On Track with New Mexico

New Mexico Finance Authority • 2008 Annual Report

~ *Vision*

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Mission ~ We are dedicated to improving the lives of New Mexicans by planning and financing infrastructure, strengthening the economy through public / private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing

Values ~ Customer Orientation • Discipline • Great Place to Work • Initiative • Quality • Results Orientation

Photo by Robert Chu

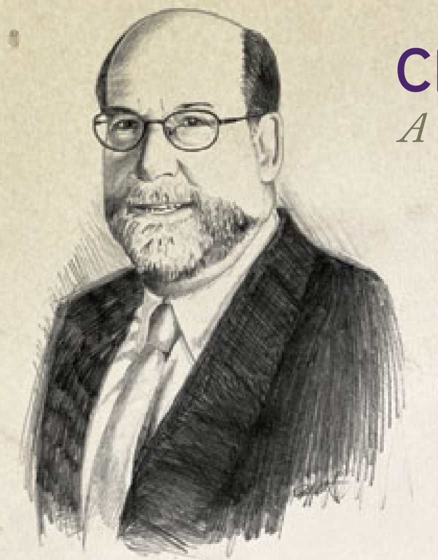
Photo by Alejandro Marentes

The Land of Enchantment

"New Mexico is as varied in its scenery as its nickname suggests. With desert lowlands in the south and high, hoary peaks in the north, with rugged volcanic uplands and colorful plateaus, with high plains along its eastern border, and with a great rift valley that quite literally slashes the state in two, New Mexico presents many faces to its residents and visitors."

— Halka Chronic

Table of Contents



Chairman

A message from Stephen Flance

It is no secret that Fiscal Year 2008 was not an easy one for those of us in the financial industries. What I would like to make clear as Chairman of the Board of the New Mexico Finance Authority is that despite the financial market chaos, the New Mexico Finance Authority and its Board of Directors remain clearly focused on providing low cost financing to New Mexico's communities. As the New Mexico Finance Authority mission statement says, we are dedicated to improving the lives of New Mexicans and we will continue to be on track in the face of these difficult financial times.

Our country has been facing economic crisis and that has put a heavy strain on all aspects of the financial markets, including municipal bonds. The beginning of the worst of this meltdown came during the end of FY '08 and the New Mexico Finance Authority felt the impact. The Board of Directors is diligently working with the staff to ensure that we have policies in place to protect the New Mexico Finance Authority's integrity and reputation, and to make certain we have the stability to continue to provide financing solutions to New Mexico's needs. The economic outlook for 2009 is highly uncertain, with possibilities ranging from full recession to moderate recovery in the second half of the year; couple that with a State Legislature that is facing a session with very little money for capital outlay and the outcome doesn't look bright. Currently, we are seeing some signs of returning stability in the market for long-term municipal debt. The combination of these factors allows the New Mexico Finance Authority to position itself as the solution to public finance issues the state will have. We are here, we are stable and we are conducting business as usual.

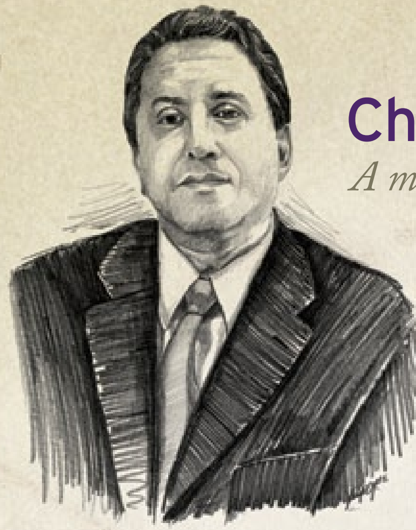
The citizens, community leaders and elected officials at the local and state levels have trusted us to set the standard for solution-driven financing. We are committed not only to maintaining that trust, but also to building it with new community leaders and elected officials. We continue to strive to be the leader in public finance, both in New Mexico and across the country and it is the trust of New Mexico that is the driving factor.

Finally, I want to give due credit for our success to the Governor and State Legislature who provide funding and support which has made our growth and accomplishments possible. We take this support and trust with the utmost appreciation and are working hard to maintain it. The Board of Directors is sharply focused on excellence in productivity, efficient use of capital, operating excellence, and making sure the right people are in the right place. Together, we are on track and moving New Mexico forward.

Stephen R. Flance

STEPHEN R. FLANCE, Chairman
New Mexico Finance Authority

Photo by Alejandro Marentes



Chief Executive Officer

A message from Bill Sisneros

Looking back at Fiscal Year 2007-2008, I am glad to find that the public finance climate in New Mexico mirrors the state's economic climate; still growing positively and doing better than the rest of the country.

During the course of Fiscal Year 2008, the New Mexico Finance Authority financed 198 projects totaling over $525.5 million. While much of the country has been devastated by the mortgage and credit meltdown, we are still able to help this State's communities build, develop, grow and move forward. The secret to our success lies in the depth and quality of our client relationships and as a result of these relationships; we are able to design the right financing solutions to continue to help this state prosper.

The financial market before, during and following FY '08 is in turmoil. As a result, many sectors are failing including auction rate securities. This presented challenges to the New Mexico Finance Authority, which we took in stride and were able to overcome.

We are tremendously excited about extending our programs to include the Smart Money Loan Participation Program and the New Markets Tax Credit Program.

The Smart Money Loan Participation Program is a partnership between New Mexico Economic Development Department (EDD), the New Mexico Finance Authority and local banks. It was designed to stimulate economic growth statewide by offering incentives in the form of lower interest rates to businesses.

The New Markets Tax Credit Program was established to bring affordable capital to businesses in low-income areas. With this allocation, NMFA will be able to provide investors with tax credits for up to $110 million in investment. In return, the investor is able to earn a 39% credit against federal taxes over a seven-year period. This investment will then be used by NMFA to make loans to qualified businesses at subsidized interest rates with flexible repayment terms typically not available through conventional lenders.

I would like to thank the hardworking employees building the New Mexico Finance Authority, many new and many who have been with the organization for some time. Public finance entails building relationships both internal and external, with the end result being better relationships with our clients. The employees here are dedicated to working as team, proven by our success.

In conclusion, the New Mexico Finance Authority is on track and looking forward to serving New Mexico by providing stable financing solutions to community problems. Consideration of long term goals is driving this organization to make diligent decisions today, which we can support in the future. At the New Mexico Finance Authority, "better" is in constant production.

WILLIAM C. SISNEROS, Chief Executive Officer
New Mexico Finance Authority

Board of Directors

RON CURRY, Cabinet Secretary
Environment Department

LONNIE MARQUEZ, VP for Administration & Finance
New Mexico Institute of Mining & Technology

WILLIAM FULGINITI, Executive Director
NM Municipal League

CRAIG REEVES, President
First National Bank of NM

JOANNA PRUKOP, Cabinet Secretary, Energy
Minerals & Natural Resources

GARY BLAND, State Investment Officer
State Investment Council

KATHERINE MILLER, Cabinet Secretary
Department of Finance & Administration

FRED MONDRAGON, Cabinet Secretary
Economic Development Department

PAUL GUTIERREZ, Executive Director
New Mexico Assoc. of Counties

ED GARCIA, President
Garcia Honda of New Mexico

Not Pictured: **CHARLIE DORAME**, Pueblo of Tesuque

2008 Project Highlights

New Mexico Highlands University Residence Hall

Challenge: The University's existing residence halls, built in the late 1950's and early 1960's, no longer met the needs for today's students for privacy, access to technology or quality of life. In addition, deferred maintenance in the aging facilities was a growing problem. The University required a design compatible with existing campus architecture, and adequate rental rates to make the facility self-sustaining.

Solution: In order to address these objectives quickly and cost-efficiently, the University issued its system revenue bonds through the Public Project Revolving Fund to finance the project. It became evident after reviewing other options that bonding through the NMFA was possible within the project's tight timeline and with the lowest financing cost.

Benefit: This project, which will be completed in July 2009, provides affordable apartment-style housing for nearly 300 students. The new Residence Hall has enhanced student life on campus and assisted with student recruitment and improved retention rates consistent with University goals.

Image: Dekker/Perich/Sabatini

New Markets Tax Credits:
Increasing Low-Cost Capital in Rural New Mexico

As announced in November 2007, the New Mexico Finance Authority has been authorized to participate in a highly competitive federal program, New Markets Tax Credits, established to bring affordable capital to businesses in low-income areas. Having finalized its agreement with the Department of the Treasury to develop rules and policies that will guide the program, NMFA began accepting applications for the program in June 2008.

With this allocation, NMFA will be able to provide investors with tax credits for up to $110 million in investment. In return the investor is able to earn a 39% credit against federal taxes over a seven year period. This investment will then be used by NMFA to make loans to qualified businesses at subsidized interest rates with flexible repayment terms typically not available through conventional lenders.

Why New Markets Tax Credits?
This program was designed as an incentive to attract investment in businesses that strengthen local economies, including tribal areas with high levels of unemployment and poverty. Because businesses in low-income areas often lack equity or collateral value, conventional lenders have had difficulty providing the financing needed in these areas.

Program Highlights:
The possibility for high wage sustainable jobs and economic growth is furthered by:

- Creating additional sources of private capital.
- Targeted lending that helps low-income areas.
- Offering more flexible loan structures to make difficult or "marginal" transactions feasible.

Photo: Molzen-Corbin & Associates

Village of Los Lunas Arsenic Treatment System

Challenge: In 2001, the United States Environmental Protection Agency implemented the Arsenic Rule which decreased the allowable arsenic concentration level in a public water supply. The compliance deadline presented challenges for the Village of Los Lunas, which relies on four wells for its water supply and where ground water samples showed levels exceeding the new limit. The Village faced additional challenges: to evaluate technologies that could be retrofitted, cost effective and water efficient; and also to ensure compatibility with rapid population growth.

Solution: An engineering study concluded that $6 million was needed to design, purchase and install the recommended arsenic water treatment system at each well. The Village received a legislative appropriation yet when faced with the need for $6 million and a fast approaching deadline for compliance, they turned to the NMFA for assistance and applied for a low interest loan.

Benefit: The treatment system will be in operation in 2009, bringing The Village of Los Lunas' water system into compliance with safety standards for public water.

New Mexico Tri-Services Lab / New Construction and Expansion

Challenge: Built in 1976, the Tri-Services Lab was functionally obsolete. The three agencies housed in this facility are the state's Department of Health Scientific Laboratory Division, the Department of Agriculture Veterinary Diagnostic Services, and the University of New Mexico Office of the Medical Investigator. Inadequate room for growth to meet service demands, the increased scientific complexity of investigations, and the risks to employees and the public of exposure to chemical and infectious hazards led the Department of General Services; Health; Agriculture; and UNM to seek funding for a replacement facility.

Solution: The project budget of $86 million was met by legislative appropriations (2002-2007); and combined funding sources from the General Fund, severance tax bonds, and bonds issued by the New Mexico Finance Authority backed by cigarette tax collections and state gross receipts taxes. Located next to UNM Health Sciences campus in Albuquerque, the building was designed "green" to achieve LEED Silver designation and completion is expected in 2010.

Benefit: The new Tri-Services Lab will house laboratory spaces for each agency. These labs will be classified "BSL-3" which have high containment protocols to enable scientists to perform research into vaccines and therapies of use against emerging infectious diseases and biological agents. Specialized areas will allow for molecular and DNA diagnostics, autopsy and necropsy, office and conference areas. The facility will help protect citizen safety, as well as scientists and other employees by providing a modern, secure lab to identify and isolate public health threats.

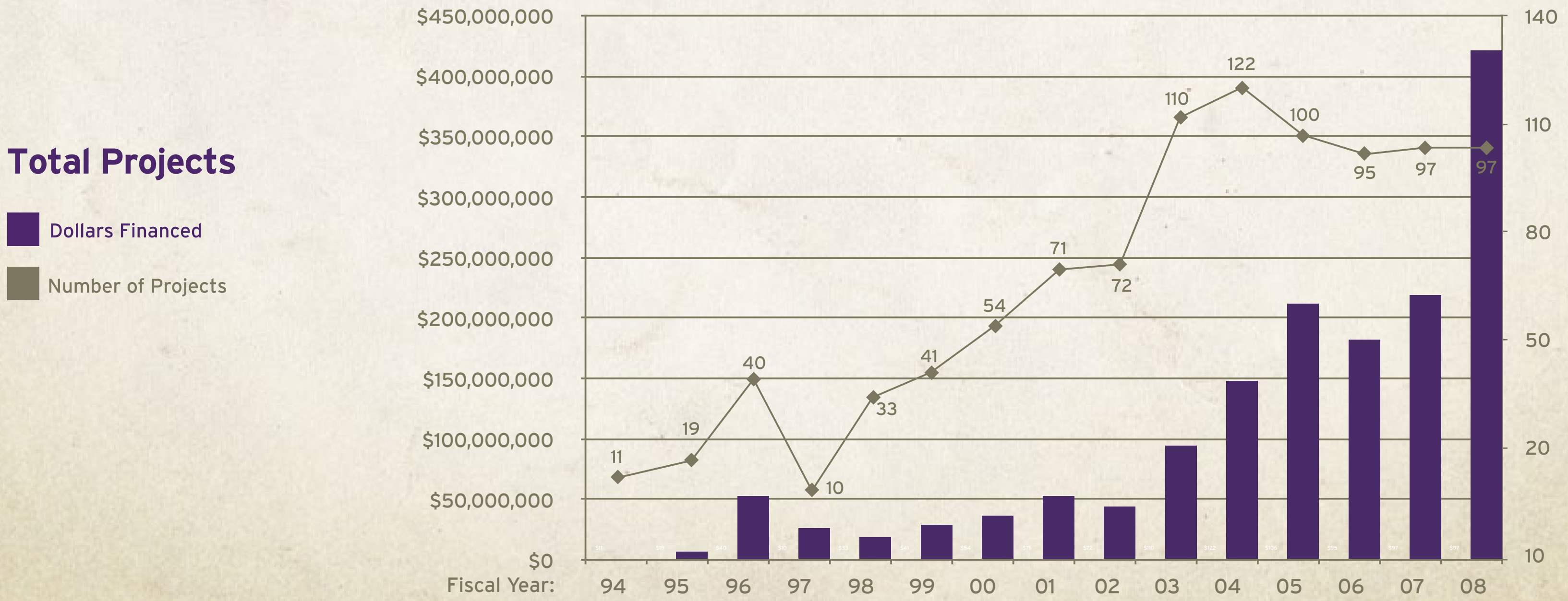
Image: Studio Southwest Architects

Photo by Alejandro Marentes

2008 Financing Highlights

Fiscal Year 2008 brought the NMFA's financing activity to more than $2.9 billion, broken down by $1.6 billion for GRIP and $1.3 billion for PPRF and other NMFA programs. With this level of activity, the NMFA continues to seek diversity in its portfolio, by ensuring a strong mix of small, medium and large loans. NMFA is meeting its original core mission of assisting communities with their financing needs, large and small. The types of projects also show this diversity, with fire trucks and equipment financing still a major focus of the NMFA.

Just under 45% of the number of loans made in FY 2008 were for equipment and vehicles purchases. For 2008, 40 of the 93 total projects were for vehicles or equipment. Buildings and associated infrastructure continue to be the largest percentage of deals in the loan programs, representing 30% and 48% of number of deals and dollars of deals, respectively, for 2008.



Loan Programs

Statewide Economic Development Finance Act

Created in 2003, the Statewide Economic Development Finance Act authorizes the NMFA to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities. In 2005, the NMFA, in its partnership with the Economic Development Department, was successful in amending the law to create the Smart Money Initiative, a business lending program designed to use a $12 million appropriation to create greater access to capital throughout rural and underserved areas of New Mexico. Through the Smart Money Initiative, NMFA has secured partners from more than 30 participating financial institutions operating throughout the state. In 2006, the Legislature authorized 48 projects from which NMFA approved four loans totaling approximately $4.1 million in loan participations, which leveraged additional financing from its Smart Partner banks of more than $11 million. Following the unsuccessful passage of the legislative authorization bill during 2007, the NMFA saw a temporary decrease in activity during FY 2008. Activity in the program rose mid-year following the Legislature's authorization of an additional 48 projects and two projects – the Plaza Hotel in Las Vegas and the Murray Hotel in Silver City – were approved by the NMFA. This program continues to see increased need. To date in 2009, another two projects have been approved leaving approximately $5.5 million available for the remainder of FY 2009.

Photo by Alix King

Photo by Alix King

New Markets Tax Credits

To enhance the Smart Money Initiative, NMFA formed a subsidiary for-profit company called Finance New Mexico LLC, to pursue an allocation of federal tax credits, available under the New Markets Tax Credit program. Recognizing the lack of allocation to New Mexico, the Legislature and Governor supported—with enactment of legislation in 2006—creation of this company for the sole purpose of participating in this specific federal program. The purpose of the New Markets Tax Credit program is perfectly aligned with the goal of the Smart Money Initiative, which is to provide private businesses in rural or underserved areas of the country with greater access to capital. The incentive to investors is a 39 % federal income tax credit earned over seven years for every dollar invested in businesses located in low income communities. Surprisingly, until 2007, no single entity within New Mexico had received an allocation of these important incentives, and only one single deal had been completed in this state for $6 million, despite more than $11.5 billion of tax credits having been allocated nationwide.

Culminating a three-year effort, the NMFA, through its Finance New Mexico subsidiary, was awarded $110 million in New Markets Tax Credit authority in FY 2008. The award, which is one of the highest ever given to a new recipient, was an indication of the strength of our proposal which stressed long-term job creation and lending to operating companies, particularly in rural New Mexico.

Also in FY 2008, the NMFA, as manager of the Finance New Mexico subsidiary, developed the comprehensive policies that allow for these valuable funds to be offered through a competitive, transparent process. Three competitive application rounds are designed to commit the funds to projects that will enhance the economic base of the state and maximize the use of the credits in New Mexico. To date, two rounds have been offered; the first in July 2008 and a second round in November 2008 with the last round expected to be offered in Spring 2009. The NMFA is also developing a small revolving fund targeted to bring the benefits of the New Markets Tax Credit program to smaller projects in rural New Mexico. This program is also expected to be available in spring 2009.

Child Care Revolving Loan Fund

The Child Care Facility Loan Fund partners the NMFA with Children Youth and Families Department (CYFD) to provide low-cost financing to licensed child care providers to fund improvements to their facilities. In 2008, the NMFA and CYFD stepped up their efforts to make certain child care providers were positioned to take advantage of this critical, low-cost funding. The effort culminated in increased activity of this small loan program and in November 2008 the NMFA completed its first loan under this program. The $50,000 loan to Connie's Day Care in Las Cruces will allow the licensed child care provider to increase her space so that she can care for more children, including non-traditional hours of evening and overnight care for parents who work night jobs.

Drinking Water Revolving Loan Fund

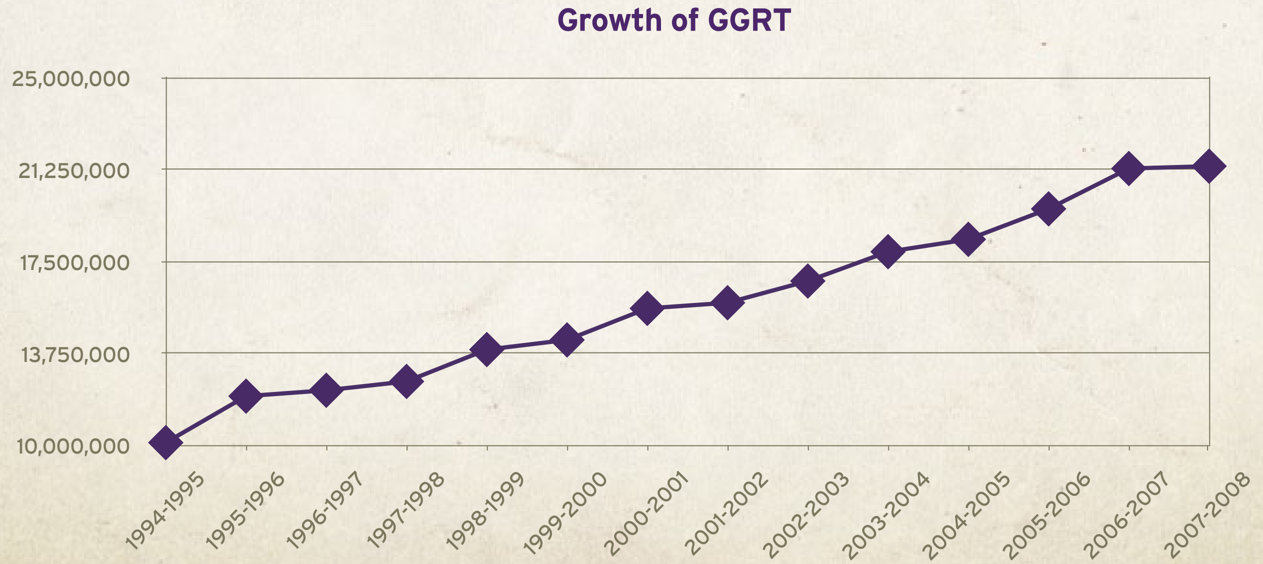
Created in 1997 as a partnership between the NMFA and the New Mexico Environment Department, the Drinking Water Revolving Loan Fund provides low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health. This federal program, managed by the NMFA on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. The State of New Mexico is required to match the federal grant by 20 %. The primary use of the funding is for zero-or two-percent loans to systems. The Environment Department is allowed, under federal law, to use up to 27% of the funding to meet its duties as defined under the federal Safe Drinking Water Act. NMFA receives 4% for its management of the program. To date, the NMFA has received nearly $92 million in federal Environmental Protection Agency capitalization grants, which has been matched directly by the NMFA with $16.4 million and by the Legislature with $2 million. In FY 2008, the NMFA closed seven loans totaling $36.9 million, bringing its total loans funded under this program to 30 loans totaling approximately $74.8 million. Use of this critical funding tool is on track for 2009 with commitments to fund six loans, amounting to $29.7 million.

