate many of the manual processes, giving staff the opportunity to be more timely in their efforts to support general ledger balances.

Section II — Financial Statement Findings — continued

2011-4 (FS) Use of Company Credit Cards (Repeated and Modified) (Significant Deficiency)

Condition: The Authority did not have an internal control process in place to reduce the risk of improper use of credit cards. As a result, credit cards were used to make purchases in violation of Authority policies and/or state laws and regulations. Two credit cards were improperly used by two employees in six instances in the amounts of $446.12, $7.48, $22.36, $36.03, $216.36, $50.69 to make these improper purchases. The Authority subsequently collected the entire amount from the two employees.

Criteria: The Authority's credit card policy describes the date receipts are due and what charges are not allowed.

Effect: Inappropriate charges were made using credit cards. Such inappropriate charges were not identified timely. The lack of controls over the credit cards resulted in the Authority having to seek reimbursement from employees found to have abused their credit card privileges.

Cause: The Authority's employees, including senior management, did not adhere to the Authority's policy over the use of credit cards.

Auditors' Recommendations: Establish procedures to monitor charges to credit cards that identify and resolve unauthorized charges and expenses immediately. Additionally, policies for the proper use of credit cards should be regularly communicated to employees.

Management's Response: Updated policy allows the Authority only one credit card that is to be used with prior approval and within the purchasing guidelines of the Authority.

Section II — Financial Statement Findings — continued

2011-5 (FS) Information Technology (IT) Issues (Repeated) (Significant Deficiency)

Condition: Several areas of the information technology infrastructure were identified as needing enhanced controls. These areas include:

- Lack of redundant internet connectivity
- IT policies and procedures
- Internet content filtering
- Annual restore from backup test
- Business continuity and disaster recovery plan (BCP/DRP)

Lack of Redundant Internet Connectivity - There is a dedicated T1 connection from the headquarters location to the offsite data center. If the main T1 connection goes down, the Authority has no connection to the data center, which would essentially negate the disaster recovery plan, as the offsite data center would not function.

IT Policies and Procedures - The Authority does not have a comprehensive set of formal, approved IT policies. There are policy elements and statements, though, contained in many of the procedure documents. The policy statements are fractured and spread throughout the procedures. This makes understanding the policy requirements very difficult. The procedures/policies have revision dates but no Governing Board approval date.

Internet Content Filtering - The Authority restricts access to known black-listed websites, porn, and gambling. Employees are supposed to be blocked from accessing social networking sites (Facebook, LinkedIn, MySpace, etc.). When we tested the policy, Facebook was specifically allowed for all users.

Annual Restore from Backup Test - The IT department performs routine nightly backups of all financial applications. There is not regular restore of backups, which is not in compliance with the data backup policy. Performing an annual restore from backup test is an important part of a disaster recovery plan.

Business Continuity and Disaster Recovery Plan (BCP/DRP) - The Authority is in the process of re-writing the BCP/DRP that describes its contingency plans for continuing the Authority operations and recovery of operations in the case of a disaster. The Authority hopes to have the BCP/DRP completed in the fourth quarter of 2012 and perform testing shortly thereafter.

Section II — Financial Statement Findings — continued

2011-5 (FS) Information Technology (IT) Issues (Significant Deficiency) — continued

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Criteria: Information Technology (IT), including systems and infrastructure are essential and integral to the efficiency of the Authority's operations. IT internal controls are essential to maintain the confidentiality, integrity, and availability of data. IT internal controls are as important as the internal controls that surround the input of financial transactions into the Authority's general ledger.

Cause and Effect: Without strong internal controls over the Authority's IT infrastructure and systems, there is the potential for the confidentiality, integrity, and/or availability of data to be compromised. This compromise could be by an internal user of the system, by an external source, could be intentional or unintentional, and could be the result of a disaster.

Auditors' Recommendations: Consider adding another carrier for the T1 connection to avoid a complete loss of connectivity if service should be disrupted. This would also be congruent to the Authority's plans to have multiple applications that are cloud-based.

A complete set of IT policies should be developed and implemented. These policies must be clear, concise, and understood by the target audience. The policies should be in a standard format because they cover recurring situations. A policy approval process should be followed and all policies should be approved and have an approval date on them. The policies should be reviewed annually and updated as necessary.

Ensure that web filtering is filtering and blocking as it should. Security awareness training for employees should emphasize the security risk of access in social networking sites from the Authority's network.