Public Project Revolving Fund

Created in 1994, the Public Project Revolving Fund remains the primary financing tool at the NMFA. Rated 'AA-+', this program provides a wide range of public entities in New Mexico with access to the capital markets offering to all its borrowers some of the best fixed rates available in the marketplace. Funded first with a 75% share of governmental gross receipts tax (GGRT), the NMFA uses these funds—approximating $21.6 million last year—to make loans to qualified entities, subject to specific authorization by law for each project. To replenish the fund, NMFA uses the loan repayments as a revenue stream to borrow money from the capital markets, that is, issue bonds against outstanding loans and available GGRT.

Fiscal Year 2008 was a year of continued progress and growth. NMFA closed 90 PPRF loans totaling $386,774,407 in Fiscal Year 2008 representing an 83% increase over the total dollars loaned in Fiscal Year 2007 while nearly equally the number of PPRF loans closed in Fiscal Year 2007. The 2008 Legislature authorized the NMFA to make loans from the PPRF to 147 entities statewide.

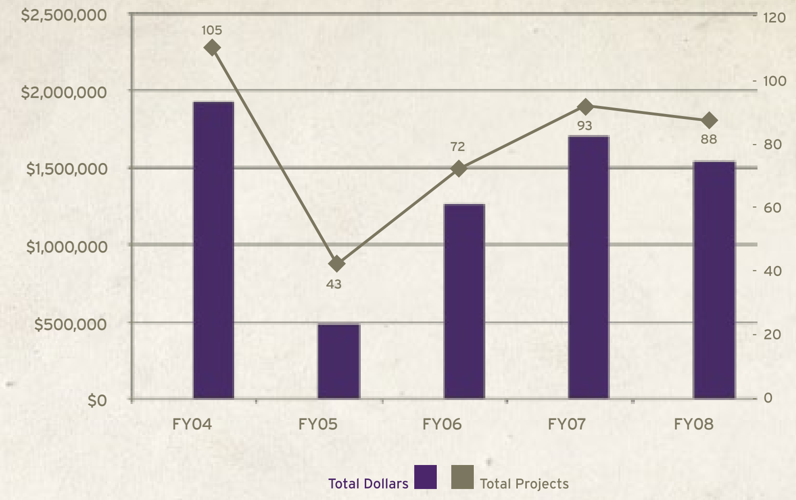
Most significantly, however, the NMFA continued to provide the quality service and low-cost financing for projects vital to New Mexico's state and local governments. The success of the program is due in large part to a number of features that allow the NMFA to use the GGRT to provide direct benefit to the public bodies, from which the GGRT is generated. The loan features, like cost of issuance assistance and disadvantaged funding, were developed by the Legislature to help lower the cost of borrowing for all New Mexico public bodies, regardless of underlying credit quality.



Payment of the Costs of Issuance

The NMFA may pay up to $200,000 of NMFA closing costs per entity, per fiscal year. This feature provides two benefits: (1) entities with limited funds can more readily access the tax-exempt market, and (2) assistance provides added incentive to many creditworthy entities to borrow through the NMFA. By paying costs of issuance, the NMFA increases the number of high-quality municipal credits seeking funds from the PPRF. These communities account for the majority of the GGRT receipts, which fund the PPRF. Furthermore, these communities provide the PPRF with a diversified credit portfolio in higher ratings and lower costs by reducing the cost of bond insurance and reduced interest rates.

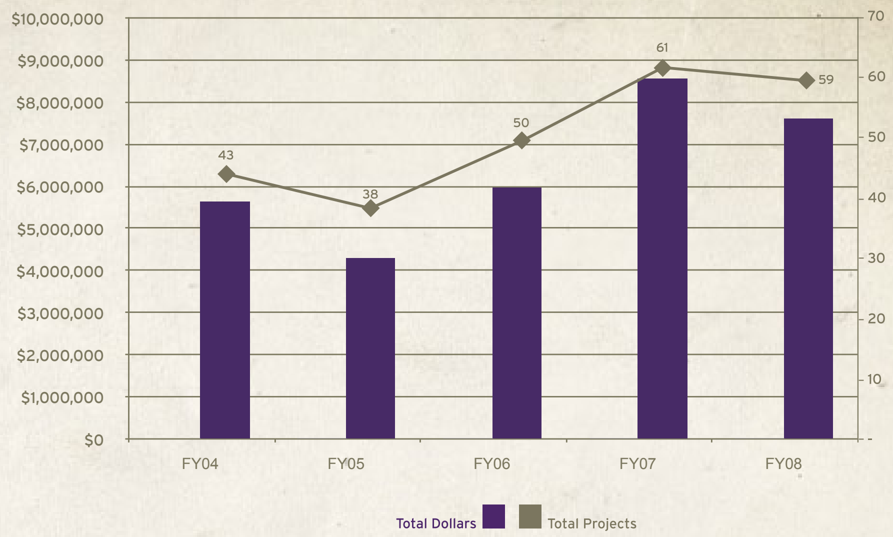
Public Project Revolving Loan Fund
Costs of Issuance Assistance



Disadvantaged Entity Loans

Due to the relatively low incomes in many areas in New Mexico, a large number of qualified entities applying to the NMFA are in need of additional financial assistance. NMFA offers these disadvantaged entities below market interest rate loans for qualified projects of less than $2 million. Specifically, loans at zero and three percent interest rates, based on the entity's median household income, are available. These loans are limited to $75,000 per equipment loan and $200,000 per infrastructure project, with no single entity receiving more than $200,000 in total disadvantaged funding per fiscal year.

Public Project Revolving Loan Fund
Disadvantaged Funding



Primary Care Capital Fund

The Primary Care Capital Fund was created by the 1994 Legislature with an initial appropriation of $5 million to be used as a revolving fund in the State Treasury. The revolving fund provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases with a useful life of more than 3 years. Clinics from New Mexico communities such a Penasco, Silver City, Pecos, and Anthony have borrowed from the fund to expand their existing medical facilities for mental and dental services in addition to the construction of new facilities. These communities benefit tremendously from the primary care services because the program allows for a 20% annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care at free or reduced prices to sick and indigent clients. In FY 2008, the NMFA saw an increase in the use of this fund, made 2 loans, bringing the total loans made from this program to 16 loans totaling just more than $10.3 million. These loans, some of which have been in repayments since 1997, have repaid almost $4 million to the fund. In FY 2008, the NMFA loaned all available funds in this program and the program will have limited activity until existing borrowers have repaid their loans.

Behavioral Health Capital Fund

Tailored after the successful Primary Care Capital Fund, this program provides low cost capital to behavioral health clinics in rural and underserved areas of the state. Capitalized by the NMFA with $2.5 million, this small loan program makes 3% loans to non-profit behavioral health care providers. With its partners at the Department of Human Services, in FY 2008, the NMFA opened the first round of applications and saw a great demand for the program with four applications submitted totaling $2.6 million. Three of these applicants – La Clinica de Familia in Anthony, Pathways in Albuquerque and Santa Fe Rape Crisis and Treatment Center – received approval and will be finalizing their funding in FY 2009.

Local Government Planning Fund

The 2002 Legislature created the water and wastewater planning fund within NMFA for the purpose of making conditional grants to qualified entities. Grants from the fund were made only with the agreement of the qualified entity to reimburse the fund for the amount of the grant when financing from any source was subsequently received by the qualified entity for the water or wastewater public project. Repayments to the fund are made without interest or fee. The purpose of the funding is to evaluate and estimate the costs of implementing the most feasible alternatives for meeting water and wastewater public projects needs and to pay administrative costs of the water and wastewater planning program.

The program increased in 2005 when the Governor signed House Bill 304, which expanded the purpose from the water and wastewater planning program to include economic development plans, water conservation plans and long-term master plans. At that time, the name was changed to the Local Government Planning Fund and the NMFA was authorized to forgive the zero-interest loans to communities if the community sought project financing through the NMFA. In other words, the Legislature was providing an incentive to communities to plan projects that have greater likelihood to be built. The outcome of the legislative changes has been that all funding is obligated to communities. In Fiscal Year 2008, NMFA Board directed staff to pursue an additional infusion of cash into the fund from the Legislature. In 2008, The NMFA issued nine grants totaling $256,000.

Photo by Mark Dalton / NMFA

Photo by Alejandro Marentes

Water Project Fund

Created by the 2001 Legislature, the Water Project Finance Act established the 16-member Water Trust Board to recommend to the Legislature projects to be funded through the Water Project Fund. Under the Act, the Board is authorized to recommend funding for five project categories: (1) water conservation or reuse, (2) flood prevention, (3) Endangered Species Act collaborative efforts, (4) water storage, conveyance and delivery infrastructure improvements, and (5) watershed restoration and management initiatives. These categories reflect the state's comprehensive effort to improve funding for projects that improve quality and supply throughout the cycle – from water source to its use. In FY 2008, the Water Trust Board approved comprehensive water project policies which govern the use of the fund and provide for greater accountability of the funding. With these policies in place, the Water Trust Board is able to rely on advice from a seven-agency technical team that evaluates applications and reports to the Water Trust Board prior to its recommendations to the Legislature. Since its creation, the Board has recommended $142.7 million. The Board anticipates more than $33 million available to fund projects in FY 2009. NMFA administers the program on behalf of the state.

Water and Wastewater Grant Fund

During the 1999 Legislative session, the Legislature created the Water and Wastewater Project Grant Fund. In 2000, the Legislature authorized the NMFA to issue up to $5 million in bonds to fund grants for 38 public water and wastewater systems which have been completed and the funds expended. Since its inception, the Legislature has appropriated approximately $55.9 million to the fund for 172 public water wastewater systems. This last year, the fund has closed 4 projects totaling $1.1 million. Only six projects remain unclosed, totaling approximately $2 million. The NMFA expects to close those remaining projects in the next calendar year.

Energy Efficiency and Renewable Energy Bonding Act

Created by the 2005 Legislature, the Energy Efficiency and Renewable Energy Bonding Act authorizes the NMFA to issue up to $20 million in bonds backed by the State's Gross Receipts Tax to make loans to state agencies, universities and public schools to fund energy efficiency and renewable energy renovations at existing facilities. With changes made to the Public Project Revolving Fund statute in 2005, the NMFA is prepared to issue these bonds and to buy them into the Public Project Revolving Fund to minimize the issuance cost associated with these bonds. To date, no projects have been approved.

Transportation Finance in New Mexico

In 2007, transportation finance was a topic well debated and studied in New Mexico. Two key pieces of legislation were enacted: (1) House Memorial 35 created a task force to define the finance challenges and solutions for meeting New Mexico's transportation needs, and (2) in the first special session of 2007, House Bill 2 was passed, which authorized and partially funded GRIP 1 and several local transportation projects, under what is being called GRIP 2.

Governor Richardson's Investment Partnership

House Bill 2 funded the original GRIP program with slightly more than $53 million to address the inflationary impact of construction materials, for which the DOT has had cost increases of more than 30%. This funding is an addition to the original bond authorization of $1.585 billion, of which the NMFA has issued $700 million in 2004 and $400 million in 2006. The remaining $485 million is planned to be issued in 2008 for $200 million and $285 million in 2010. In addition to issuing the bonds and managing the bond finance plan, NMFA has met all of the New Mexico Department of Transportation targets, including maintaining annual debt service under $162 million. Investment earnings on the NMDOT accounts have amounted to almost $65 million, since 2004.

GRIP 2 - Local Transportation Projects

Aside from the funding for GRIP 1, the new GRIP 2 program authorizes 116 local transportation projects totaling more than $200 million in state financing. However, the appropriation provides funding of just slightly more than $150 million. The legislation requires that local entities provide a local financial contribution to be eligible for state funding. Enactment of this program requires the NMFA to manage the funding, on behalf of the state and local entities who received funding.

Photo by Jake Schoellkopf / NMDOT

Local Transportation Infrastructure Fund

Created by the 2005 Legislature, the Local Transportation Infrastructure Fund Act creates a loan fund targeted to local government road or transportation projects. The purpose of the fund is to make loans or grants for projects recommended by regional planning organizations, then prioritized by the Department of Transportation. The initial funding for the program will come from the NMFA, which will dedicate one half of its GRIP management fee to make the annual payments on up to $20 million of bonds. Though originally conceived as a loan program, the Legislature offered an incentive in the form of a grant of not more than 25% of total project cost. Additionally, in a 2007 special legislative session, the Legislature passed GRIP 2. Under this new program, the state provided more than $100 million of funding, over three years, for 116 local road projects. The state share requires a local contribution, ranging from 10 to 45%. Many local governments will seek out the LTIF funding for local match support. For the first round of GRIP 2, the Department of Transportation submitted a list of 73 prioritized projects, from which approximately 15 have been identified for LTIF funding support totaling not more than $3.5 million. In FY 2008, the NMFA approved funding for 15 projects totaling over $2.3 million. The outlook for remaining GRIP 2 funding rounds will likely exhaust the remaining capacity of the LTIF.

Photo by Tom Spross

Photo by Niko G. Villegas


Photo by Mark Dalton / NMFA

Internal Structure

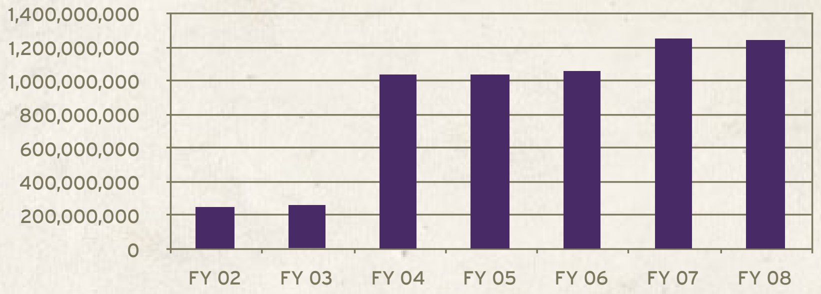
FY 2008 was a year of dynamic internal reflection. Since 2003, the management effort has been largely directed at understanding the organization within the context of New Mexico's infrastructure dilemmas and defining finance opportunities. Early in 2004, NMFA tackled the behemoth GRIP financing and subsequently devised management strategies to decrease cost by bringing outsourced functions within the NMFA organizational structure. The end goal was to strengthen the NMFA's ability to fulfill its mission.

All the while, the NMFA operated at even higher performance levels, primarily in its traditional program area, the PPRF. Early in 2004, NMFA began a "manage the market strategy," the purpose of which was to hedge against fluctuations in interest rates, by issuing bonds routinely to meet cash flow needs of clients. During this time frame, loan activity increased substantially, not only as measured from volume or number of loans, but also in the higher-than-normal dollar amount of individual loans. From FY 1999 to FY 2002, the average annual loan volume was $34.6 million; from FY 2003 to FY 2006, the average annual loan volume increased 360% to $159.2 million.

Internally, the NMFA has viewed the magnitude of this growth as validation that the NMFA loan product and incentives are valued tools by New Mexico communities. Moreover, to ensure these tools remain available, the NMFA has recognized the importance of constant reassessment of the program. Towards that end, the NMFA monitors outstanding debt, in comparison to cash asset and loans receivable. Equity in the program has grown to more than $105 million.

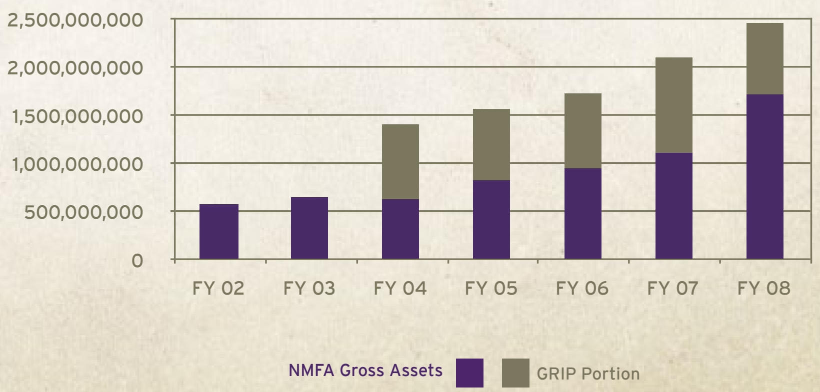
Managed Invested Cash

Sources of funds for managed invested cash include funds from financing program bond proceeds, pledged revenues, loan payments received, administrative fees, federal grant revenues, and interest income received. In FY 2004 the inclusion of Governor Richardson's Investment Partnership funds tremendously increased the NMFA's responsibilities. These funds are invested, in varied instruments including various Money Market funds, State Treasurers New Mexico GROW, repurchase agreements, individual agency and US government securities, and Wells Fargo operating accounts.



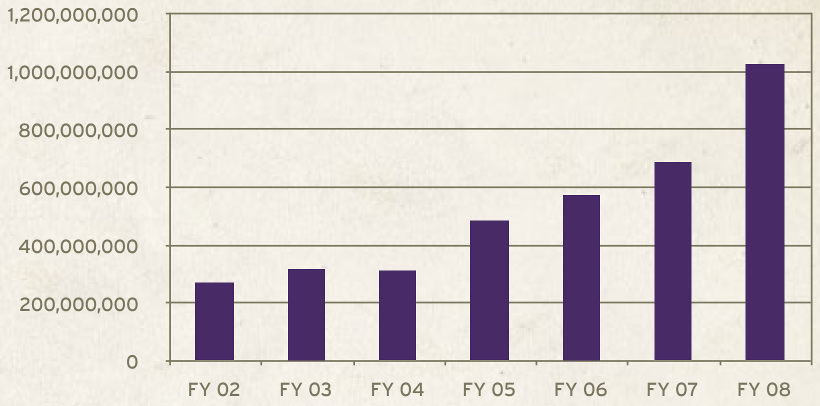
Managed Gross Assets

Managed gross assets comprise of loans receivable and invested cash, which increased for FY 2007. The increase is attributed to the issuance of the 2006 Governor Richardson's Investment Partnership bond issue and growth in the NMFA programs. New loans fuel growth for loans receivable, while program bond proceeds reflect the growth in the invested cash.



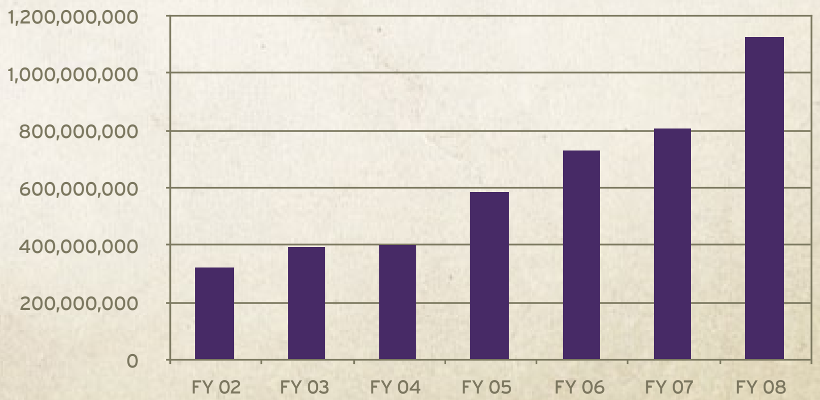
Loans Receivable

All major NMFA programs have shown growth corresponding to the increase in loans receivable. New loan programs such as Behavioral Health Care Capital Fund, the Child Care Revolving Loan Fund, and the SMART Money initiative show program growth at the NMFA. Another area with large growth is the NMFA's primary program, the Public Project Revolving Fund, which has included larger and more diverse loans.



Bonds Payable

The NMFA issued its first bond in 1994 with the issuance of the Series 1994 Certificates of Participation. Since this first issue, the NMFA has gone to market annually with a series of bond issues that used to replenish the Public Project Revolving Fund. The NMFA also issues "stand alone" bond issues, on behalf of state agencies, such as the Governor Richardson's Investment Partnership bonds. The NMFA bond portfolio has increased from under $300 million in FY 2002 to just over $1.1 billion in FY 2008.



2008 Market Writeup

The turbulence in private sector caused by the financial meltdown in the mortgage market led to the downgrading of many financial institutions and insurance companies. These downgrades, in turn, caused the financial markets to spiral downward leading to the collapse of the financial markets and the business failure of several of the companies providing services within the financial sector. These business failures caused the financial markets to again spiral downward resulting in a worldwide financial crisis. Led by a $750 billion bailout program initiated by the United States, virtually every industrialized nation is now taking steps to shore up the financial community. Despite these are difficult and unprecedented times, the NMFA successfully navigated through the markets in 2008.

During this difficult year the NMFA had also been faced with an unprecedented demand for loans from clients. Over $386 million of loans were made to communities -- almost twice that of the previous year. With the meltdown in the financial markets some communities may find it difficult or costly to go directly to the financial market. In fulfilling the financial needs of the communities the NMFA has pledged the loans issued and has placed more than $360 million of bonds to fund the loans. Over the past four years the NMFA has worked diligently to increase the rating agencies' comfort with the Public Project Revolving Fund and received numerous upgrades reflecting their growing comfort with the fundamental strength of the program. We're pleased to say the rating agencies continue to value highly the NMFA's business model and have assigned bond ratings of 'Aa2'/'AA+'/'AA' by Moody's, Standard & Poor's and Fitch Ratings, respectively. In the past the NMFA had purchased bond insurance to raise the ratings on its bond to achieve the 'AAA' rating. With the downgrading of the insurance companies, the NMFA began in 2008 marketing its bonds with only its strong underlying ratings.

NMFA bond sales continue to be well received in the marketplace. A large portion of the bonds are sold on a retail basis before selling bonds to institutional investors. By marketing bonds on a regular, recurring basis many investors are knowledgeable of the NMFA, its financial strength, and solid relationship with its underlying borrowers. They are comfortable providing bids on its bonds resulting in a lower interest cost. This model allows the NMFA to continue to provide low cost financing to New Mexico and her communities.

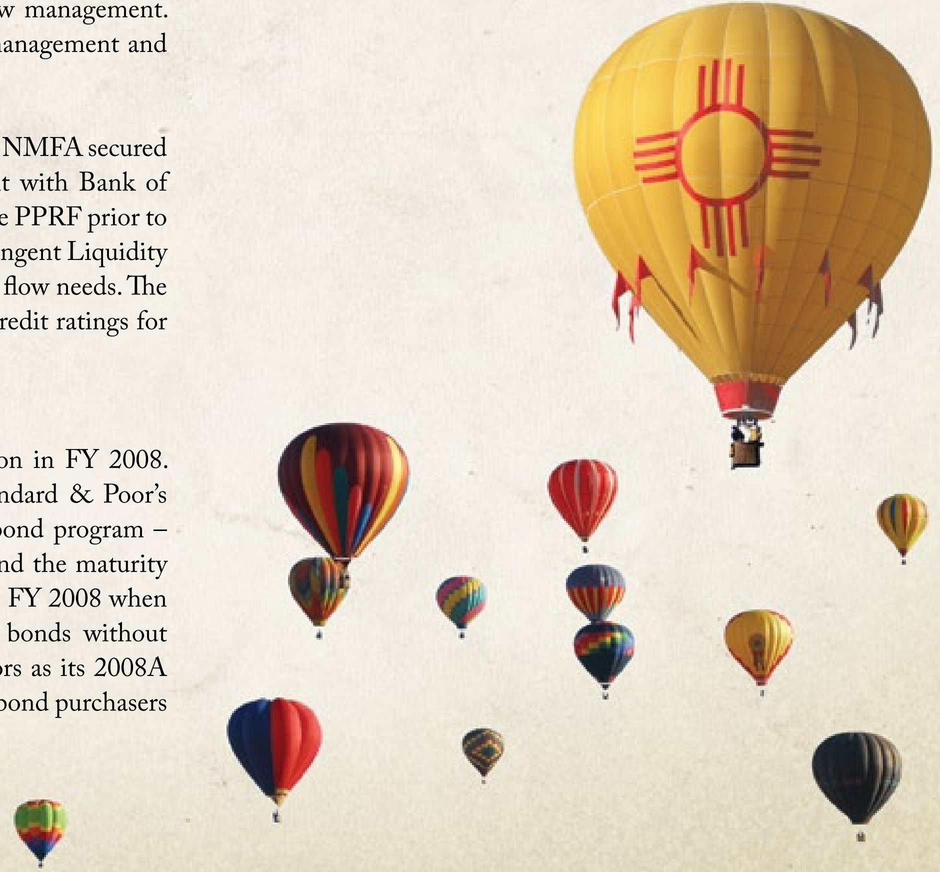
One of the challenges faced during this unprecedented financial meltdown was the collapse of the financial market for Auction Rate Securities. The New Mexico Department of Transportation had used this vehicle to finance a portion of the GRIP projects. The NMFA and the NMDOT transitioned out of the Auction Rate Securities into Variable Rate Demand Notes. The cost of completing this transaction and the ongoing fees increased the financing cost for the NMDOT on the GRIP projects. The use of variable rate bonds overlaid with a fixed rate cost continues to provide a savings over a fixed rate bond financing plan. The current financial crisis and market turmoil may result in need to exit the variable rate market and the underlying SWAP contracts. This is a challenge the NMFA and the NMDOT is facing in 2009 and beyond.

On track with New Mexico

The level of growth experienced at NMFA has tested the organization. The NMFA Board implemented a Liquidity Task Force to address the cash flow characteristics and constraints of this growth. The in-depth review of NMFA operations revealed available cash fluctuating from a few thousand dollars to more than tens of millions throughout the year. The NMFA developed a strategy to preserve and strengthen the integrity of the NMFA loan programs by ensuring access to cash, rather than attempting to time cash availability to borrower needs. The strategy required enhanced data management, active monitoring of assets versus liabilities, simultaneous transaction of single borrower loans of more than $5 million with bond issuance, and aggressive cash flow management. These areas are active performance targets of NMFA management and Board Members.

The outcomes are already having a strong impact. In 2007, NMFA secured short-term financing with a $100 million line of credit with Bank of America to reimburse NMFA for loans made through the PPRF prior to bond issuance. Moreover, the NMFA established a Contingent Liquidity Account, initially funded with $25 million, to meet cash flow needs. The impact of the CLA has been a basis for an upgrade in credit ratings for the NMFA bonds.

The NMFA issued PPRF bonds totaling $391.2 million in FY 2008. Notably, with the issuance of the 2007 D bonds, Standard & Poor's assigned an upgraded "AA+" rating to the senior lien bond program – reflecting the strength of management at the NMFA and the maturity of the PPRF. The strength of the program was tested in FY 2008 when NMFA decided for the first time to issue its PPRF bonds without insurance. The NMFA passed this test with flying colors as its 2008A bonds were well received by both institutional and retail bond purchasers in a time of looming instability in the bond market.



Combined Balance Sheet

	Enterprise Funds	Debt Service Funds	Special Revenue Funds	NMFA Total	DOT Funds	Combined Fund Totals
Assets						
Total Unrestricted Cash & Investments	68,229,026	7,921,919	20,039,078	96,190,023		96,190,023
Total Restricted Cash & Investments	300,904,459	1,972,394	100,879,647	403,756,500	380,172,840	783,929,340
TOTAL INVESTED CASH	369,133,485	9,894,313	120,918,725	499,946,523	380,172,840	880,119,363
Total Receivables	1,065,785,438	1,183,385	2,331,025	1,069,299,848		1,069,299,848
Total Other Assets	91,457,587	-	-	91,457,587		91,457,587
Total Fixed Assets	264,651	-	-	264,651		264,651
Total Assets	$1,526,641,161	$11,077,698	$123,249,750	$1,660,968,609	$380,172,840	$2,041,141,449
Liabilities						
Total Current Liabilities	324,562,185	80,264	1,185,198	325,827,647	380,172,840	706,000,487
Total Long Term Debt	995,999,482	-	1,704,789	997,704,271		997,704,271
Total Liabilities	1,320,561,667	80,264	2,889,987	1,323,531,918	380,172,840	1,703,704,758
Net Assets						
Total Net Assets	206,079,494	10,997,534	120,299,763	337,376,791	-	337,376,791
Total Liabilities and Net Assets	$1,526,641,161	$11,077,798	$123,189,750	$1,660,908,709	$380,172,840	$2,041,081,549

These financial statements are draft statements as June 30, 2008. The final audited statements will be available in late January 2009.

Combined Statement
of Revenues and Expenditures

	Enterprise Funds	Debt Service Funds	Special Revenue Funds	NMFA Total
Revenues				
Total Revenues	$ 88,944,617	$ 18,052,637	$ 121,919,867	$ 228,917,121
Expenditures				
BUDGETED EXPENDITURES				
Total Salaries & Fringe Benefits	2,698,553	-	504,317	3,202,870
Total In-State Travel	59,442	-	21,613	81,055
Total Out-of-State Travel	31,889	-	8,081	39,970
Total Operating Costs	890,612	-	137,294	1,027,906
Total Professional Services	2,297,975	-	333,503	2,631,478
		-		
TOTAL BUDGETED EXPENDITURES	5,978,471	-	1,004,808	6,983,279
UNBUDGETED EXPENDITURES				
Total Bond/Loan Interest Expense	43,769,243	11,172,464	-	54,941,707
Bond Issuance Costs	543,018	-	-	543,018
Contractual Services	1,282,612	51,130	-	1,333,742
Grant Expense	206,375	-	26,173,636	26,380,011
Administrative Fee Expense	132,638	177,552	-	310,190
Depreciation Expense	56,595	-	-	56,595
TOTAL UNBUDGETED EXPENDITURES	45,990,481	11,401,146	26,173,636	83,565,263
Total Expenditures	51,968,952	11,401,146	27,178,444	90,548,542
Excess Revenue Over Expenditures	36,975,665	6,651,491	94,741,423	138,368,579
Net Transfers	(24,051,021)	(6,549,632)	(7,400,230)	(38,000,883)
Excess (deficit) of Revenue over Expenditures after other Financing	$ 12,924,644	$ 101,859	$ 87,341,193	$ 100,367,696

NMFA Staff

NMFA Board of Directors

William C. Sisneros
CEO

Rey Romero
General Counsel

- **Daniel Sanchez** — Assistant General Counsel
- **Karole Ortiz** — Paralegal

Connie Marquez-Valencia
Executive Assistant to CEO

Jerome Trojan
Chief Operating Officer

Susan Lack
Sr. Administrative Assistant

Marquita Russel
Chief of Programs

- **Michael Vonderheide** — Sr. Programs Administrator
- **Jana Egbert** — Sr. Programs Administrator
- **Jennifer Sanchez** — Programs Administrator
- **Faviola Chavez** — Programs Administrator/ Private Lending
- **Vacant** — Director of Commercial Lending
- **Traci Davis** — Sr. Programs Administrator

Scott Stovall
Chief Investment Officer

- **Mark Lovato** — Investment Officer

Dora Cde Baca
Chief of Support Services

- **Arnold Nelson** — Administrative Assistant I
- **Mark Dalton** — Administrative Assistant I

Guillermo Yañez
Chief of IT

- **Todd Schroeder** — IT Database Analyst
- **Miguel Silva** — IT Systems Analyst

Mark Valenzuela
Chief Financial Strategist

Gloria Castillo
Sr. Administrative Assistant

Jeremy Turner
Chief Financial Advisor

- **Tony Duran** — Sr. Financial Advisor
- **Angela Gonzales** — Sr. Financial Advisor

John Brooks
Sr. Financial Advisor/Supervisor

- **Zach Dillenback** — Financial Advisor
- **Claire Manatt** — Financial Advisor
- **Matthew Jaramillo** — Financial Advisor

John Duff
Chief Financial Officer

Greg Campbell
Controller

- **Bob Spradley** — Sr. Accountant II
- **Lorraine Valdez** — Sr. Accountant I
- **Robert Brannon** — Sr. Accountant I
- **Richard Garcia** — Accountant III
- **Marcie Rivera** — Accountant
- **Valerie Sandoval** — Accountant

Projects by County

A complete list of all 2008 projects can be downloaded at the following online address:

www.NMFA.net/2008_Projects

Annual Report Design by SUM / Creating on Purpose™ / www.sumagency.com

New Mexico FINANCE AUTHORITY

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www.NMFA.net

Cover photo by Jack Delano.
Between Laguna and Gallup, New Mexico, 1943.
Courtesy of The Library of Congress Photo Archives.

NEW MEXICO
FINANCE**AUTHORITY**

2010 Annual Report Strategic Plan & Operating Budget

Financing your future, believing in New Mexico.

July 1, 2009

A message from the Chairman of the Board:

I would like to begin the 2010 Annual Report by first thanking Governor Richardson for the opportunity to lead the New Mexico Finance Authority. Under his leadership we have been able to build the Authority into an organization that has become a vital economic engine driving the future of New Mexico.

The report you have in front of you demonstrates our past growth, our financial health, and our plan for strategically managing our future. The Authority has faced the national crisis in the financial community of the past two years effectively and has improved its performance and financial viability. The Authority is ready to serve New Mexico with improved offerings in our traditional programs and we are taking on several additional programs authorized by the Legislature.

The Governor has supported me by appointing public Board members who share the Authority's vision; Rhonda Faught, Lonnie Marquez, Craig Reeves, and Daniel Silva. The Governor has also appointed highly capable individuals, such as these Department Secretaries to fill the statutory Board positions; Ron Curry, Environment Department, Joanna Prukop, Energy, Minerals and Natural Resources; Katherine Miller, Department of Finance and Administration; Fred Mondragon, Economic Development Department; and Gary Bland, State Investment Office. Together we have built a Board based on guiding policies which have enabled us to achieve ever higher levels of performance.

Additional thanks are extended to the Executive Director of the New Mexico Municipal League, William Fulginiti; and Paul Gutierrez, Executive Director of the Association of Counties who, in addition to playing the same role in the growth and development of the Authority, continuously bring forward the local government perspective to our deliberations. Together we have built an organization based on fiscal integrity engrained in sound public policy.

No organization can be successful without a strong Chief Executive Officer and a highly capable staff. Here too, we can take pride in our organization. Our staff, including our Chief Executive Officer, is highly skilled and tireless in their dedication to our shared vision.

Our complete disclosure and involvement with the Legislative Oversight Committee has created an environment where we can debate and discuss the laws, rules and policies guiding our organization. They provide valuable insight to the Board and the staff of the Authority. Their dedication to the role we play in building the future of New Mexico is exemplary.

I look forward to working with Bill Sisneros, CEO, and Jerry Trojan, COO, in the coming fiscal year and the challenges it brings. Together we can meet those challenges and take the Authority to an ever higher level of support for our New Mexico communities.

Sincerely,

Stephen R. Flance

Stephen R. Flance

Chairman

New Mexico Finance Authority

NEW MEXICO
FINANCEAUTHORITY

RESOLUTION

APPROVAL OF THE NEW MEXICO FINANCE AUTHORITY'S COMPREHENSIVE PLAN, FINANCIAL MANAGEMENT POLICIES, 2010 OPERATING BUDGET AND 2011 PROJECTED OPERATING BUDGET ("2010 NMFA STRATEGIC PLAN AND OPERATING BUDGET").

WHEREAS, on May 27, 2009, the New Mexico Finance Authority (the Authority) held a study session to discuss the 2010 NMFA Strategic Plan and Operating Budget.

WHEREAS, the Authority desires to consider adopting and approving the 2010 NMFA Strategic Plan and Operating Budget.

WHEREAS, the Authority has determined it is in the best interest of the Authority to adopt and approve the 2010 NMFA Strategic Plan, Operating Budget and tentative 2011 Operating Budget.

NOW, THEREFORE BE IT RESOLVED BY THE MEMBERS AND BOARD OF DIRECTORS OF THE NEW MEXICO FINANCE AUTHORITY:

Section 1. That the 2010 NMFA Strategic Plan and Budget and the comprehensive plan from 2011-2015 be adopted with the proviso that each year moving forward beginning with 2011 the budget will be brought back to the Board for review under the normal budget cycle that we follow in the agency.

Section 2. That the Chief Executive Officer of the Authority be and is hereby authorized to do all things necessary to implement the 2010 NMFA Strategic Plan and Operating Budget.

Section 3. This Resolution shall take effect immediately upon its adoption and approval.

PASSED AND APPROVED BY THE NEW MEXICO FINANCE AUTHORITY THIS 25TH DAY OF JUNE, 2009.

NEW MEXICO CORPORATE SEAL FINANCE AUTHORITY

Stephen R. Flance

Stephen R. Flance, Chairman

PREPARED FOR EXECUTION BY OFFICERS
OF THE NEW MEXICO FINANCE AUTHORITY

ATTEST:

NEW MEXICO FINANCE AUTHORITY
General Counsel

Joanna Prukop

Joanna Prukop, Secretary

By: Reynold E. Romero

Reynold E. Romero

Table of Contents

one
Introduction

two
General Information

three
Financial Management Policies

four
Finance Authority History

five
NMFA Programs and Target Numbers

six
Total Operating Budget

seven
Appendix

Vision ~ Financing your future, believing in New Mexico.

Mission ~ We are dedicated to improving the lives of New Mexicans by planning and financing infrastructure, strengthening the economy through public / private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.

Values ~ Customer Orientation. Discipline. Great Place to Work. Initiative. Quality. Results Orientation.

one
Introduction

May 28, 2009

To: Chairman Steve Flance and Members of the Board

From: William C. Sisneros
Chief Executive Officer

Jerome L. Trojan
Chief Operating Officer

Re: 2010 Annual Report, Strategic Plan & Operating Budget

DEFINING OUR FUTURE

Certainly by any measure the Authority has been a huge success story for the state of New Mexico. The phenomenal growth of the Public Project Revolving Fund alone is reason to take pride in our accomplishments. In addition, the successful implementation of fifteen other programs demonstrates the efforts of the Board and the staff of the Authority.

Our organization is now mature. The policy direction from both the Board and the Oversight Committee has guided us to where we are today. The question we must now address is: Where are we going in the future?

This budget is presented to provide a framework for "Defining our Future."

The Past Five Years

This is the fifth budget we have prepared together. It is a milestone event. The Board has been tireless in its support and direction it has charted for the Authority. Without a supportive and actively involved Board the accomplishments of the past five years would not have been possible. The employees of the Authority have worked hard and intelligently to advance the traditional programs and implement new programs entrusted to our care. Together the team effort and commitment is an inspiration to all who come in contact with us. The past year has been one of considerable turbulence in the financial industry. Many of the financial partners we have worked with in the past are in financial difficulty. Some are no longer in business. A few have been merged or acquired by competitors and several others have required intervention by the federal government to remain viable. This has been a period of time when all financial institutions have been severely tested. Through these times of turmoil the Authority has responded effectively and efficiently.

Our past commitment to developing systems, hiring and building a capable staff, and requiring top performance from our consultants has allowed us to set a new standard for our organization and the State of New Mexico.

Policy Development

Every program entrusted to the Authority is managed through rules and policies adopted by our Board with the full involvement of the Legislative Oversight Committee. The transition of the Board from a transaction orientation to a policy making body has given a solid base to the staff. Having this foundation in place has allowed the staff to aggressively promote these programs to their respective constituencies.

The financial policies guiding the staff on how to finance and approach the implementation of new programs have resulted in the successful initiation of ten new programs over the past five years. Several of these programs were languishing without direction prior to this Board's policy guidance.

When the concept of a policy driven organization was first presented to the Board five years ago, it was received with little enthusiasm. Now that the Board has fully embraced the policy culture it is hard to fathom how the organization could function without it.

Active Board Committees

Board Committees do much of the hard work of the organization. The less formal structure of a committee format allows the members to discuss and deliberate policies, issues and transactions in direct contact with staff. Over the past five years, the committees have established regular meeting cycles that correspond to the Board meeting. The active participation of the committee's members and staff provides an opportunity to discuss options and concerns and present a more complete recommendation to the Board.

Utilizing the committee structure to provide guidance and policy direction has provided essential information and documentation to support Board decisions. The Board member chairing the committee is prepared to discuss the issue at length. The committee structure provides thorough Board governance to the Authority.

Employee Based Operation

One of the more dramatic transitions the Authority has made is to build staff capability and use consultants in a more strategic role. During the past five years, key hiring, training and education decisions have been made creating staff capacity to manage:

- all investments,
- computer systems,
- financial information systems,
- market monitoring,
- bond issuance,
- attorney utilization,
- policy development

decisions of the Authority. In addition to being more effective by directly managing these operations, bringing these functions in-house has allowed the Authority to contain its costs. Providing the current level of services with outside consultants would be far more costly.

We are a learning organization. We provide the opportunity and the resources to our employees to grow and take on additional challenges. We can all take pride in their development. In addition to the capital infrastructure we build with our programs, the Authority is also building the human infrastructure capable of meeting the financial management needs of New Mexico.

The employees we are investing in today will be the leaders of the future.

Fiscal Integrity

The investment made by the Authority in policy, systems and personnel have created responsive and efficient financial management. This fact is borne out not only by our clients, staff and those we interface with in conducting the business of the Authority and the State. It has also been recognized by the rating agencies who have given us six upgrades over the past five years. In granting these upgrades they regularly cite the active involvement of the Board, the reliance on policy, the underlying systems and the strong management of the organization.

The enhancements to the systems have occurred even though the Authority has been growing at a rapid pace. The workload at the Authority has increased by over:

- 400% in Gross Managed Assets
- 500% in Managed Invested Cash
- 300% in Bonds Payable
- 400% in Loans Outstanding

These increases have been absorbed by the staff while the Authority has increased the ratio of assets managed per employee by over 225%.

At the same time the Authority has continued to obtain clean audit opinions from its external auditors.

The personal commitment to excellence by the members of the Board is validated by this record. The investment authorized by the Board in systems and personnel have been demonstrated by the performance of the staff. We can pause for a brief period of time and reflect on our accomplishments.

The Authority is clearly on the right track to becoming the type of financial engine New Mexico needs for the future.

The Future

Even though we have accomplished a great deal we must be consistent in preparing for the future. An organization can never become complacent. If an organization is not planning for the future it is dying. With that thought in mind the 2010 Budget lays the foundation for improving the effectiveness of the Authority.

Our focus over the past five years has been to become better at what we do. The purpose of this 2010 Budget and Strategic Plan is to make the Authority, simply stated, the best. The goals identified in the Platform document are essential steps that the Authority will take in the future to achieve that distinction.

Authority Client Focus Strategy

Serving the citizens of New Mexico is the mission of the Authority. We must continue to be focused on the needs of the smaller communities that do not have access to the financial markets. Providing them with low cost financing is the foundation of the Authority. We need to help them with their financial needs but we must also help them plan for the future and develop and improve their fiscal viability. We have a cadre of financial professionals to help them achieve their capital needs. We also have other resources through the various offices of the State to bring a coordinated effort to help them plan for the future.

In reaching out to serve our clients the Authority has been highly successful in meeting the needs of the smaller communities of the State. We now have a sufficient capital base to also serve the larger communities in New Mexico. One of the new systems we have initiated is to track and project the leverage ratio of the Public Project Revolving Fund. This budget includes a new policy guiding the leveraging of the Public Project Revolving Fund. The steady infusion of governmental gross receipts into that fund indicates the Authority can increase its outstanding loans by over $200M per year. This is in addition to the reissuance of loans paid off in any given year.

The budget being presented is calculated on capping the administrative fee at a $5M loan level. The administrative fee policy is amended to reflect the change. The reason for the change is to be fair to the larger issuers and to attract more substantial higher-rated credits to the Authority.