Ensure that an annual restore from backup test is performed and documented.

Ensure that completing, testing, and training on the new BCP/DRP is a priority and is completed before the end of 2012.

Management's Response: The Authority is currently working to move its internet services over to the New Mexico State Contract and to link directly to the state's data center. The Authority is also in the process of establishing a data center in Albuquerque to be used as a DR site. The Authority's IT will be meeting in January 2013 to discuss a design and service proposal. These measures should provide an increase in reliability and services.

Section II — Financial Statement Findings — continued

2011-5 (FS) Information Technology (IT) Issues (Significant Deficiency) — continued

Management's Response: — continued

Currently the Authority only uses the cloud for email services. At this time 50% of the Authority's staff are laptop users and if connectivity to the 207 Shelby facility were lost then that portion of the staff could switch to Verizon wireless connections. Leveraging Verizon wireless as a backup connection will be the direction the Authority will follow until the use of cloud based service increases to a level where a loss of connectivity would disrupt day to day activity.

The various IT policies have been updated and have been combined into a single IT Acceptable Use Policy for all employees to sign. IT staff has conducted a formal training on the new IT policy. The new IT policy went into effect in January 2013.

Information from the existing password policy and the data backup policy have been combined into one of the following documents:

- IT Acceptable Use Policy January 2013
- Infrastructure, Security and Recovery Manual 2012-2013
- Business Continuity Plan 2012-2013

The access to Facebook site was removed at the time the auditor noted that it was available. The Authority relies on Juniper firewall packaged filtering. This package blocks most social networking sites that it classifies as "dating and personal." Facebook and MySpace are included in that classification. However LinkedIn is currently considered a site useful for some Authority business practices. IT will continue to leverage software based filters to manage access to restricted websites.

IT has instituted biweekly tests of servers replicated to the offsite datacenter. IT will also institute monthly data restores to coincide with monthly server patching.

A formal disaster recovery drill will be conducted in Q2-2013. Management will establish a formal BCP committee to review and test all recovery procedures.

Section II — Financial Statement Findings — continued

2011-6 (FS) Bond Covenants — Other (Repeated)

Condition: Annual audited financial statements were not submitted as required by the reporting requirements of the bond covenants.

Criteria: The bond covenants require that within two hundred seventy (270) days following the close of each fiscal year an annual audit report be submitted to the bond holders. The bond covenants set forth a requirement for an audit of the Authority's books and accounts, including the specific accounts relating to the Pledged Revenues to be commenced by an independent accountant showing the receipts and disbursements in connection with such.

Effect: The bond holders did not receive timely financial audit information specified in the bond covenants.

Cause: Lack of adequate financial reporting and oversight policies and procedures. See also, finding 2011-1.

Auditors' Recommendations: Establish procedures to ensure compliance with financial reporting requirements.

Management's Response: The Authority will make every effort to provide statements within the prescribed timeframe.

Section III — Federal Award Findings and Questioned Costs

2009-2 (FA) Timely Submission of Reports (Repeated and Modified) (Material Weakness)

Federal program information:

Funding agency:	Environment Protection Agency (EPA)
Title:	Capitalization Grant for Drinking Water State Revolving Funds
CFDA:	66.468

Condition: The fiscal year 2012 audited financial statements were not submitted to the New Mexico Office of the State Auditor by the submission deadline as of December 15, 2012. The 2012 Single Audit Reporting Package was not submitted to the Federal Single Audit Clearinghouse by the March 31, 2013 deadline. Procedures were not in place to ensure reporting by the applicable deadlines.

Criteria: Section 2.2.2.9A (1) (f) of NMAC Audit Rule 2012, Requirements for Contracting and Conducting Audits of Agencies, requires that annual audit reports be received in the Office of the State Auditor no later than December 15, 2012. The Federal Single Audit Act and related regulations require submission of Single Audit reports within nine months of fiscal year-end.

Effect: The Authority is not in compliance with OMB Circular A-133 and the New Mexico Office of the State Auditor's Audit Rule.

Questioned Costs: None

Cause: The Authority did not submit the audited financial statements or the Single Audit Reporting Package timely as a result of issues with its financial reporting process which are described in finding 2011-1.

Auditors' Recommendations: The Authority should work towards having their books closed and ready for audit in a timely manner and establish policies, procedures and internal controls to ensure compliance with federal and state reporting requirements.