Operations Management Evolution

Organizations grow and improve by taking a series of positive steps to build success. Developing management systems is a journey comprised of making steady progress toward a goal. It is similar to the efforts of a sailor in a sailboat. The sailor must first determine the port of destination. After the port is determined the conditions encountered along the way will determine the tack necessary to reach the destination. An old adage is that if you don't know what port you are sailing for; no wind is the right wind. Conversely, if you do know to which port you are heading every wind can be used to your advantage in reaching your destination. The steps outlined in the platform are to guide our organization in achieving our goal of having the best operational systems to support our mission.

The 2010 budget being presented contains capital expenditures for technology disaster recovery, a new phone system and a loan management servicing system. A considerable effort has been made to build our systems to their present state. These new investments will enhance what we already have accomplished and make us more efficient in the future.

Manage Market Volatility

If there is a lesson we have learned from the financial meltdown over the past two years it is that we must be self reliant. We cannot depend on the financial markets to function as they have in the past. Underwriting firms, insurance companies, investment firms and rating agencies have failed to properly perform. Their practices often motivated by current financial gains are highly suspect. The track record speaks for itself.

The market of the future will require the Authority to communicate directly with the individuals and organizations that invest in our bonds. It will also require us to monitor the market and viability of the financial institutions we do business with. The Authority by the nature of its business lends, borrows and invests a considerable amount of funds. We can take pride in our performance during these trying times but we must also learn from our experience so we can perform at a higher level in the future.

The platform stresses a new direction for the organization. Much of this effort can be achieved by realigning duties within the organization. The full force of this shift is planned to occur in 2011 with the addition of one new staff position. We will identify current investors, and potential investors. We will then present the Authority financial credibility to them and keep the investor informed on a regular basis. In this manner we will be reaching beyond the underwriters and ratings agencies to tell our story. Through this effort we will be reducing our dependence on them and be defining our future.

Portfolio Strategy for Loans and Investments

In these difficult financial times it is even more important for the Authority to monitor, guide and analyze market conditions and their effect on investments and loans. We have the systems, personnel and contractors in place to perform these critical functions. Our performance during the past eighteen months should be a source of pride to everyone associated with the Authority. The Authority will weather the seas of the current financial storm and come out stronger and more resilient when the economy settles down.

Meeting the uncertainties of the present and the future will require vigilance. The platform identifies key steps the Authority will take to assure we are able to avoid many of the pitfalls we may encounter. If uncertainties arise the measures identified will allow the Authority to deftly respond and minimize their impact.

Managing the portfolio of loans and investments for the Authority is an essential indicator of who the Authority is and what it stands for. Having an unblemished record of underlying loan payments is one of the main reasons for a series of ratings upgrades the Authority has received. The conservative loan policies of the Authority has allowed it to offer loans to many borrowers who may not have access to the financial markets. Providing this service to New Mexico communities is our mission and the reason for our existence. However, providing credit to less financially sound communities has been a challenge. We have overcome this challenge with our strong policy and management systems. Even though we have enjoyed a substantial record of success, we will strive to become the best. We will continue our pursuit of AAA ratings. The platform we have outlined will provide the framework for our effort.

Safeguards

The Authority has become an economic engine for New Mexico. In fulfilling this role the Authority must exercise constant vigilance. The viability of our commitments to our clients, the changing circumstance in the market and the evolution of the programs being administered demand that we respond in a thorough and well planned manner. Being the best at what we do demands a level of evaluation and aggressive analysis of how we can perform better.

The platform document is meant to provide guidance and direction to the staff and the Board on how to improve our performance, ability and capacity to serve the citizens of New Mexico. Building for the future means never being satisfied with the status quo. We must improve or we will become complacent and never realize our full potential.

The safeguards we have outlined express our drive to become the best.

Executive/Legislative Interaction Management

Our record of performance has brought to the Authority a steady stream of new programs for us to manage. Our interaction with the Governor, Legislature and the Oversight Committee has enabled us to engage them in the planning and administration of every program entrusted to us. In establishing new programs and modifying existing programs the Oversight Committee has been especially constructive. By being able to meet with them on a regular basis we have been able to engage them in the establishment of policy, report to them on our performance and discuss with them difficulties encountered on each program under our jurisdiction.

In addition, our close cooperation with sister agencies in the administration of many of these programs has provided for an effective utilization of State resources. We can rely on the skills of sister agencies rather than try to duplicate those skills within the Authority.

All of this effort requires a considerable degree of interaction and participation on Board commissions and committees. We do not and cannot operate in a vacuum. We bring unique skills to the State and we must play an active part to assure we are heard and understood. The platform document outlines the areas upon which we will focus our energy.

During fiscal year 2010 we will be initiating two new programs for the State. The 2009 Legislature enacted two bills which require the Authority to become an active participant in the planning, construction, ownership and financing of State facilities. Under new programs the 2010 Budget authorizes a new position and support funding for a capital facilities coordinator. We will be bringing the rules and policies for this program to the Oversight Committee for their review and to the Authority Board for their adoption in 2010.

Furthermore, the Authority has been given stimulus funds to administer under the Drinking Water program. The requirements of these funds will have a considerable reporting phase. While we have been able to establish the rules, policies and prospective recipients for these funds with our existing personnel, the ongoing administration of the program will need to be filled with additional resources. The 2010 and 2011 budget adds expenditures to provide the resources for this program's administration.

Managing existing programs will also require additional expenditures. Now that we have successfully initiated the New Markets Tax Credit program we will be preparing an application for new funding. The 2010 Budget includes an amount for this effort.

One of the authorizations given to the Authority under the Statewide Economic Development Finance Act was for the issuance of conduit bonds. Some communities throughout the State do not have this capability of issuing conduit bonds. In addition, the federal stimulus program has added opportunities for the use of nontaxable conduit bonds. The 2010 budget provides the resources to establish a conduit bond program for the Authority. The rules and policies for this program will be presented to the Oversight Committee for their input and review and to the Authority Board for this review and adoption.

Policies and Practices

The Authority is a policy driven organization. It is also an organization that is built on rigorous practices. It would be impossible to effectively and efficiently administer the number and complexity of its programs without these two elements of its foundation in place. Our ability to add programs and increase the size of several of our key programs would not have been possible if we did not make the past effort to get to where we are.

Having sound policy and practices in place is a building block of the Authority. During the past year we have experienced several situations where our policies and practices have been challenged. It has become clear that the Authority has reached a point in its development where it needs to invest in sharing information with the public. The 2010 Budget includes a new position, a Public Information Officer. As well as establishing communication with the media, this position will provide support for the organization in the development of its investor relations presentations and newsletters. By adding the skills associated with public information dissemination to the Authority we will also be enhancing our ongoing communication documents.

Our shared vision of “Financing your future, believing in New Mexico” is dependent on our ability to operate in this manner. As we face the challenges of the future we must continue to focus our effort to keep our ideals and structure in place. The platform identifies the effort we must undertake to keep us reliant on our founding philosophy. Only by doing so will we serve New Mexico to our full potential.

One of the key building blocks of an organization is its pay and classification system. Some organizations build their systems on cost of living adjustments tied to static job classifications. The Authority has built its system based on merit pay and evolving job classifications. Merit pay is awarded in relation to a formal annual evaluation process. Job classifications are reviewed on a biannual basis. Employees at the Authority are asked to stretch themselves and take on additional responsibilities. As they do so there jobs become more demanding and complex. Every other year the Authority revisits each job description and makes the adjustments necessary to maintain equity within the Authority. At this time the Authority also tests the market to assure that the pay system is competitive. This bi annual adjustment process will again be conducted in 2011. The Budget includes the anticipated costs of the Authority pay and classification system.

Office of the General Counsel

During the past year the Authority has been mired in controversy that has required a considerable expense. This controversy has also diverted our energy from building the organization. Investigations surrounding the Authority’s involvement in the GRIP bond issue of 2004 have eaten away at many of our resources. In addition, failures in the financial markets have caused the Authority to take legal actions to repair financial arrangements and seek legal redress. During the 2009 fiscal year we have redirected our budgets to absorb these increased costs.

The 2010 budget recognizes that many of these costs will continue and therefore need to be increased. To accommodate this increase the 2010 base budget has been prepared to demonstrate control in every other expense category.

While legal fees will increase during these trying times we are seeking redress. It is our hope that this cost will be offset by the recovery of some of the expenditures we have made in responding to the financial markets.

Conclusion

The past success and the future viability of the Authority is based on teamwork. Everyone coming in contact with the Authority is a member of that team. The staff, consultant, Board Oversight Committee, Governor, Legislature, clients, and even critics of the Authority provide valuable input into making us better. We need to effectively listen and communicate with each other in order to achieve our goal of being the best. The common trait we all share is to serve the citizens of the State of New Mexico. Together we can accomplish the impossible.

Platform: "Defining our future"

NMFA CLIENT FOCUS STRATEGY

a) Strengthen our customer service
b) Conduct debt capacity analysis
c) Analyze and project the capital needs of our clients as a proactive strategy
d) Work closely with DFA, local government division
e) Provide "alternatives" for clients by working with all State agencies and defining their products and product capabilities
f) Smile when we provide our services
g) Initiate stronger education and information financing program (New Mexico First)

OPERATIONS MANAGEMENT EVOLUTION

a) Emphasis on management and leadership
b) Periodically conduct Functional Analysis and intensive review of operations
c) Assure policies and systems are current and adequate
d) Assure orderly flow of information and activity to committees Board, Oversight Committee and Governor
e) Develop systems to assure accurate, efficient and complete information
f) Maintain a knowledgeable and capable staff
   - Cross train (2-deep strategy)
   - Staffing to meet current operations
   - Staffing to meet new program commitments and direction
   - Conduct internal/external salary survey
   - Maintain the Wellness Program
g) Conduct intensive legal review and coordination
h) Improve communication and presentation skills
i) Meet the State's need for new programs
   - Conduit bonds for economic development
   - Loan guarantees
   - State facility capital planning
   - Energy retrofitting
j) Implement 5-year strategic planning cycle
k) Implement improved financial reporting
   - Completion of a revised Accounting Manual
   - Replace accounting software systems
l) Enhance E- business infrastructure
m) Communicate all programs to clients statewide

MANAGE MARKET VOLATILITY

a) More frequent cost-effective bond issues
b) Management of administrative fee
c) Manage market rate risk
   - Issue market rate bonds (over $5M)
   - Tie loan closings more closely to bond issues
   - Mitigate interest rate risk
   - Frequent Rate Setting
   - Consider Reset Provision if there is excessive market fluctuation either way
d) Monitor interest rate environment daily
e) Evaluate competitive bond sales
f) Sell bonds on a flexible schedule
g) Determine the most cost effective means of selling bonds
h) Develop investor relations program and strategy

PORTFOLIO STRATEGY FOR LOANS & INVESTMENTS

a) Regularly review and refine loan and investment policy
b) Evaluate financing options
   - Security
   - Risk Analysis
c) Evaluate commercial paper
d) Monitor investments daily
e) Evaluate consultant performance
f) Improve cash flow forecasting
g) Fixed rate loans will always be the first option
h) Develop a new rating agency strategy

SAFEGUARDS: Preserving the Integrity of the Public Project Revolving Fund

a) Regularly meet with the debt management committee
b) Conduct a thorough review of loan portfolio
c) Assure loan project compliance
d) Strengthen Internal Controls
e) Monitor leverage debt/equity ratio
f) Ensure proper risk mitigation for loan programs

g) Evaluate design of PPRF program features with focus on market suitability and risk analysis.
h) Develop collateral monitoring systems
i) Assist clients in financial planning
j) Evaluate public improvement/tax increment financing
k) Improve financial reporting systems
l) Explore possible state moral obligation pledge to communities

EXECUTIVE/LEGISLATIVE INTERACTION MANAGEMENT

a) Provide strong governance support
    * Governor
    * Legislature
    * Oversight committee

a) Develop and maintain external relationships with offices and entities (i.e.: Office of the Governor, Legislature, Attorney General's Office, County and Municipal governments)
b) Implement Legislative Initiatives
c) Support economic development initiatives
d) Provide professional support for statewide activities

NMFA collaboration and advise to:

- NMFA Board
- Finance/Loan Committee
- Investment Committee
- Audit Committee
- Contracts Committee
- Ad hoc Policy Committee
- Economic Development Ad Hoc Committee
- Credit Committee
    - Enhance lending practices
- New Markets Tax Credit Advisory Board

NMFA/DOT

- DOT Debt Management Committee
- NM State Transportation Commission
- HB35: Technical Task Force for Sustainable Transportation

Governor and Legislature

- NMFA Oversight Committee
- Governor's Finance Council (GFC)
- Governor's Infrastructure Finance Team (GIFT)
- Legislative Finance Committee
- NM Legislative Committees
- Economic Development Team
- Water Trust Board
- Drought Task Force
- Tribal Infrastructure Board
- Water Cabinet
- Capitol Buildings Planning Commission

NMFA POLICIES & PRACTICES

a) Strengthen commitment to vision and mission statements
b) Stress cultural values throughout the organization
c) Maintain client focus and support
d) Develop policy based organization
    - Identify policies
    - Prepare policy proposals for new programs
    - Analyze where new policies are needed
    - Assure that policies meet legislative intent
    - Review and clarify policy with Board
    - Adopt new Board policies when needed
e) Continue to educate and inform clients and staff
f) Assess Public/Private Partnerships Program (SWEDFA, Smart Money, New Markets Tax Credit)
g) Critically assess program performance
h) Review actions, policies, objectives and legislative initiatives and advise the CEO, NMFA Board and Water Trust Board

OFFICE OF THE GENERAL COUNSEL

a) Coordinate legal firms and consultant services to NMFA
b) Develop procedures and standard forms for NMFA agreements
c) Investment asset management and recovery

two
General Information

Board Members

Stephen R. Flance, *Chairman*
The Flance Company

William Fulginiti, *Vice Chairman*
Executive Director
New Mexico Municipal League

Craig Reeves, *Treasurer*
President
First National Bank of New Mexico

Members:

Joanna Prukop, *Secretary*
Secretary
Energy, Minerals & Natural Resources Department

Gary Bland
State Investment Officer
State Investment Council

Ron Curry
Secretary
Environment Department

Rhonda Faught
Principal
R. Faught & Associates, LLC

Paul Gutierrez
Executive Director
New Mexico Association of Counties

Lonnie Marquez
VP, Administration & Finance
NM Institute of Mining & Technology

Katherine Miller
Secretary
Department of Finance & Administration

Fred Mondragon
Secretary
Economic Development Department

Daniel P. Silva
Former State Representative

NMFA Staff

Executive Staff

William (Bill) Sisneros
Chief Executive Officer

Jerome Trojan
Chief Operation Officer

Dora Mae Cde Baca
Chief of Support Services

John T. Duff
Chief Financial Officer

Connie Marquez-Valencia
Executive Assistant to the CEO

Marquita D. Russel
Chief of Programs

Reynold Romero
General Counsel

Guillermo Yanez
Chief of IT

Jarratt Applewhite
Chief Financial Advisor

Michael Zavelle
Chief of Investor Relations

Accounting

Robert Brannon
Senior Accountant I

Greg Campbell
Controller

Richard Garcia
Accountant III

Marcella Rivera
Accountant I

Valerie Sanchez-Sandoval
Accountant I

Robert Spradley
Senior Accountant II

Lorraine Valdez
Senior Accountant I

Finance

Darlaina Chapman
Financial Advisor

Traci Davis
Financial Advisor

Zach Dillenback
Lead Financial Advisor

Tony Duran
Lead Financial Advisor

Angela Gonzales-Rodarte
Sr. Financial Advisor

Matthew Jaramillo
Director of Governmental Affairs

Claire Manatt
Financial Advisor

Information Systems

Todd Schroeder
IT Database Analyst

Miguel Silva
IT Systems Analyst

Investments

Mark Lovato
Investment Manager

Programs

John Brooks
Director of Commercial Lending

Faviola Chavez
Program Administrator Private Lending

Jana Amacher
Sr. Program Administrator

Jennifer Sanchez
Program Administrator

Michael Vonderheide
Sr. Program Administrator

Legal

Daniel Sanchez
Assistant General Counsel

Karole Ortiz
Legal Assistant

Administrative

Gloria Castillo
Sr. Administrative Assistant

Mark Dalton
Administrative Assistant I

Susan Lack
Sr. Administrative Assistant

Arnold Nelson
Lead Support Specialist

Celina Sandoval
Sr. Administrative Assistant

Organization Chart

- **NMFA Board**
  Board of Directors
  - **Bill Sisneros**
    CEO
    - **Connie Marquez-Valencia**
      Executive Assistant to CEO
    - **Jerome Trojan**
      Chief Operating Officer
      - **Dora Cde Baca**
        Chief of Support Services
        - **Arnold Nelson**
          Lead Support Specialist
        - **Mark Dalton**
          Administrative Assistant I
        - **Guillermo Yañez**
          Chief of IT
          - **Miguel Silva**
            IT Systems Analyst
          - **Todd Schroeder**
            IT Database Analyst
      - **Jarratt Applewhite**
        Chief Financial Advisor
        - **Gloria Castillo**
          Sr. Administrative Assistant
        - **Tony Duran**
          Lead Financial Advisor
          - **Angela Gonzales Rodarte**
            Sr. Financial Advisor
          - **Darlaina Chapman**
            Financial Advisor
        - **Zach Dillenback**
          Lead Financial Advisor
          - **Matthew Jaramillo**
            Director of Governmental Affairs
          - **Claire Manatt**
            Financial Advisor
          - **Traci Davis**
            Financial Advisor
      - **Michael J. Zavelle**
        Chief of Investor Relations

Rey Romero
General Counsel

Daniel Sanchez
Assistant General Counsel

Karole Ortiz
Paralegal

Susan Lack
Sr. Administrative Assistant

John Duff
Chief Financial Officer

Mark Lovato
Investment Manager

Greg Campbell
Controller

Bob Spradley
Sr. Accountant II

Lorraine Valdez
Sr. Accountant I

Robert Brannon
Sr. Accountant I

Richard Garcia
Sr. Accountant III

Marcie Rivera
Accountant I

Valerie Sandoval
Accountant I

Marquita Russel
Chief of Programs

John Brooks
Director of Commercial Lending

Faviola Chavez
Program Administrator - Private Lending

Celina Sandoval
Sr. Administrative Assistant

Jana Amacher
Sr. Program Administrator

Michael Vonderheide
Sr. Program Administrator

Jennifer Sanchez
Program Administrator

three
Financial Management Policies

Financial Management Policies

ORGANIZATIONAL POLICIES

Audit Policies

Overview:
The Authority recognizes the importance of achieving an unqualified or "clean" audit opinion on our financial statements from our independent auditors each fiscal year. Our audit opinion impacts the ratings assigned by nationally recognized rating agencies on our bond issues and also reflects the financial soundness of the Authority and the fiscal policies that guide our financial management and accounting practices.

As a frequent issuer of tax-exempt bonds, the Authority also understands the critical importance of being able to provide its audited financial statements on a timely basis to financial market participants including rating agencies, underwriters and investors.

General Considerations:
In order to achieve and maintain the unqualified audit opinion each fiscal year, agency staff will take the following steps:

1. Maintain all accounting records in accordance with applicable Governmental Accounting Standards Board (GASB) pronouncements.
2. Seek professional advice as appropriate in recording complex and unusual transactions.
3. Maintain year-round communication with the independent auditors and provide them with all necessary documents and schedules as agreed in order to complete the audit efficiently and on schedule.
4. Take all necessary steps to ensure that the State Auditor approved contract is in place prior to commencement of any audit fieldwork performed by the auditors.
5. Contract with an accounting firm whose work will be directed by the NMFA Audit Committee, to provide internal audit services to further enhance the quality of the accounting records and minimize the possibilities of reportable findings by the external auditors.
6. Meet with the NMFA Audit Committee monthly to report on issues concerning financial reporting and audit matters. The external and internal auditors should also meet with the Committee as appropriate to report on the progress of their work and to bring any issues they may have to the attention of the Committee.
7. The Audit Committee will report to the full NMFA Board on all matters discussed in Committee meetings.

In carrying out this policy, the Authority will achieve the following goals:

1. An unqualified audit opinion each fiscal year, with no reportable and unreportable findings.
2. Complete the annual audit and file the audited financial statements with the State Auditor as soon as practical each year. The goal for filing with the Auditor will vary from year to year depending on circumstances, but should not be later than November 15.

Accounting for Legislatively Authorized Programs and the use of Interest Income from Funds Appropriated by the Legislature.

Overview:
The Authority, from time to time, is called upon by the State Legislature to manage and administer certain legislatively authorized programs. In order to carry out its mandate, the Authority must ensure that it will have available the funds necessary to effectively manage and administer these legislative initiatives. This policy will govern the use of interest income that is earned from legislative appropriations in order to carry out the management and administration of these programs.

General Considerations:
The following steps will be taken in order to effectively use the interest earnings from legislatively approved appropriations for programs managed and administered by the Authority:

1. Staff will analyze all legislation relating to programs and appropriations to ensure that there is not language in the authorizing legislation strictly prohibiting the Authority from using the interest income for funding the general administration of a program.
2. All appropriations will be held in separate accounts created solely for each program and will not be commingled with the funds from any other account.
3. Accounting records detailing all transactions within the fund will be maintained and reconciled on a monthly basis.
4. Interest earnings of the fund will be posted on a monthly basis.
5. Adequate and detailed records of the expenses incurred by a program will be maintained by the Authority and reconciled on a monthly basis.
6. The general operating fund of the NMFA will be reimbursed on a quarterly basis for the expenses incurred by the Authority in administering and managing a program.
7. The reimbursement of the operating fund will be made from the interest earnings on the legislatively appropriated funds that are held in the individual fund accounts.
8. Under no circumstances will the amount of the reimbursement exceed the amount of interest earnings.
9. Adequate and detailed records will be maintained by the Authority showing all transfers from fund interest earnings to the Authority general operating fund.

The Performance of a Due Diligence Analysis by the Authority before Initiating New Programs and Initiatives.