Management's Response: The Authority has performed the following:

- Established internal deadlines for monthly as well as annual closing of its books.
- Modified its Board information format to financial statement presentation with accrued balances so that the information presented is analyzed in a manner similar to that audited, and to ensure that the books will always be in a state of review readiness.
- Implemented a training schedule for accounting staff regarding financial requirements with applicable oversight agencies and accounting practices as well as in ethics related to financial reporting.

The Authority also plans to prepare semi-annual reports once all late audits have been submitted. This will ensure timely reconciliations of items such as fund balance that are not typically reviewed until year-end.

Section III — Federal Award Findings and Questioned Costs — continued

2011-7 (FA) Reporting (Repeated and Modified) (Significant Deficiency)

Federal program information:

Funding agency:	Environmental Protection Agency (EPA)
Title:	Capitalization Grants Drinking Water State Revolving Loan Fund Program
CFDA Number:	66.468

Condition: The Program's 2012 Annual Report of the EPA program was submitted on October 5, 2012, 5 days after the due date.

Criteria: The Annual Report for the State of New Mexico is due by September 30 (90 days after end of state fiscal year June 30) to the Environmental Protection Agency.

Effect: Noncompliance with this reporting requirement.

Questioned Costs: None

Cause: Internal controls were in place to ensure the Annual Report is submitted on time, however, time delays and corrections to the report delayed the submission.

Auditors' Recommendations: The Authority should implement policies and procedures to ensure that the report is prepared and submitted on or before the September 30th deadline.

Management's Response: The Authority makes every effort to report timely. A tickler system will be implemented in the new loan servicing system with reminders of all report deadlines. All staff will have access to that portion of the system.

Section IV — Other Findings and Questioned Costs

2011-8 (SA) IRS Required Reporting of Taxable Fringe Benefits — Other (Repeated)

Condition: An employee used an Authority owned automobile in part for personal use from fiscal year 2011 through fiscal year 2012. The value of personal use was not included in the employee's W-2 form.

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

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

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

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

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

Section IV — Other Findings and Questioned Costs — continued

2011-9 (SA) Timely Cash Receipts Deposit – Other (Repeated and Modified)

Condition: One of ten cash receipts tested, in the amount of $2,807.49, was not deposited by the close of the next business day.

Criteria: The Authority is required by NMSA 6-10-3 to deposit receipts, checks / drafts on or before the close of the next succeeding business day.

Effect: Noncompliance with the timely deposit rule creates the opportunity for checks/drafts to be lost or misappropriated.

Cause: Lack of effective controls over cash receipts to ensure that checks and other receipts are delivered to the accounting department for deposit immediately after they are restrictively endorsed.

Auditor's Recommendation: Modify the cash receipts process to ensure deposits are being made within the required time period. Consider the use of remote deposits services offered by banking institutions.

Management's Response: The Authority receives most if its cash via wire transfer; however, there are instances when payments are made with a check, by mail. The Authority has purchased and is currently using equipment that enables check scanning for deposit from a desktop directly into the bank account. This allows deposits to be made instantly, thus ensuring 24-hour compliance.

Section IV — Other Findings and Questioned Costs — continued

2011-10 (SA) Travel and Per Diem Expenditures — Other (Repeated and Modified)

Condition: One out of ten expense reimbursements tested lacked documentation required by the Travel and Per Diem Act. The amount of the undocumented reimbursement was $28.00.

Criteria: Title 2 Chapter 42 Part 2 of the New Mexico Administrative Code (Travel and Per Diem Act) provides that reimbursement of expenses in lieu of per diem rates require receipts for the meal and lodging expenses occurred. In circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for receipts.

Effect: Reimbursement to employees without the required documentation can create the opportunity for misappropriation of the Authority's resources. Employees may also be receiving more or less than the state's travel and per diem policy prescribes.

Cause: The Authority did not have procedures in place to ensure compliance with the *Travel and Per Diem Act* requiring supporting documentation for all reimbursements. The policy for travel and per diem is inconsistent with the travel and per diem act.

Auditors' Recommendations: Implement policies and procedures to ensure that no expense report related request for payment are paid without proper documentation and the Authority follow the prescribed travel and per diem policy.

Management's Response: The Authority complied with an internal travel and per diem policy and as such did not follow the state Travel and Per Diem Act during 2012. Its own policy was breached in the circumstances identified above. The Authority will rewrite its policy to be aligned with the state Travel and Per Diem Act and communicate and monitor such policy to ensure compliance.

Section IV — Other Findings and Questioned Costs — continued

2011-11 (SA) Equipment — Other (Repeated)

Condition: The Authority's equipment listing includes several fully depreciated assets that are no longer in service. In addition, there were assets that were past their useful lives that had not been fully depreciated. Furthermore, an inventory of all equipment was not performed during the year.

Criteria: New Mexico State Statute Section 12-6-10, NMSA 1978, requires all organizations to conduct an annual physical inventory of equipment. A periodic physical inventory of equipment is necessary to determine whether equipment is impaired, to ensure that the equipment listing is correct and complete, and to detect of loss of property and equipment.

Cause: The Authority does not have a process or policy in place to take a physical inventory of its equipment, or to assess equipment for impairment. Additionally, procedures were not in place requiring a periodic review of the equipment listing and related depreciation to ensure accuracy of the equipment descriptions and lives, accumulated depreciation, and depreciation expense, and to identify obsolete assets and those no longer in service.

Effect: Without a periodic physical inventory of equipment, the Authority may be exposed to the risk of loss or unauthorized use of property and equipment, and may fail to identify equipment whose use has been impaired. Additionally, failure to perform a periodic review and recalculation of the capital asset listing and related depreciation could lead to inaccurate asset and accumulated depreciation balances.

Auditors' Recommendations: Periodic physical counts of movable equipment should be performed and compared to the detailed equipment subsidiary ledger on at least an annual basis. Affixing identifying tags with numbers as assigned in the subsidiary ledger will aid in making this comparison. Equipment whose use has been impaired should be identified at this time, and appropriate adjustments made to carrying values in the general ledger. Equipment that is no longer in use should be identified, properly disposed of, and removed from the equipment listing. Additionally, the Authority should perform a periodic recalculation of the equipment listing and related depreciation.

Management's Response: The Authority has implemented these policies based on the State audit rule and will perform an inventory count, annually.

New Mexico Finance Authority
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2012

Audit Finding	Status
2009-2	Repeated and modified
2011-1	Repeated and modified
2011-2	Repeated
2011-3	Repeated and modified
2011-4	Repeated and modified
2011-5	Repeated
2011-6	Repeated
2011-7	Repeated and modified
2011-8	Repeated
2011-9	Repeated and modified
2011-10	Repeated and modified
2011-11	Repeated

New Mexico Finance Authority
Corrective Action Plan
June 30, 2012

Audit Finding	Responsible Party	Corrective Action to be Taken	Target Date
2011-1	Chief Financial Officer	See Management's Response 2011-1	March 2014
2011-2	Chief Financial Officer/Legal Counsel	See Management's Response 2011-2	July 2013
2011-3	Chief Financial Officer	See Management's Response 2011-3	July 2013
2011-4	Chief Financial Officer	See Management's Response 2011-4	Corrected
2011-5	Chief Financial Officer/ Internal Information Technology Department	See Management's Response 2011-5	July 2014
2011-6	Chief Financial Officer	See Management's Response 2011-6	December 2013
2011-7	Chief Financial Officer	See Management's Response 2011-7	Corrected
2011-8	Chief Financial Officer	See Management's Response 2011-8	July 2013
2011-9	Chief Financial Officer	See Management's Response 2011-9	July 2013
2011-10	Chief Financial Officer	See Management's Response 2011-10	July 2013
2011-11	Chief Financial Officer	See Management's Response 2011-11	July 2013
2009-2	Chief Financial Officer	See Management's Response 2009-2	December 2013

New Mexico Finance Authority
Exit Conference June 30, 2012

An exit conference was held on April 11, 2013, with the Authority. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

New Mexico Finance Authority

John Gasparich	Chief Executive Officer
Donna Trujillo	Chief Financial Officer
Michael Zavelle	Chief Investment Strategist
Dan Opperman	General Counsel
John D. Holton	Director of Information Technology
Robert Brannon	Controller
Bob Spradley	Senior Accountant II
Joanne Johnson	Accountant
Tom Clifford PhD	Board Member / DFA Cabinet Secretary
Ricky A. Bejarano	State Controller/ DFA Deputy Cabinet Secretary

REDWLLC

Bruce Bleakman	Principal
Javier Machuca	Sr. Manager