Overview:
The Authority has proven itself a resourceful and effective manager of state and federal programs. As such, the agency is frequently called upon to take on new programs, manage, and administer these programs. The purpose of this policy is to ensure that the Authority performs a due diligence analysis of the resources it has available to administer a new program, the organizational impact to the agency of adding a new program and an assessment that the addition will not negatively impact existing programs. Staff must be confident that new programs and initiatives will receive the same level of effective and efficient management as other existing programs.

General Considerations:
The following steps will be taken in carrying out this policy:

1. Staff will make all efforts necessary to be familiar with and aware of all pending legislation that proposes new initiatives and programs for the Authority.
2. The appropriate staff members should work with State Legislators in drafting legislation that will provide adequate sources of funding for the Authority in managing and administering new programs.
3. An internal analysis will be conducted that assesses the expenses that will be incurred by the Authority in assuming the responsibilities of managing a new program.
4. An internal analysis will be conducted that assesses the impact of a new program and Authority's staffing levels.
5. An internal analysis will be conducted that assesses procedural issues in assuming new programs and the possibility of combining new programs with existing programs to avoid duplicate efforts and expenses.
6. In the event that a new program does not provide for adequate funding to cover program expenses, Authority staff will assess the impact on existing fund balances in assuming new programs without corresponding funding to administer those programs.

This policy should have as its focus the confidence of the Authority's staff that new program implementation will be adequately funded, adequately staffed, combined with existing programs whenever possible and above all will not negatively impact the existing operation and programs of the Authority.

Management of the Public Project Revolving Fund Cash and Fund Balance

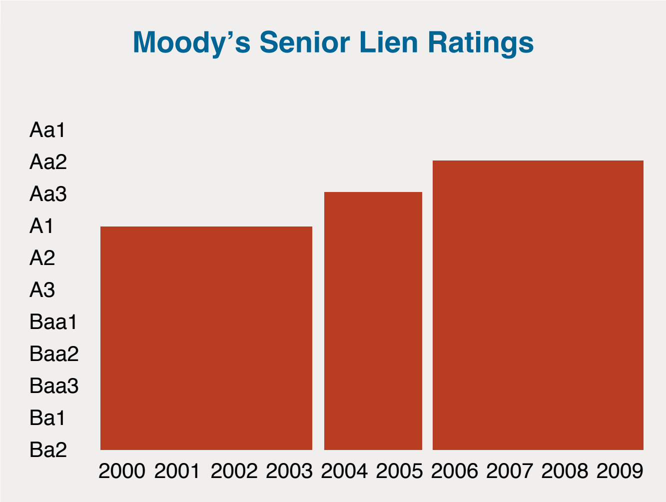
Overview:
The Authority recognizes the importance of maintaining a sufficient cash balance in the Public Project Revolving Fund (PPRF) to carry out the purposes of the Authority. In addition, the maintenance of appropriate cash balances in the PPRF demonstrates sound fiscal management of the fund and indicates the strength and continued viability of the PPRF program. Such objectives can be achieved through the implementation of certain actions. First, after taking into consideration all other amounts available in debt service reserve funds and agreement reserve funds created under bond documents, fund a reserve fund to the maximum amount allowable under the tax-exempt bond provisions of the Internal Revenue Code. Second, establish and fund a contingent account within the PPRF. The contingent account would be available to provide liquidity for unforeseen or extraordinary events, including, but not limited to, payment of unforeseen expenses of the Authority, origination of loans, payment of delinquencies on any obligations of the Authority, offset any delinquencies on any obligation owing to the Authority, and application for any other purpose approved by the Authority. Some of the effects from the implementation of this policy are to provide additional security to bondholders of Authority obligations and to provide additional assurances to the nationally recognized rating agencies of the fiscal soundness and integrity of the PPRF program. It is the desire of the Authority to eventually obtain an upgrade to AAA for the PPRF bond rating through the implementation of this policy.

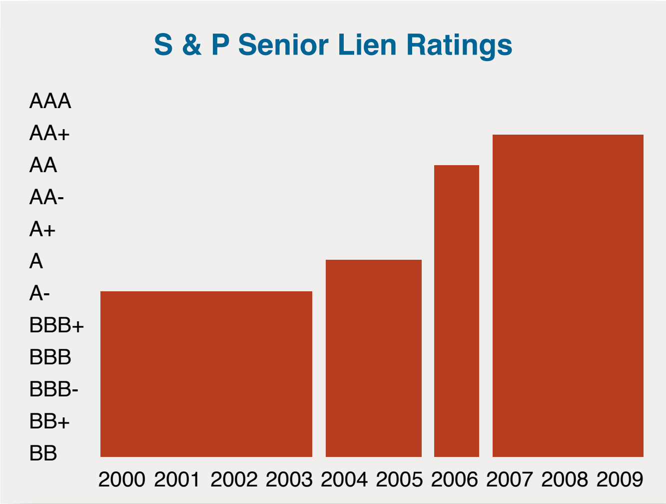
The following steps will be taken in the implementation of this policy:

1. Target growth of the PPRF fund balance (net assets) will be 7.5% annually.
2. For lending purposes, the Authority will maintain liquidity (cash plus credit facilities) within the PPRF fund of at least $75 million.
3. In fiscal year 2007, the Authority established the Contingent Liability Account within the PPRF as discussed above. Initial funding was $20 million. The Contingent Liability Account will be increased annually by an amount equal to at least 25% of the GGRT flow through received by the Authority at the end of the fiscal year.
4. The funding goal for the Contingent Liability Account is an amount equal to 50% of the maximum annual debt service on all PPRF Bonds (senior and subordinate). This goal should be attained within the next five fiscal years.
5. Rating agencies should be periodically updated on the progress of this funding of the contingent account in order to achieve upgrades to the PPRF's bond rating.

Planned Funding of Contingent Liability Account

	Beginning Balance	Additions	Interest	Ending Balance	Forecasted Debt Service	CLA % of Debt Service
2010	29,650,000	5,476,000	296,500	35,422,500	112,246,005	32%
2011	35,422,500	5,640,300	708,500	41,771,300	114,490,925	36%
2012	41,771,300	5,809,500	835,400	48,416,200	116,780,744	41%
2013	48,416,200	5,983,800	968,300	55,368,300	119,116,358	46%
2014	55,368,300	6,163,300	1,107,400	62,639,000	121,498,686	52%





The New Mexico Finance Authority's Public Project Revolving Fund program's steady rise in ratings is based on the Authority's large and growing borrower pool, formalization of program policies, and the strength of its management. The Authority's strong rating allows it to issue bonds without bondholder's insurance.

PROGRAM POLICIES

Loan Monitoring

Overview:
In order to minimize delinquencies and defaults on Authority loans, staff will monitor the financial condition of borrowers on a regular basis. The objective of the monitoring program will be to identify as early as possible borrowers whose financial condition appear to be deteriorating to an extent that might jeopardize their ability to continue to meet their debt service obligations on a timely basis. Early identification of potential problems will protect the integrity of the Authority's loan portfolio by permitting the restructuring of loans, or other solutions, before problems become unsolvable. In addition, the analysis will serve as the basis for counseling borrowers on a forward-looking basis concerning their debt capacity and capital improvement plans.

If a periodic credit review indicates that a borrower's financial condition has deteriorated in any material respect, that fact shall immediately be reported to the CEO or his designee.

Procedures applicable to different types of loans are summarized below:

1. Loans secured by a pledge of tax revenues -- Staff will obtain data on tax revenues collected by or for the borrower from the Department of Taxation and Revenue and other sources as applicable. Staff will analyze the amounts of tax collected and determine if any adverse trends have developed. The analysis of tax collections will normally be performed at six-month intervals for each borrower, although longer or shorter intervals may be selected depending on the circumstances of the borrower and current economic conditions.
2. Loans secured as General Obligations of entities with property taxing powers -- Staff will annually review the credit strength of the borrower using information available in the annual report the borrower files with the Department of Finance and Administration ("DFA").
3. Loans secured by a pledge of net systems revenues -- During the negotiation of the loan agreement for a entity, staff will reach an agreement with the borrower as to the nature and frequency of financial reports to be furnished to the Authority. Generally, the quarterly reports filed with the DFA by municipal utilities will provide sufficient information for the necessary analysis. If borrower is not required to file such reports

with DFA or staff determines that the DFA reports are not adequate to provide for appropriate credit analysis, staff shall ensure that the loan agreement provides for reporting by the borrower that is adequate for credit analysis purposes. The credit analysis should normally be performed on a quarterly basis, although more or less frequent analysis may be performed depending on the credit strength of the borrower, the borrower's history with the Authority, and any trends that have recently been observed.

4. Loans secured by cash flows and/or assets of a commercial enterprise -- During the negotiation of the loan agreement with an entity, staff will ensure that the loan agreement requires the borrower to provide the Authority with financial statements and such other reports and information as may be necessary to properly evaluate the financial condition of the borrower. The Authority will also engage in periodic checks on any and all assets used to secure loans including site visits, UCC searches, etc.). The exact nature of the required information and the frequency of reporting will vary considerably depending on the type of business and the structure of the loan.

The foregoing is offered as examples of the general approaches that should usually be followed in monitoring borrowers' credit worthiness. No policy can anticipate every situation that will be encountered. In the process of negotiating and structuring each loan the Authority makes it staff's responsibility to define and to obtain the borrower's commitment to a reporting and monitoring process that will provide for an adequate periodic review of the borrower's financial condition.

Liquidity Policy on Public Policy Revolving Fund

Overview:

In Fiscal year 2008, the Liquidity Task Force appointed by the Authority's Board considered a variety of issues related to the cash flow characteristics of the PPRF loan program. The Task Force made recommendations in six areas, each of which was approved by the Board and adopted. Staff subsequently presented, and the Board approved and adopted policy statements incorporating the recommendations. The following is a summary of the relevant sections of the policy statements:

Interest Rate Policy

General Considerations:

The goal of this Interest Rate Policy are: (1) to define the process under which the Authority sets market interest rates for its PPRF loans in a manner that will allow staff and PPRF loan Applicants to assess accurately Applicants' ability to undertake debt and to aid in the marketing of the program; (2) to set interest rates on all loans in a manner which tracks as closely as practical the interest rates paid by the Authority for its bonds issued to reimburse PPRF loans.

1. For fixed rate loan applications of less than $5 million, the Authority will set the market rate portion of the interest rate at the time of final loan adoption in the following manner:
2. The Authority's staff will set interest rates for market rate loans on a weekly basis. These Weekly Rates shall approximate, as closely as possible, the rates that would be obtained if reimbursement bonds were to be issued the same week. The rates will be published on the Authority's website each week.
3. The then-current Maximum Rate and Weekly Rate shall be stated in the materials presented to the Board and its Committees for their approval of the loan. Staff shall use the Maximum Rate for determining whether coverage ratios for loan applications comply with the PPRF Debt Service Coverage and Additional Bonds Test Policies (Section 4 of the PPRF Loan Management Policies).
4. Following Board approval of a loan, the Maximum Rate will be "locked" for 90 days while the NMFA and borrower work together to close the loan. A Final Rate will be determined and communicated to the borrower as close to the date of loan closing as practical, considering the borrower's requirement to hold a scheduled public hearing to authorize the ordinance or resolution necessary for the execution of the loan, bond sale, or other appropriate documents. The Final Rate the borrower will receive will be the Maximum

Rate or the Weekly Rate then in effect, whichever is lower.

5. Any loan that does not close within the 90-day period may have its Maximum Rate reset at the discretion of the Chief Executive Officer.
6. The Investment Committee of the Board will monitor the Weekly Rates set by staff since the previous Board meeting. In addition, as soon as practical after the closing of each reimbursement bond issue, staff will prepare and the Investment Committee will review a report comparing the Final Rates set for each loan reimbursed by the bond sale with the actual rates obtained in the bond sale.
7. In certain instances in which an applicant is seeking to maximize the net loan proceeds available from a dedicated revenue stream and the Final Rate set on the loan is lower than the maximum interest rate used by staff to determine debt service coverage, the Board delegates to the Chief Executive Officer the authority to increase the market rate portion of the loan.

Determination of Bond Rate Loans:

For fixed rate loan applications of $5 million or more, the Authority will set the interest rate in the following manner:

1. The loans shall be designated as “Bond Rate Loans.”
2. The interest rate on Bond Rate Loans shall be the same rate of interest received on the bonds issued to reimburse the Bond Rate Loans.
3. The Authority and the borrower shall close Bond Rate Loans after the Authority’s Board approves the sale of the bonds issued to reimburse the loan and prior to or simultaneously with the closing of the bonds issued by the Authority to reimburse the loan.
4. Compliance with the Debt Service Coverage and Additional Bonds Test Policy (Section 4 of the PPRF Loan Management Policies) shall be determined during the marketing of the bonds and in no instance shall the loan’s debt service coverage drop below the amount set by the Board.
5. As provided for Market Rate Loans in Section 2.3 A 7 of the PPRF Loan Management Policies, the Chief Executive Officer may increase the Bond Rate portion of the loan subject to the same conditions provided for Market rate loans.

Structuring Policy

General Considerations:

All loans approved by the Board except those specifically identified as equity loans, will be structured with the expected “pre-payment” or “call” options of the bonds anticipated to be issued to reimburse the PPRF.

RECOMMENDED NEW AND AMENDED FINANCIAL MANAGEMENT POLICIES

The Authority’s staff recommends the following new policies:

New Markets Tax Credit Program Fees

Fees and other revenues, net of program expenses, generated by the New Markets Tax Credit Program shall not be used for Authority operating expenses, but shall be separately accounted for and used by the Authority to fund infrastructure and economic development projects of the types permitted by the rules and policies of the Statewide Economic Development Finance Act.

PPRF Loan Processing Fee

A 1.5% processing fee shall be paid by each PPRF loan applicant at closing. The fee may be paid out of loan proceeds or from other funds the applicant has available. The fee shall be calculated on the first $5 million of the loan amount. No fee shall be payable with respect to any loan amount in excess of $5 million. In the annual budget process, and more frequently if deemed necessary, staff shall review the Authority’s operating expenses, other sources of revenue, fees charged other lenders, and other relevant information, and shall recommend to the Board whether the then-current fee rate should be continued or changed.

PPRF Leveraging and Capital Ratio Policy

In order to preserve the financial strength of the PPRF program, the Authority shall not lend excessive amounts in relation to its capital base. In its management of lending and reimbursement bond issuance volumes the Authority shall manage its business activities so as to maintain a capital ratio for the PPRF program of not less than 8% and not more than 12%. See next page for analysis of capital ratios at forecasted, maximum, and minimum loan volumes.

Comparison of Capital Ratios at Forecast, Maximum, and Minimum Loan Volumes

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Forecasted Loan Volumes (in millions)	$200	$300	$225	$250	$300
Capital Ratio at Forecast	10.17%	9.71%	9.69%	9.62%	9.44%
Maxmium Loan Volume 8 % Capital Ratio	$549	$754	$711	$772	$829
Minimum Loan Volume 12% Capital Ratio	$0	$ 89	$175	$181	$186

Note:
The number shown each year represents the cumulative amount by which actual loan volumes could exceed or fall short of the cumulative forecasted volumes and still result in Capital Ratios between 8% and 12%. Each year is calculated independently. For example, by the end of fiscal year 2013, actual loan volumes could have exceeded the cumulative forecasted amounts by $772 million, with a resulting Capital Ratio of 8%. If actual loan volume had fallen short of forecast by a cumulative total of $276 million, the Capital Ratio would be 12%.

four
Finance Authority History

Finance Authority History

The New Mexico Finance Authority was created with passage of the New Mexico Finance Authority Act in 1992 (Chapter 6, Article 21, NMSA 1978). The Authority assists qualified governmental entities with affordable financing for capital equipment and infrastructure projects by providing low-cost funds and technical assistance. The Authority is a state instrumentality governed by a Board of Directors, consisting of twelve-members, ten of whom are appointed by the Governor. The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State. The Legislative Oversight Committee is empowered to monitor and oversee its operations.

The Authority has grown steadily since its inception. It is a success story New Mexico can point to with pride. Much of the success can be attributed to the past and present leadership and staff. Their dedication and hard work are evident. As is true with most "start-up" organizations it has succeeded due to the strong drive and personalities of the founding members.

The Authority has provided a funding source for communities in every county of the State. It is authorized, by statute, to offer financial assistance to:

- any institution of the state, county, or municipality,
- school districts in New Mexico,
- community water association,
- land grant corporations,
- inter-community water or natural gas supply associations or corporations,
- and Indian nations, tribes or pueblos located wholly or partially in New Mexico.

The Authority can provide low cost financing for all types of projects of a long-term capital nature, including but not limited to:

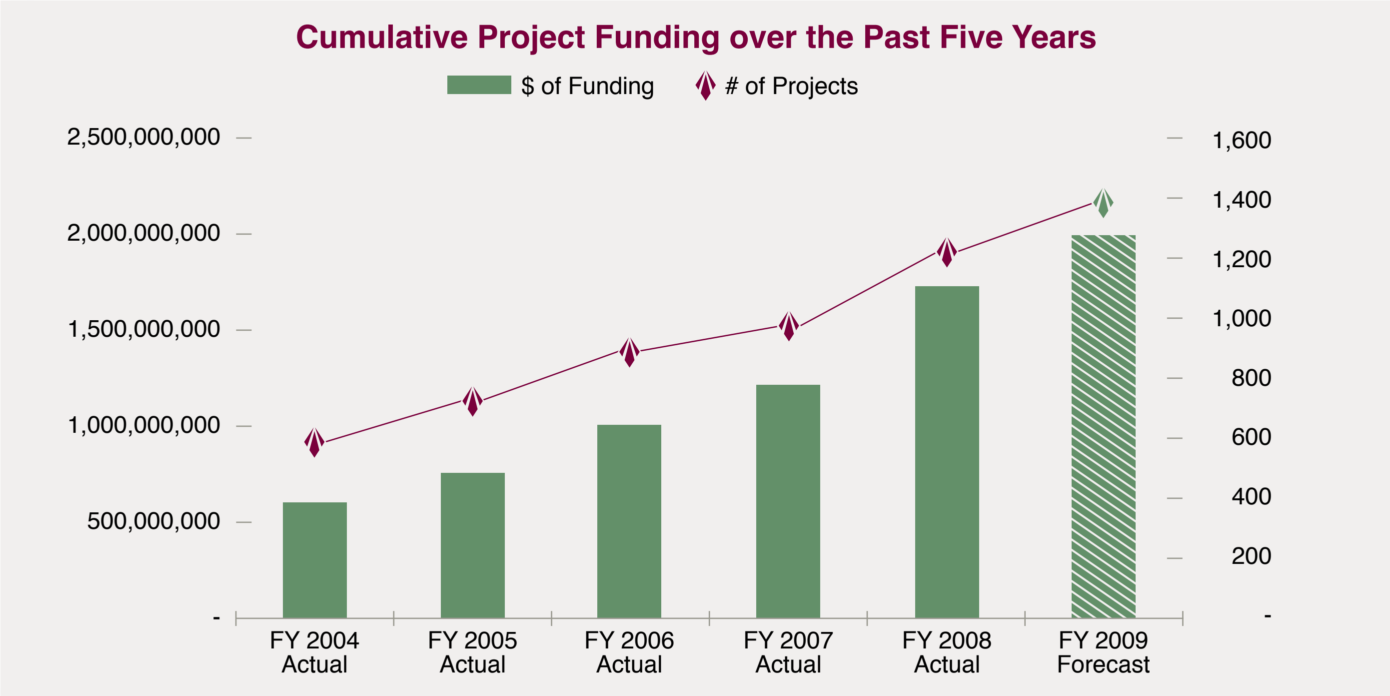
- buildings,
- water, sewerage and waste disposal systems;
- streets, airports municipal utilities, and parking facilities.

The following table and chart detail the year programs were created, name of the program, total projects funded to date for each program, and total amount issued to-date for each program.

NMFA Total Projects Funded

Year Created in Law	Program Name	Total Projects Funded	Total Funded to Date
1994	Public Project Revolving Fund	850	1,583,935,687
1994	Primary Care Capital Fund	16	10,129,659
1997	Drinking Water Revolving Loan Fund	36	90,484,269
1999	Water and Wastewater Grant Fund	159	59,672,102
2001	Water Project Fund	104	88,287,253
2002	Local Government Planning Fund	62	1,490,949
2003	Statewide Economic Development Finance Act	6	6,636,250
2003	Child Care Revolving Loan Fund	1	50,000
2004	Behavioral Health Capital Fund	2	580,000
2005	Local Transportation Infrastructure Fund	13	2,753,591
2005 *	Energy Efficiency & Renewable Energy Bonding	1	368,780
2007	Local Government Transportation Fund	83	131,671,571
2008	New Markets Tax Credit	1	15,500,000
	Total Projects Funded	**1,334**	**1,991,560,111**

* The loans for this program are purchased into the Public Project Revolving Fund.



VISION, VALUES & MISSION STATEMENT
The Authority adopted its Vision, Values, and Mission Statement, in 2005.

Vision Statement
Financing your future, believing in New Mexico.

Mission Statement
We are dedicated to improving the lives of New Mexicans, by planning and financing infrastructure, strengthening the economy through public/private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.

Mission Fulfillment
The Authority fulfills its mission by providing a wide variety of innovative financing programs that help New Mexico's communities meet their capital financing needs. As a cushion and a conduit between state government and citizens, the Authority visits communities to provide customer-oriented lending services. This mission is supported by a strong internal culture and infrastructure.

Continuous improvement allows the Authority to build and maintain an infrastructure that offers more programs and a higher quality of service.

Values Statement
To the Authority, Values represent the core priorities in the organization's culture.

Aligning Goals to Values
The Authority staff aligns its goals through the Values in many ways. The most important and over-arching of these are 1) focus on customer satisfaction, 2) consistent search to improve products and services, 3) dedication to creating and maintaining great internal relationships and, 4) a rewarding work environment. The Authority goes the distance to find the right alternative to resolve a customer's capital needs.

Business Structure
The Authority has positioned itself well within a growth environment. The Authority's formation in 1992 brought about new services to the State with the ability to manage capital expenditures and provide a mechanism for smaller governments to gain access to capital project funds.

The Authority is currently structured to operate efficiently and effectively.

Financial Environment
Long term objectives of the Authority are to decrease

project closing turnaround time and to increase cost savings for borrowers.

Operating Environment

The Authority's strength is in providing, low-interest, low-cost, flexible, and creative loan structuring.

The Authority's long term goal is to build and expand its programs and create alliances with government departments.

Financial Projections and Analysis

The Authority has made its mark through the Public Project Revolving Fund (PPRF), its flagship program. The program, created in 1994, assists a wide range of public credits in accessing the capital markets with the advantage of offering to all borrowers, regardless of their creditworthiness, interest rates that are among the best available in the market and set monthly by the Authority's Board. The PPRF is funded primarily through Governmental Gross Receipts Tax (GGRT), which provides approximately $22 million per year. The Authority leverages this cash inflow, makes loans to borrowers, and then replenishes the fund by issuing bonds.

Over the past years, the PPRF has evolved into a broad-based financier of state and local government providing financing to a greater diversity of entities. This diversity has helped the PPRF attain higher bond ratings and lower costs of issuance, which in turn, allows the Authority to continue to offer a variety of program enhancements to its borrowers. In FY 2005, the Authority redesigned its Subordinate Lien Program within the PPRF to allow even greater access by qualified entities statewide. This redesigned program will allow the Authority to help fulfill its mission of providing funding to those projects that do not have adequate access to capital on their own while maintaining the strength and capacity of the senior lien program which will continue to provide the majority of the funding.

As of June 30, 2009, the NMFA has made 850 loans totaling $1.584 billion. In FY 2010, the Authority expects to fund more than $200 million in projects from the PPRF for vital projects statewide.

One of the Authority's goals for FY 2010 is to strengthen its relationships with its borrowers and potential borrowers to reinforce commitment to the state and local governments. Working through the Council of Governments, the New Mexico Municipal League and The Association of Counties, the Authority will meet with all of New Mexico's counties and incorporated municipalities during FY 2010.

Critical Success Factors

In 2005, the Authority staff conducted a functional analysis of its operations. The effort identified the various functions required to successfully conduct its business in the future and to assess the current level of performance. It is evident the Authority is functioning well to meet its statutory and financial obligations. The analysis determined the line of responsibility for several functions were blurred, inconsistent, or nonexistent and each function was critically assessed on the current level of performance. In areas where performance was weak, an effort was made to identify the most critical areas required to achieve improvement.

In the past several years, the Authority has been asked to perform an ever-increasing role in the financing of infrastructure and economic development throughout the State of New Mexico. In FY 2008, the Authority received a New Markets Tax Credit Allocation in the amount of $110 million; the first ever in the State of New Mexico. These new complex demands require an organizational infrastructure that clearly defines lines of responsibility.

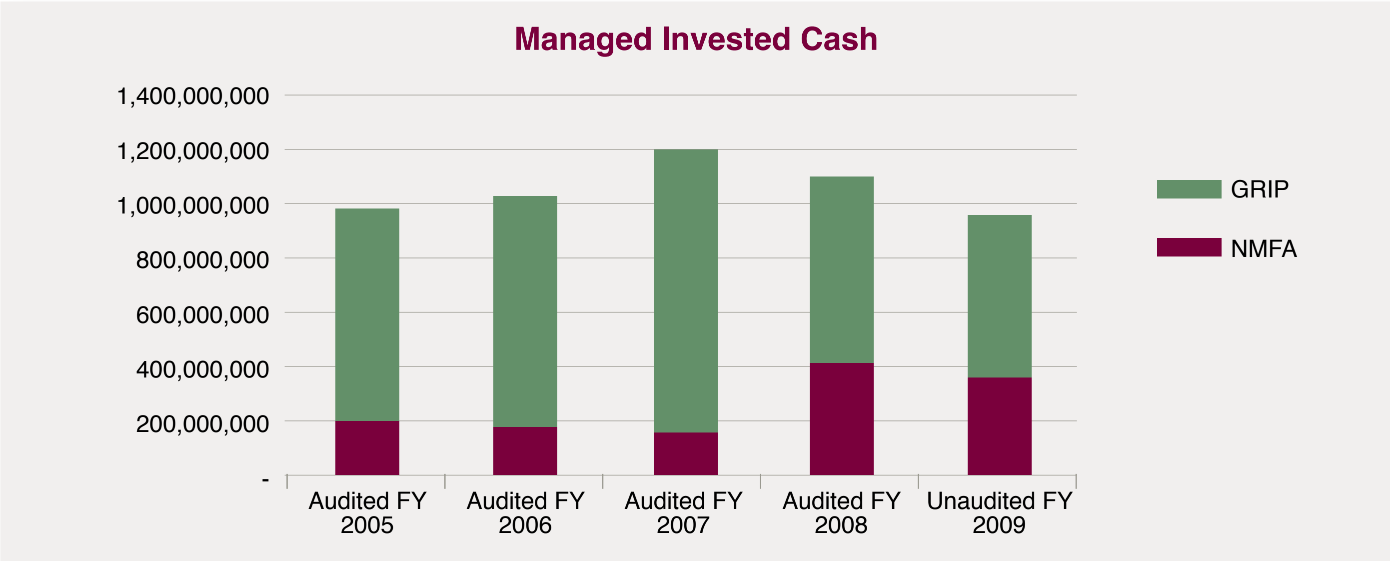
Looking Ahead

Currently the Authority finds itself "going through the gap" in organizational development. This term is used predominately in the private sector as organizations outgrow their structure and must position themselves for the future. The Authority has transitioned from an organization dependant on strong enterprising personalities of its founders to one more dependent on policies, systems, and organization. This evolution is not unique. All successful ventures in public and private sectors are faced with the eventuality of change in order to grow. Organizations must either remain at a level that can be sustained by their infrastructure or change to meet the challenges of a larger more complex role.

Some key measures of the Authority's financial activity over the past 5 years are:

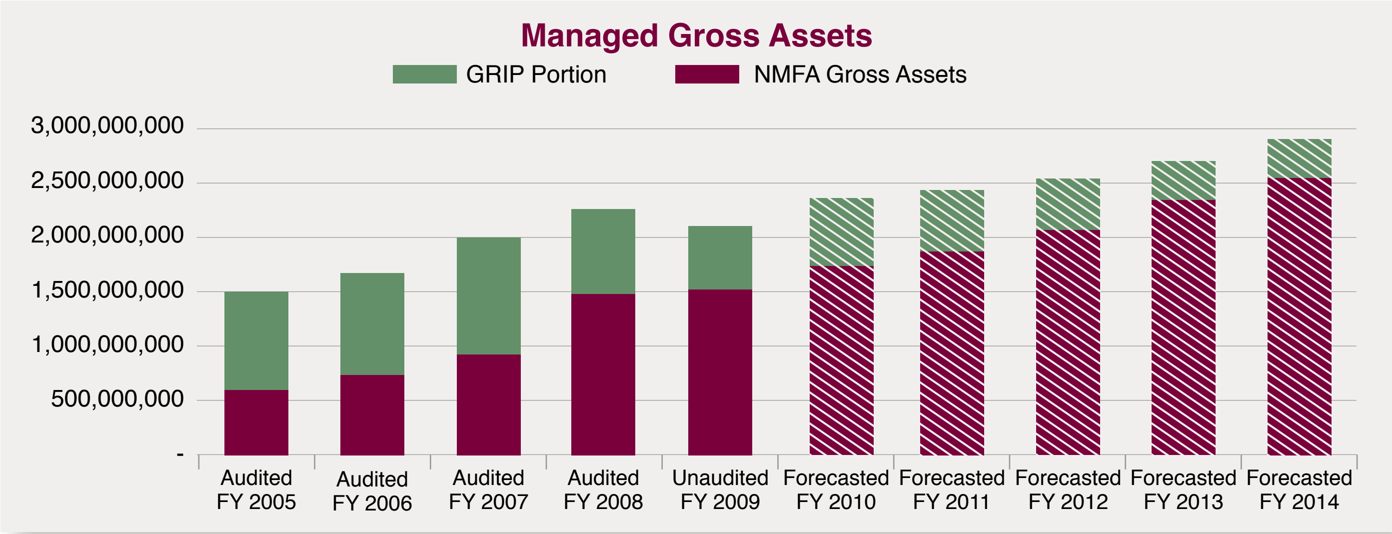
MANAGED INVESTED CASH

Sources of funds for managed invested cash include funds from financing program bond proceeds, pledged revenues received to service long-term debt, loan repayments received, administrative fees, federal grant revenues, and interest income received on investments. In FY 2004 the inclusion of Governor Richardson's Investment Partnership funds tremendously increased the Authority's responsibilities and managed invested cash. These funds are invested in varied instruments including various money market funds, the State Treasurer's Local Government Investment Pool (also known as New Mexico GROW), repurchase agreements, individual agency and US government securities, and institutional operating accounts.



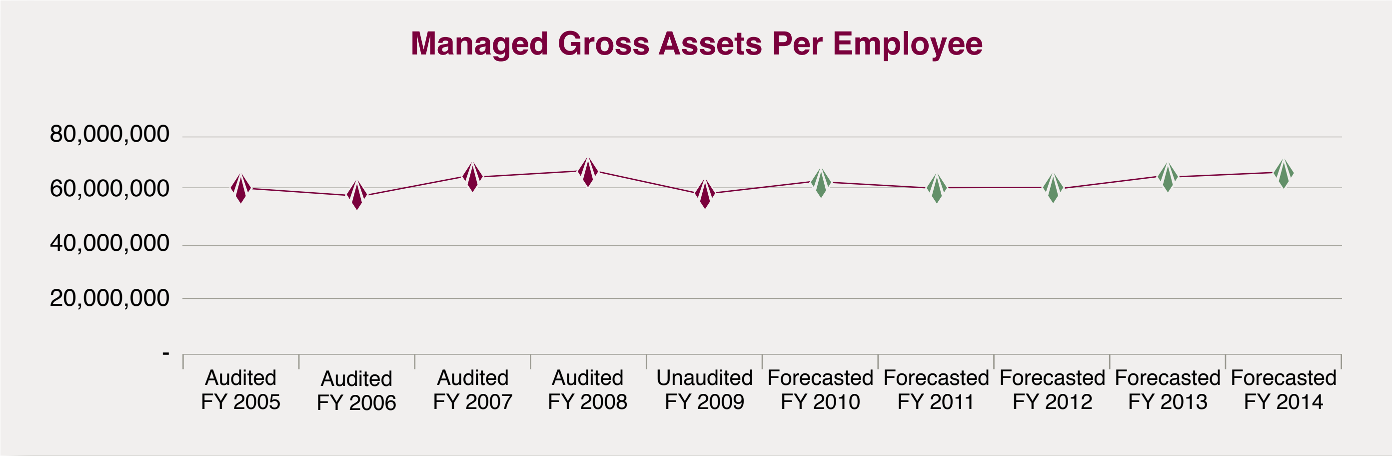
MANAGED GROSS ASSETS

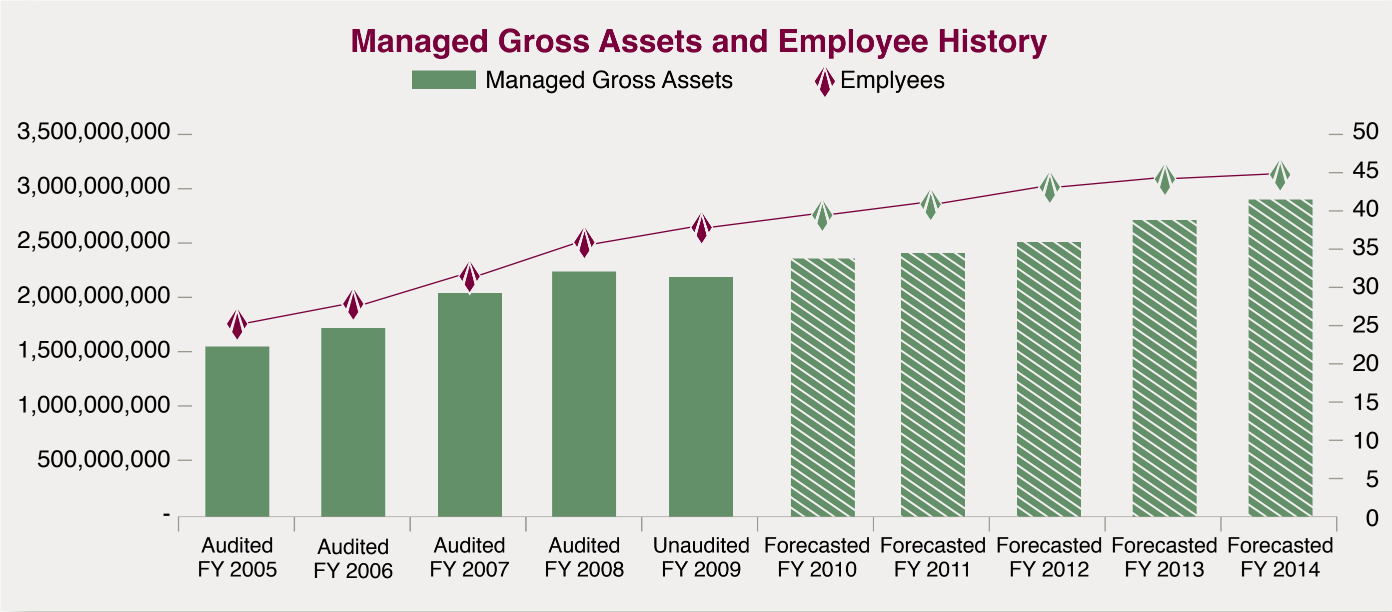
Managed gross assets comprise of both Authority assets and assets managed by the Authority on behalf of the State's Department of Transportation as part of Governor Richardson's Investment Partnership program. A significant portion of the Authority's assets comes from loans receivable and invested cash which have grown significantly over the past five years.



MANAGED GROSS ASSETS & EMPLOYEE HISTORY

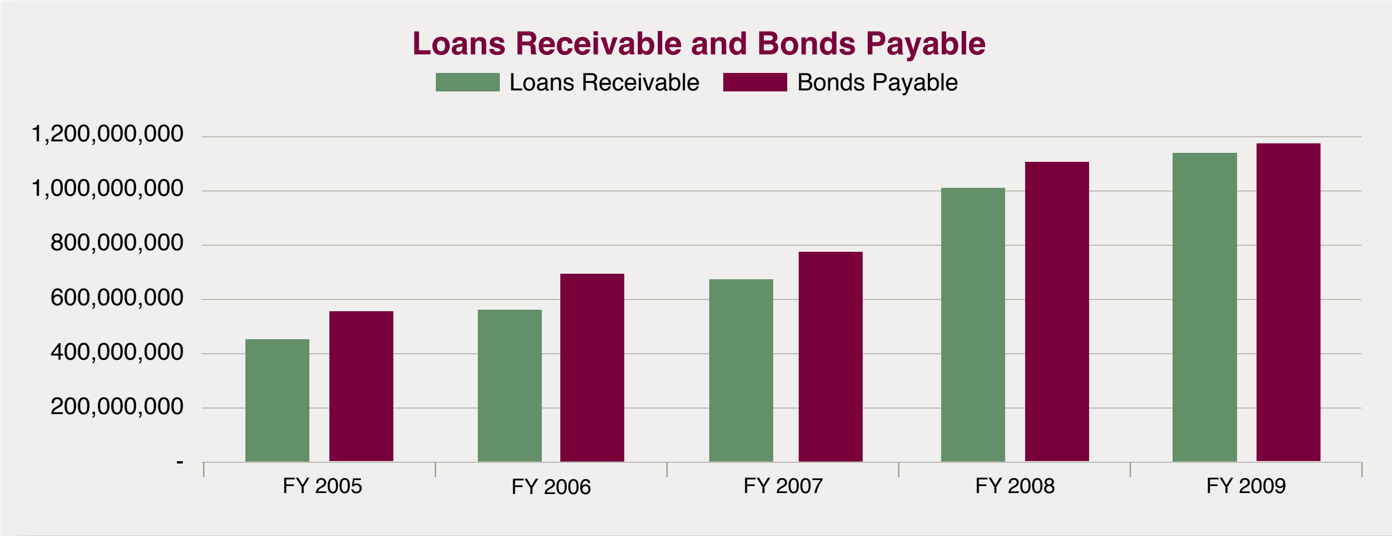
Employee efficiency has increased dramatically since the inception of the Authority. In 2005, the gross assets per employee was $59.9 million. By 2014, that figure is expected to top $67.2 million.





LOANS RECEIVABLE & BONDS PAYABLE

The majority of the Authority's total assets are loans receivable. All of the major Authority programs which have loans associated with them have shown significant growth over the last five years. New loan programs such as the Behavorial Health Capital Fund, the Child Care Revolving Loan Fund, and the Smart Money initiative are starting to take root and should provide additional growth in loans receivable over the next couple of years. Of course the primary growth in loans receivable is reflective of the Authority's Public Project Revolving Fund (PPRF) which has grown from $287 million at the end of FY 2004 to over $1.06 billion at the end of FY 2009. This corresponds with the increase in bonds payable for the PPRF Program from $255 million in FY 2004 to $1.05 billion by the end of FY 2009.



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Programs and Target Numbers

Programs and Target Numbers

Public Project Revolving Loan Fund

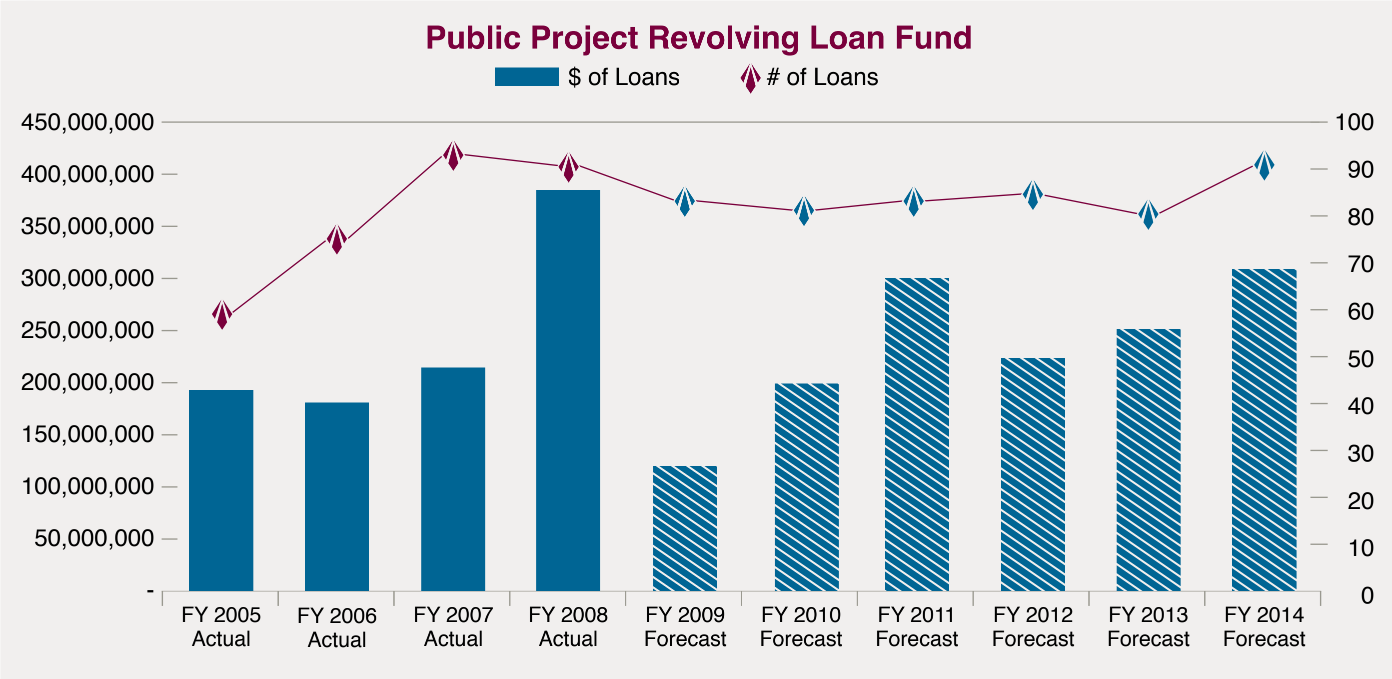
The Public Project Revolving Fund or PPRF is considered the New Mexico Finance Authority's flagship program. PPRF was created in 1994 and assists a wide range of public entities in accessing the capital markets. The advantage is being able to offer all borrowers an AA+ investment grade credit rating. The main purpose of the program is to coordinate the planning and financing of state and local public projects, provide for long-term planning based on state and local capital needs and to improve cooperation among the executive and legislative branches of state and local governments.

Over the past several years the fund has evolved from a broad-based financier of state and local government agencies to one that now includes a greater diversity of entities. This diversity has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities. It has also allowed the Authority to continue to offer a variety of program enhancements to borrowers. Both the Senior Lien and Subordinate Lien Programs are able to provide funds to Government units for projects that have been approved by the Legislature for funding through the Public Project Revolving Loan Fund.

The PPRF is funded primarily through the Authority's share of Government Gross Receipts Tax (GGRT), which provides approximately $22 million per year. The Authority uses this cash inflow to make loans to borrowers and then replenishes the fund by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities.

Through June 30, 2009 the Authority will have made 850 PPRF loans totaling approximately $1.584 billion. The majority of this growth has occurred over the past 5 years where the Authority has issued almost 400 loans totaling $1.097 billion.. This has been accomplished by several factors; (1) the strength of the GGRT which has grown annually from $18.4 million in FY 2004 to $21.9 million in FY 200 9; (2) the strong credit rating of the PPRF bonds which maintains at AA+ and Aa2; and (3) the ability to raise capital through the issuance of PPRF bonds.

As you can see form the chart below, the PPRF has been instrumental in providing capital for all four corners of New Mexico and is expected to do so for many years to come.



PUBLIC PROJECT REVOLVING FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

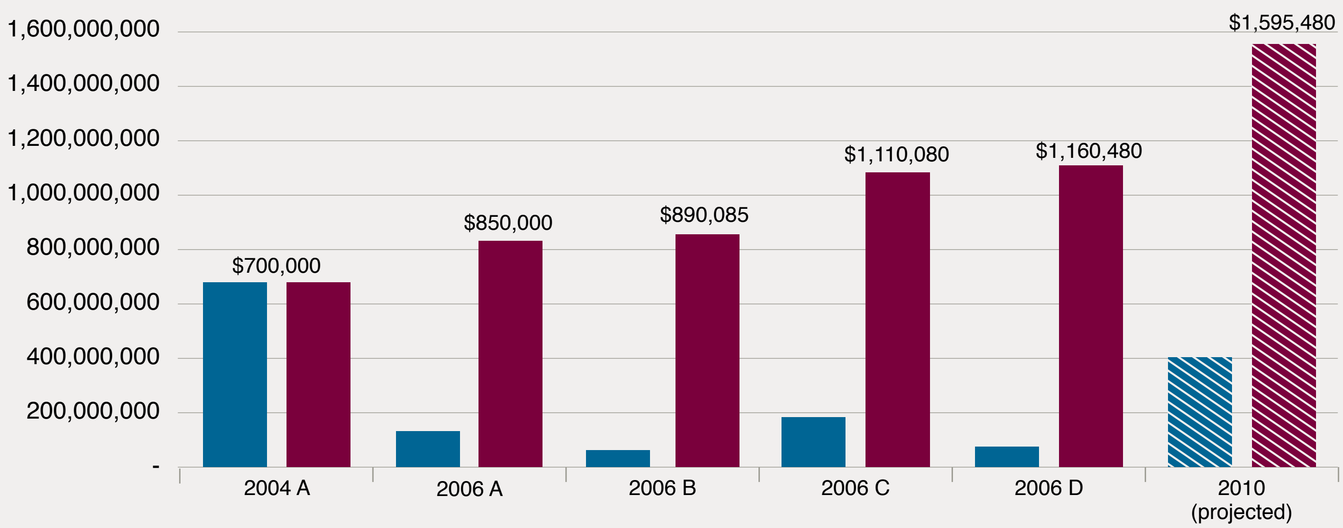
	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
GGRT	$ 21,900,000	$ 22,500,000	$ 22,340,000		22,790,000
Other Appropriations	7,675,000	$ 8,654,000	5,750,000		5,888,000
Interest Income - Loans	45,490,700	45,070,000	51,285,000		54,400,000
Interest Income - Investments, Cash & Equiv	3,120,000	3,576,000	3,580,000		3,650,000
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 78,185,700	$ 79,800,000	$ 82,955,000	4.0%	$ 86,728,000
EXPENDITURES					
Operational Expenditures	$ 3,233,600	$ 3,234,367	$ 3,798,503	17.4%	$ 3,969,500
Non-Operational Expenditures					
Bond/Loan interest Expense	$ 48,667,000	$ 51,480,000	$ 52,240,000		54,550,000
Bond Issuance Expense	405,000	2,775,000	2,150,000		2,275,000
Contractual Services		925,000			
Other Fin use - Bond Premium					
Grant Expense	22,453	22,453	22,453		
Depreciation Expense	32,159	32,159	26,500		26,500
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 49,126,612	$ 55,234,612	$ 54,438,953	-1.4%	$ 56,851,500
Total Expenditures	$ 52,360,212	$ 58,468,979	$ 58,237,456	-0.4%	$ 60,821,000
Excess Revenues over Expenditures	$ 25,825,488	$ 21,331,021	$ 24,717,544		$ 25,907,000
Transfers to Other Agencies	1,500,000	950,000	650,000		725,000
Excess (Deficit) Revenues over Expenditures	$ 24,325,488	$ 20,381,021	$ 24,067,544		$ 25,182,000

Governor Richardson's Investment Partnership (GRIP)

In 2003, the State Legislature authorized the issuance of $1.6 billion in bonds to fund 40 statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership ("GRIP"). The Authority was authorized to issue $1.6 billion in bonds ("the Bonds") in several installments on behalf of the New Mexico Department of Transportation ("NMDOT") to finance the projects. The bonds were issued by the Authority as agent for the NMDOT.

In 2008, House Bill 2 increased the original GRIP funding by slightly more than $53 million to address the inflationary impact of construction of materials, for which the Department of Transportation (DOT) has had cost increases of more than 30%. $435 million in bonds remain to be issued under the original 2003 authorization.

Governor Richardson's Investment Partnership - Bonds Issued (000's omitted)



	2004 A	2006 A	2006 B	2006 C	2006 D	2010 (projected)
Bond Issue	$700,000	$150,000	$40,085	$220,000	$50,400	$435,000
Cumulative Issued	$700,000	$850,000	$890,085	$1,110,080	$1,160,480	$1,595,480

GRIP - BUDGET FOR FISCAL YEARS 2010 & 2011

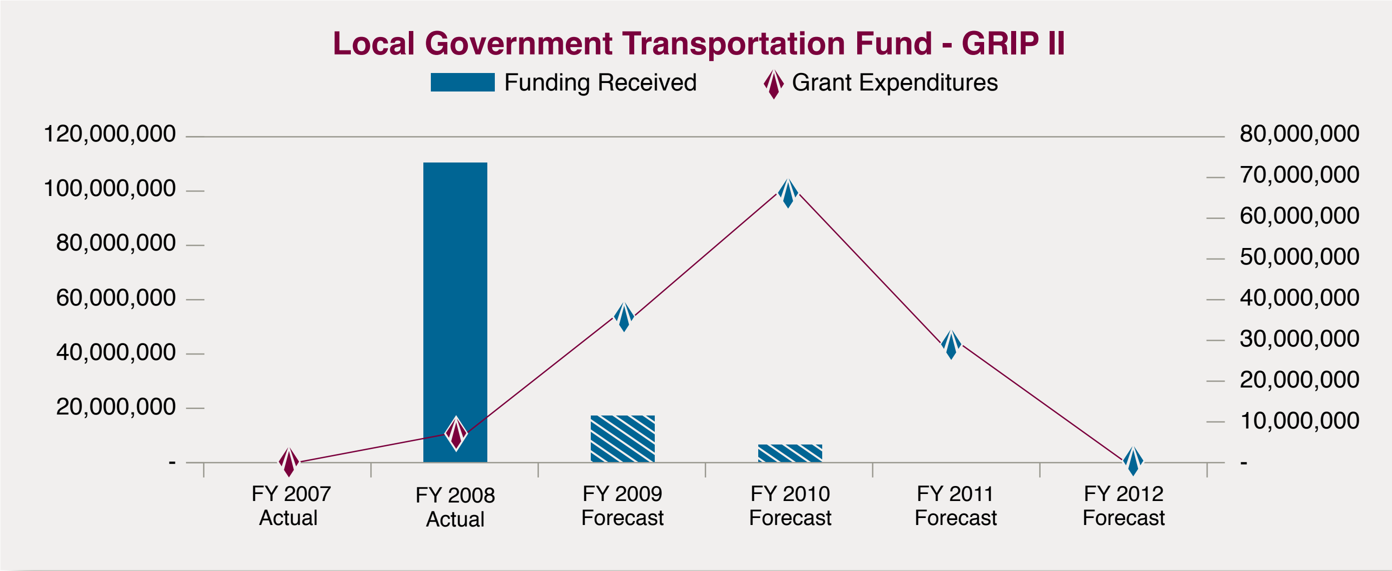
	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	25,000	65,000	25,000		32,000
Administration Fee Revenue	1,310,876	1,438,000	1,387,500		1,362,500
Grant Revenue					
Total Revenues	$ 1,335,876	$ 1,503,000	$ 1,412,500	-6.0%	$ 1,394,500
EXPENDITURES					
Operational Expenditures	$ 1,098,560	$ 939,603	$ 1,205,726	28.0%	$ 1,235,869
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense	21,800	21,873	15,200		15,200
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 21,800	$ 21,873	$ 15,200	-31.0%	$ 15,200
Total Expenditures	$ 1,120,360	$ 961,476	$ 1,220,926	27.0%	$ 1,251,069
Excess Revenues over Expenditures	$ 215,516	$ 541,524	$ 191,574		$ 143,431
Transfer to Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ 215,516	$ 541,524	$ 191,574	-65.0%	$ 143,431

Reconciliation of Change in Cash

FY 2009 Beginning Cash Balance	$ 2,505,300	$ 2,696,874
Excess Revenues over Expenditures	191,574	143,431
Transfers to Other Agencies		
Bond Principal Payments		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable		
2009 Net Increase/(Decrease) in Cash	191,574	143,431
FY 2009 Ending Cash Balance	$ 2,696,874	$ 2,840,305

Local Government Transportation Fund (GRIP II)

The Local Government Transportation Fund – GRIP II was created by the 2007 Legislature to provide funding for 116 local government transportation projects totaling more than $180.4 as well as engineering and design services incurred by DOT for projects funded from the Fund. The funding for this program is made up of a $25 million appropriation from the General Fund and up to $150 million in proceeds realized from the issuance and sale of severance tax bonds. To date, the $25 million General Fund appropriation and $81.7 million in severance tax bond proceeds have been received. This available funding has resulted in 86 projects totaling $106.7 million to be certified by DOT to proceed to contract with $38.5 million having been expended to date. It is expected that only another $3.7 million in severance tax bond proceeds will be received under the current legislative authorization.



LOCAL GOVERNMENT TRANSPORTATION FUND / GRIP II - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues	$ 18,871,151	$ 25,000,000	$ 3,700,000		
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	850,000	2,877,178	300,000		50,000
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 19,721,151	$ 27,877,178	$ 4,000,000	-85.7%	$ 50,000
EXPENDITURES					
Operational Expenditures	$ 52,450	$ 213,693	$ 69,358	-67.5%	$ 54,659
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense	35,600,000	45,750,000	68,750,000		5,100,000
Depreciation Expense					
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 35,600,000	$ 45,750,000	$ 68,750,000	50.3%	$ 5,100,000
Total Expenditures	$ 35,652,450	$ 45,963,693	$ 68,819,358	49.7%	$ 5,154,659
Excess Revenues over Expenditures	$ (15,931,299)		$ (64,819,358)		$ (5,104,659)
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (15,931,299)		$ (64,819,358)		$ (5,104,659)

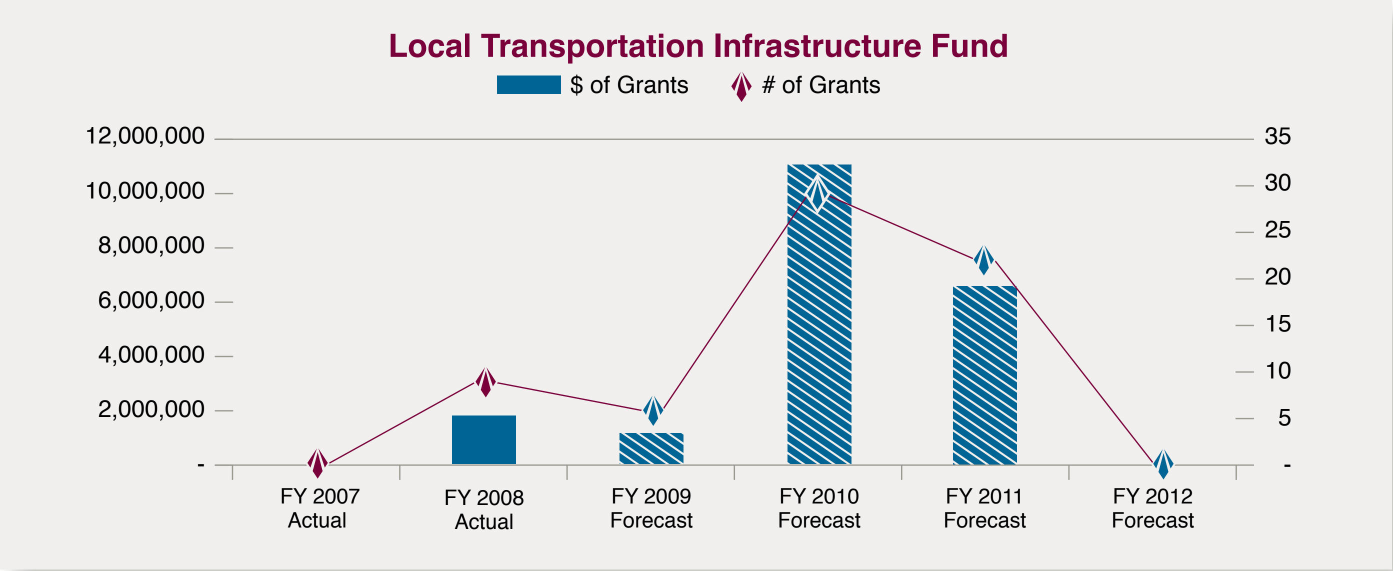
Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 70,000,000	$ 5,180,642
Excess Revenues over Expenditures	(64,819,358)	(5,104,659)
Transfers to Other Agencies		
Net (Decrease)/Increase to Bonds Payable		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable		
Net Increase/(Decrease) in Cash	(64,819,358)	(5,104,659)
Fiscal Year's Ending Cash Balance	$ 5,180,642	$ 75,983

Local Transportation Infrastructure Fund

Created by the 2005 Legislature HB 979, the Local Transportation Infrastructure Fund Act creates a revolving loan fund targeted specifically at local government road or transportation projects. The purpose of the fund is to provide local governments, not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low-cost financial assistance for transportation projects.

The initial source of funding for this program is 12.5 basis points or 50% of the funds received by the Authority for administering Governor Richardson's Investment Partnership (GRIP) bonds issued by the Authority on behalf of the State's Department of Transportation. Beginning in FY 2008, the Department of Transportation recommended and the Authority approved funding for 19 projects totaling over $3.7 million.



LOCAL TRANSPORTATION INFRASTRUCTURE FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	44,500	94,540	20,000		10,000
Administration Fee Revenue	1,310,576	1,438,000	1,387,500		1,362,500
Grant Revenue					
Total Revenues	$ 1,355,076	$ 1,532,540	$ 1,407,500	-8.2%	$ 1,372,500
EXPENDITURES					
Operational Expenditures	$ 6,875	$ 24,214	$ 54,568	125.4%	$ 59,674
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense		100,000	350,000		750,000
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense	950,000	10,875,000	11,000,000		8,000,000
Depreciation Expense	325	325	200		200
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 950,325	$ 10,975,325	$ 11,350,200	3.4%	$ 8,750,200
Total Expenditures	$ 957,200	$ 10,999,539	$ 11,404,768	3.7%	$ 8,809,874
Excess Revenues over Expenditures	$ 397,876	$ (9,466,999)	$ (9,997,268)		$ (7,437,374)
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ 397,876	$ (9,466,999)	$ (9,997,268)		$ (7,437,374)

Reconciliation of Change in Cash

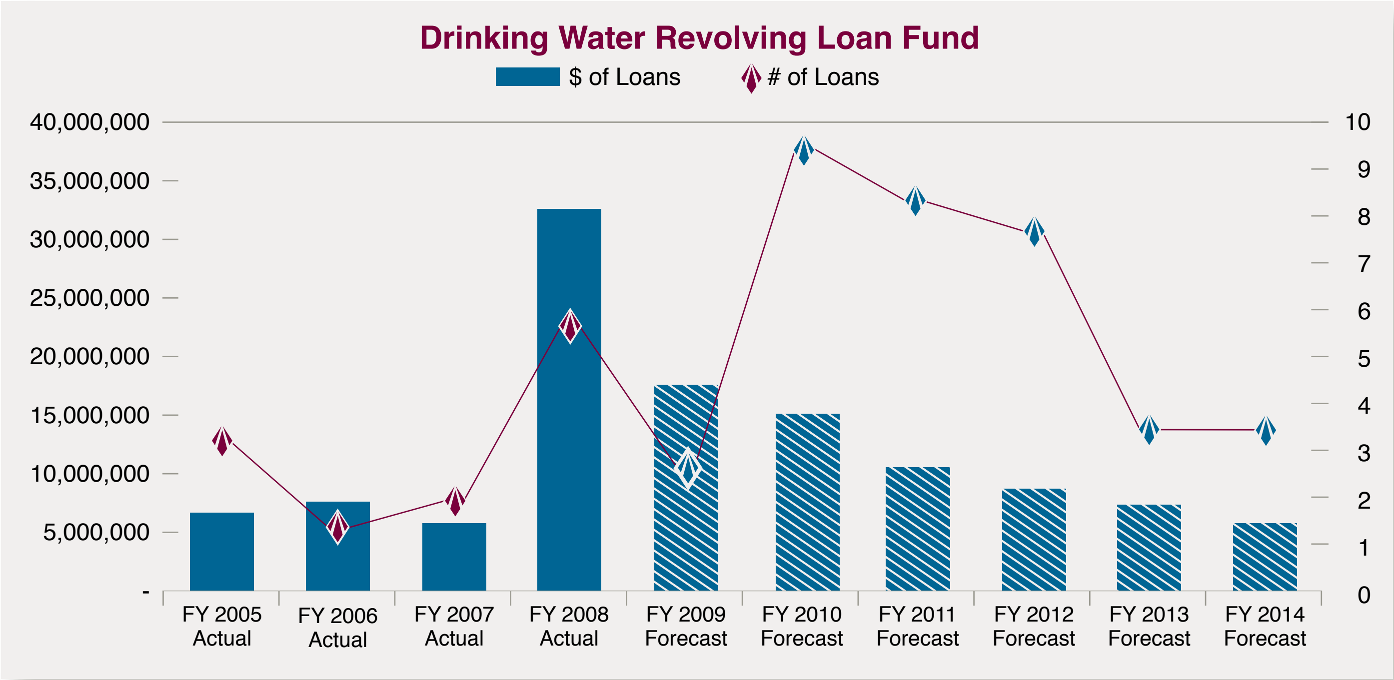
	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 4,015,250	$ 4,517,982
Excess Revenues over Expenditures	(9,997,268)	(7,437,374)
Transfers to Other Agencies		
Net (Decrease)/Increase to Bonds Payable	10,500,000	7,300,000
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable		
Net Increase/(Decrease) in Cash	502,732	(137,374)
Fiscal Year's Ending Cash Balance	$ 4,517,982	$ 4,380,608

Drinking Water Revolving Loan Fund

Created in 1997 as a partnership between the Authority and the New Mexico Environment Department, the Drinking Water Revolving Loan Fund 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 the public health.

This federal program, managed by the Authority on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. The State of New Mexico is required to match the federal grant by 20 percent. The primary use of the funding is for zero- or two-percent loans to systems. The Environment Department is allowed, under federal law, to use up to 27 percent of the funding to meet its duties as defined under the federal Safe Drinking Water Act. The Authority receives 4 percent for its management of the program. To date, the Authority has received approximately $100 million in federal Environmental Protection Agency capitalization grants, which has been matched directly by the Authority with $18 million and by the Legislature with $2 million.

Since the inception of the Program, the Authority has issued 30 loans totaling $87.3 million. This program has greatly accelerated over the past 5 years in which the Authority has issued loans amounting to $69.1 million of the $87.3 million closed since the program's inception.



DRINKING WATER REVOLVING LOAN FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans	408,777	438,000	700,000		725,000
Interest Income - Investments, Cash & Equiv	822,567	735,000	735,000		750,000
Administration Fee Revenue	61,500	60,000	100,000		125,000
Grant Revenue	15,680,000	24,774,000	24,000,000		15,000,000
Total Revenues	$ 16,972,844	$ 26,007,000	$ 25,535,000	-1.8%	$ 16,600,000
EXPENDITURES					
Operational Expenditures	$ 345,250	$ 566,724	$ 693,550	22.4%	$ 708,750
Non-Operational Expenditures					
Depreciation Expense	$ 29,700	$ 29,700	$ 15,000		$ 15,000
New Program Expenditures for FY 2009					
Contractual Services (Bond Development)		100,000	60,000		
TOTAL NEW PROGRAM EXPENDITURES	**$ 0**	**$ 100,000**	**$ 60,000**		
Total Expenditures	$ 374,950	$ 696,424	$ 768,550	10.4%	$ 723,750
Excess Revenues over Expenditures	$ 16,597,894	$ 25,310,576	$ 24,766,450		$ 15,876,250
Transfer to Other Agencies	2,200,000	2,200,000	2,000,000		2,000,000
Excess (Deficit) Revenues over Expenditures	$ 14,397,894	$ 23,110,576	$ 22,766,450		$ 13,876,250

Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 18,650,000	$ 19,916,450
Excess Revenues over Expenditures	22,766,450	13,876,250
Transfers to Other Agencies		
Bond Principal Payments		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable	(21,500,000)	(14,300,000)
Net Increase/(Decrease) in Cash	1,266,450	(423,750)
Fiscal Year's Ending Cash Balance	$ 19,916,450	$ 19,492,700

Water Project Fund

Created by the 2001 Legislature, the Water Project Finance Act established the 16-member Water Trust Board to recommend to the Legislature projects to be funded through the Water Project Fund. Under the Act, the Board is authorized to recommend funding for five project categories:

(1) water conservation or reuse

(2) flood prevention

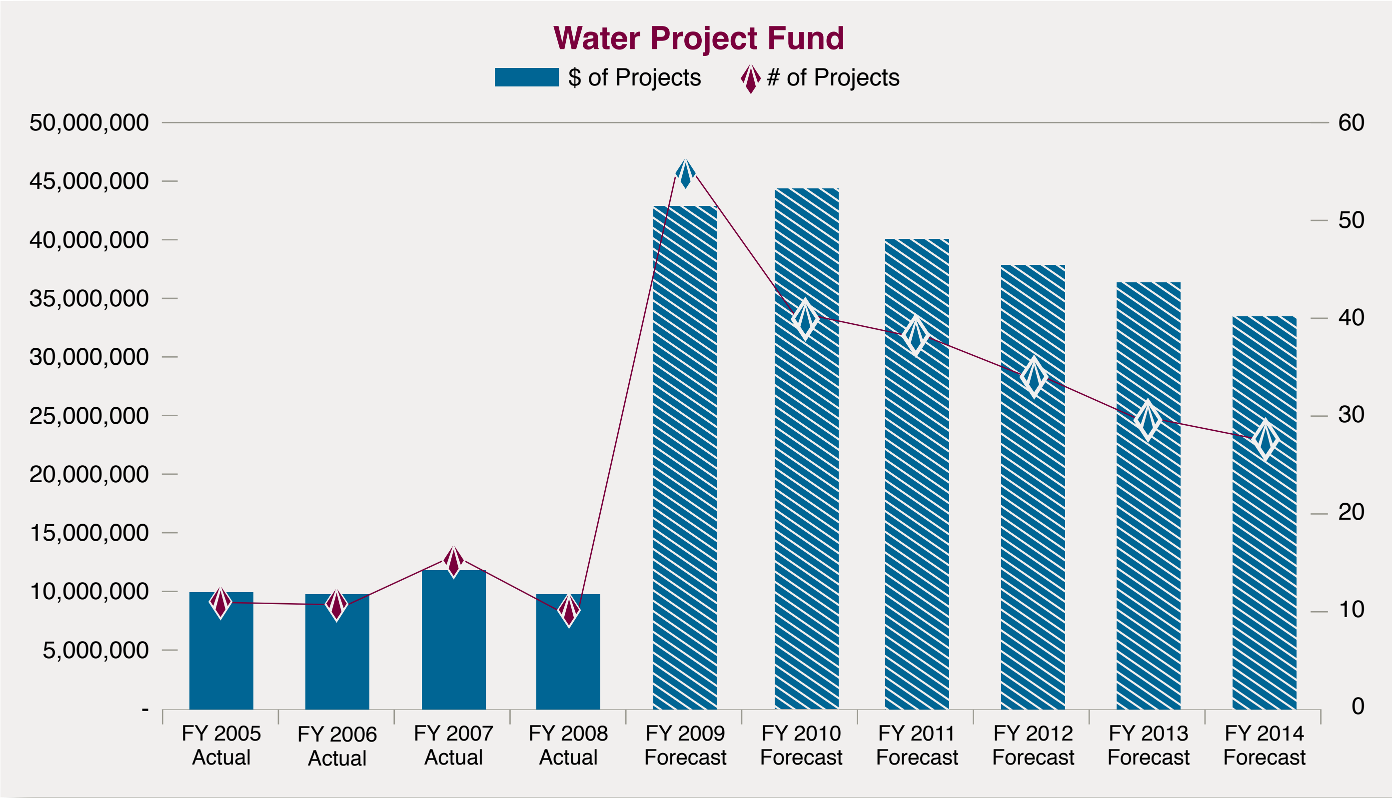
(3) Endangered Species Act collaborative efforts

(4) water storage, conveyance and delivery infrastructure improvements, and

(5) watershed restoration and management initiatives.

These categories reflect the state's comprehensive effort to improve funding for projects that improve water quantity up and down the value chain—from the water source to its use. In FY 2008, the Water Trust Board approved comprehensive water project policies which govern the use of the fund and provide for greater accountability of the funding. With these policies in place, the Water Trust Board is able to rely on advice from a seven-agency technical team that evaluates applications and reports to the Water Trust Board prior to its recommendations to the Legislature.

The Authority administers the program on behalf of the state. Since its inception, the Water Project Fund has provided funding to 104 projects totaling over $88.2 million. FY 2009 was a particular strong year for providing funding in the Authority closed 54 projects totaling almost $42.5 million.



WATER PROJECT FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues	$ 4,000,000	$ 4,000,000	$ 4,000,000		$ 4,000,000
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	141,850	411,000	411,000		411,000
Administration Fee Revenue	1,325	2,000	2,500		3,600
Grant Revenue	18,400,000	18,575,000	38,000,000		42,000,000
Total Revenues	$ 22,543,175	$ 22,988,000	$ 42,413,500	84.5%	$ 46,414,600
EXPENDITURES					
Operational Expenditures	$ 780,800	$ 461,125	$ 807,500	75.1%	$ 825,300
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense	19,700,000	21,879,000	38,200,000		42,600,000
Depreciation Expense	15,489	15,489	13,500		13,500
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 19,715,489	$ 21,894,489	$ 38,213,500	74.5%	$ 42,613,500
Total Expenditures	$ 20,496,289	$ 22,355,614	$ 39,021,000	74.5%	$ 43,438,800
Excess Revenues over Expenditures	$ 2,046,886	$ 632,386	$ 3,392,500		$ 2,975,800
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ 2,046,886	$ 632,386	$ 3,392,500		$ 2,975,800

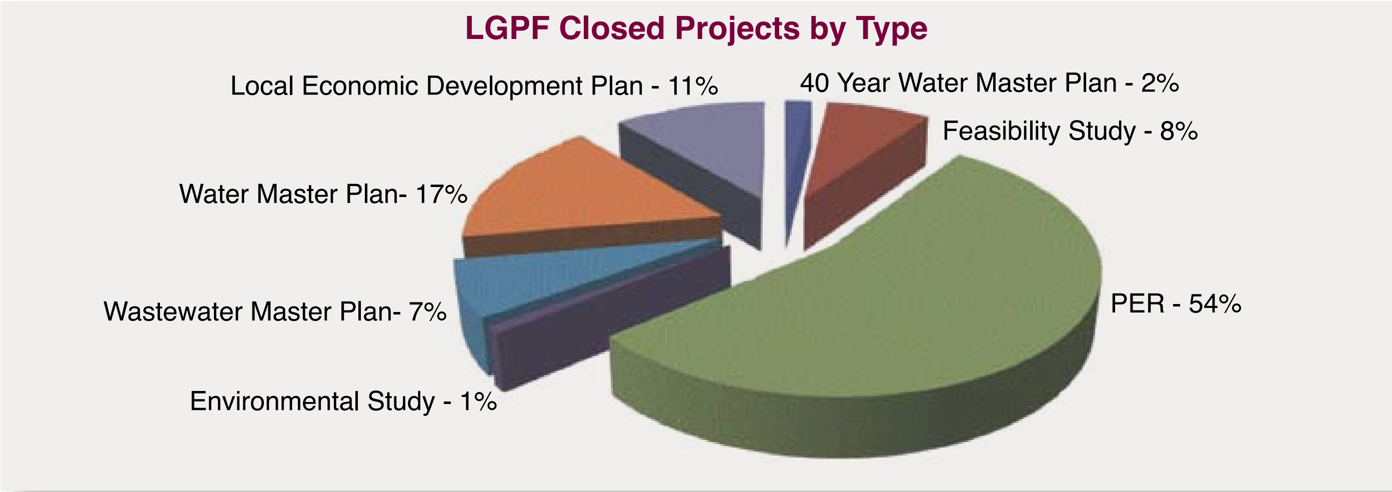
Reconciliation of Change in Cash

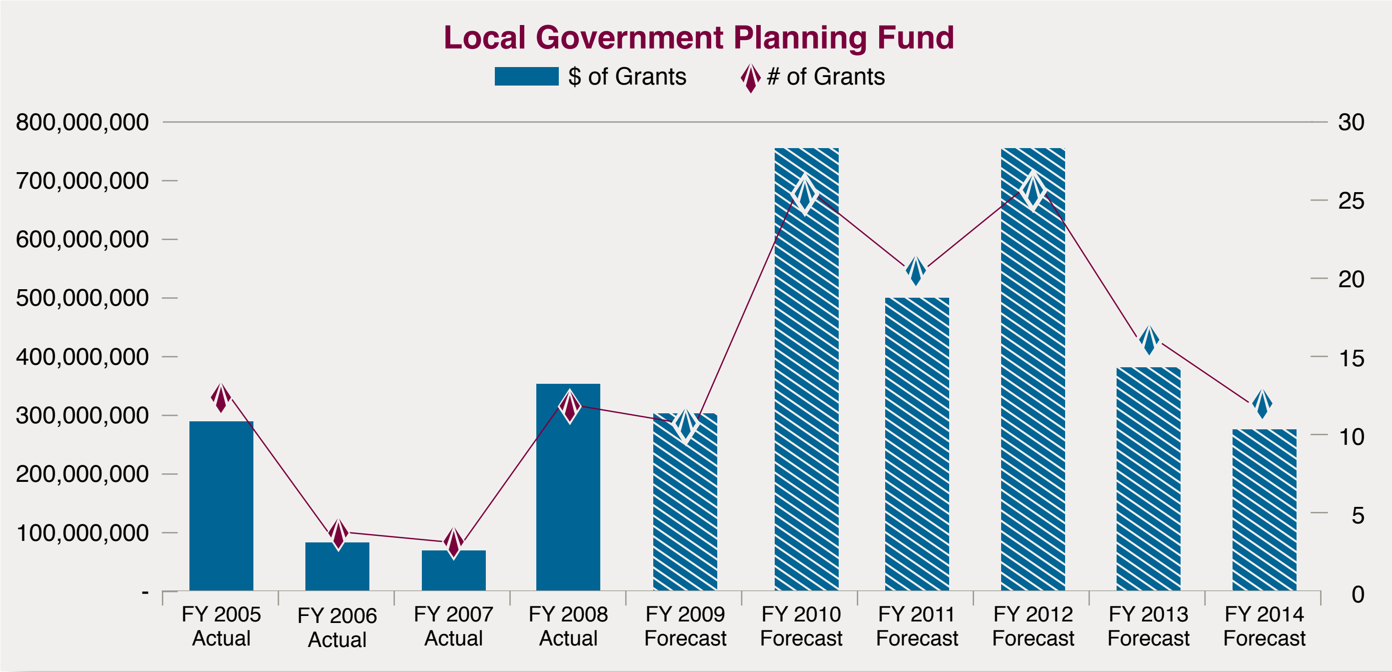
	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 9,155,600	$ 8,948,100
Excess Revenues over Expenditures	3,392,500	2,975,800
Transfers to Other Agencies		
Net (Decrease)/Increase to Bonds Payable		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable	(3,600,000)	(8,400,000)
Net Increase/(Decrease) in Cash	(207,500)	(5,424,200)
Fiscal Year's Ending Cash Balance	$ 8,948,100	$ 3,523,900

Local Government Planning Fund

In 2002, the Local Government Planning Fund, originally the Water and Wastewater Planning Fund, was created under the management of the Authority to make grants up to $25,000 to qualified entities on a per project, per entity basis for water and wastewater related studies. The Legislature has subsequently amended the program to allow for a maximum amount of $50,000 and expanded the use to long term water management plans and economic development plans. The Legislature also changed the payment terms to allow for the Authority to forgive repayment of these funds, if the client chooses the Authority as the ultimate financing vehicle.

The following chart illustrates the types of projects to date, 62 projects totaling $1.49 million, from the Local Government Planning Fund have been closed and utilized. An additional 42 projects totaling $1.0 million have received the Authority's Board approval but have yet to access funds. Of these 42 projects, the entity along with their engineer, are evaluating their systems to determine operational status and areas of needed improvement.





LOCAL GOVERNMENT PLANNING FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	10,500	44,775	9,000		9,500
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 10,500	$ 44,775	$ 9,000	-79.9%	$ 9,500
EXPENDITURES					
Operational Expenditures	$ 80,650	$ 81,474	$ 99,850	22.6%	$ 103,500
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense	285,500	405,000	345,000		390,000
Depreciation Expense	12,459	12,459	11,000		11,000
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 297,959	$ 417,459	$ 356,000	-14.7%	$ 401,000
Total Expenditures	$ 378,609	$ 498,933	$ 455,850	-8.6%	$ 504,500
Excess Revenues over Expenditures	$ (368,109)		$ (446,850)		$ (495,000)
Transfer to/(from) Other Agencies			(2,000,000)		
Excess (Deficit) Revenues over Expenditures	$ (368,109)		$ 1,553,150		$ (495,000)

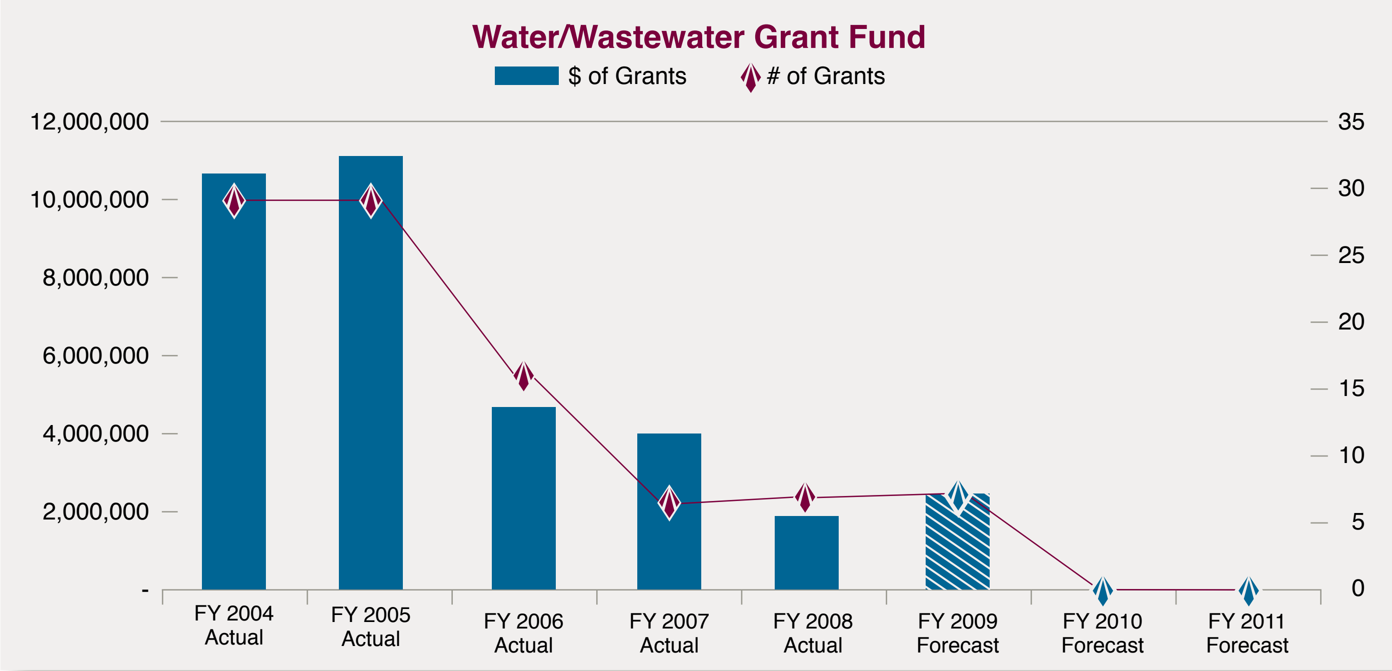
Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 473,500	$ 2,026,650
Excess Revenues over Expenditures	(446,850)	(495,000)
Transfers to Other Agencies	2,000,000	
Net (Decrease)/Increase to Bonds Payable		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable		
Net Increase/(Decrease) in Cash	1,553,150	(495,000)
Fiscal Year's Ending Cash Balance	$ 2,026,650	$ 1,531,650

Water/Wastewater Grant Fund

During the 1999 Legislative session, the Legislature created the Water and Wastewater Project Grant Fund. In 2000, the Legislature authorized the Authority to issue up to $5 million in bonds to fund grants for 38 public water and wastewater systems which have been completed and the funds expended. Since its inception, the Legislature has appropriated approximately $55.9 million to the fund for 172 public water wastewater systems.

The Water and Wastewater Projects Grant Fund is basically completed with several grants completing their projects in FY 2009. Over the life of the program, the Authority provided funding to 159 projects, totaling over $59.6 million. There will be no additional projects approved for this program unless additional funding is secured for this purpose.



WATER / WASTEWATER GRANT FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

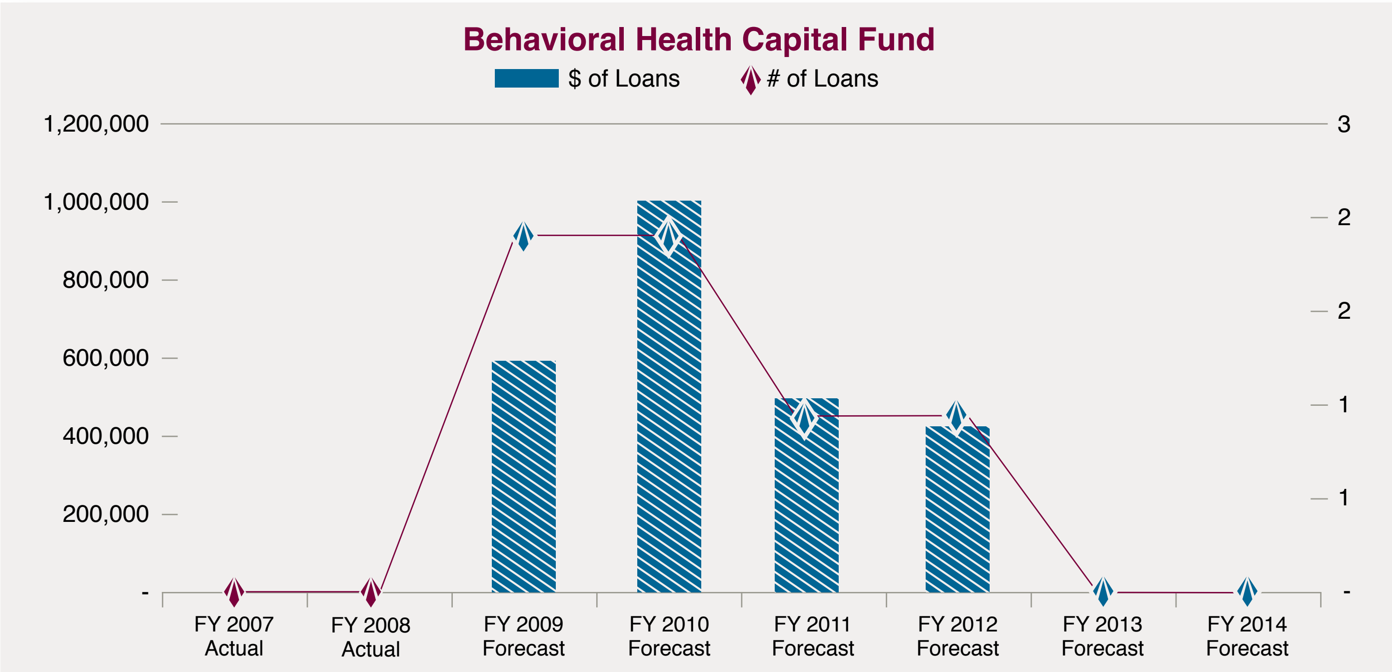
	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	68,500	409,000	30,000		15,000.00
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 68,500	$ 409,000	$ 30,000	-92.7%	$ 15,000
EXPENDITURES					
Operational Expenditures	$ 129,800	$ 157,182		-100.0%	
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense	8,105,000	2,650,000			
Depreciation Expense	12,125	12,125			
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 8,117,125	$ 2,662,125		-100.0%	
Total Expenditures	$ 8,246,925	$ 2,819,307		-100.0%	
Excess Revenues over Expenditures	$ (8,178,425)	$(2,410,307)	$ 30,000		$ 15,000
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (8,178,425)	$(2,410,307)	$ 30,000		$ 15,000

Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 3,102,500	$ 3,132,500
Excess Revenues over Expenditures	30,000	15,000
Transfers to Other Agencies		
Net (Decrease)/Increase to Bonds Payable		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable		
Net Increase/(Decrease) in Cash	30,000	15,000
Fiscal Year's Ending Cash Balance	$ 3,132,500	$ 3,147,500

Behavioral Health Capital Fund

Tailored after the successful Primary Care Capital Fund, this program provides low cost capital to behavioral health clinics in rural and underserved areas of the state. Capitalized by the NMFA with $2.5 million, this small loan program makes 3 percent loans to non-profit behavioral health care providers. With its partners at the Department of Human Services, in FY 2008, the Authority opened the first round of applications and saw a great demand for the program with four applications submitted. Two of these applicants – *La Familia* in Anthony and *Santa Fe Rape Crisis and Treatment Center* in Santa Fe – received approval and funded their projects in FY 2009.



BEHAVIORAL HEALTH - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans	13,250	10,167	15,500		22,500
Interest Income - Investments, Cash & Equiv	85,000	119,000	45,000		15,500
Administration Fee Revenue	900	924			
Grant Revenue					
Total Revenues	99,150	130,091	60,500	-53.5%	38,000
EXPENDITURES					
Operational Expenditures	$ 49,100	$ 81,531	$ 84,598	3.8%	$ 86,243
Non-Operational Expenditures					
Bond/Loan interest Expense	$ 123,975	$ 123,975	$ 117,000		$ 110,000
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense	399	399	399		399
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 124,374	$ 124,374	$ 117,399	-5.6%	$ 110,399
Total Expenditures	$ 173,474	$ 205,905	$ 201,997	-1.9%	$ 196,642
Excess Revenues over Expenditures	$ (74,324)	$ (75,814)	$ (141,497)		$ (158,642)
Transfer to Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (74,324)	$ (75,814)	$ (141,497)		$ (158,642)

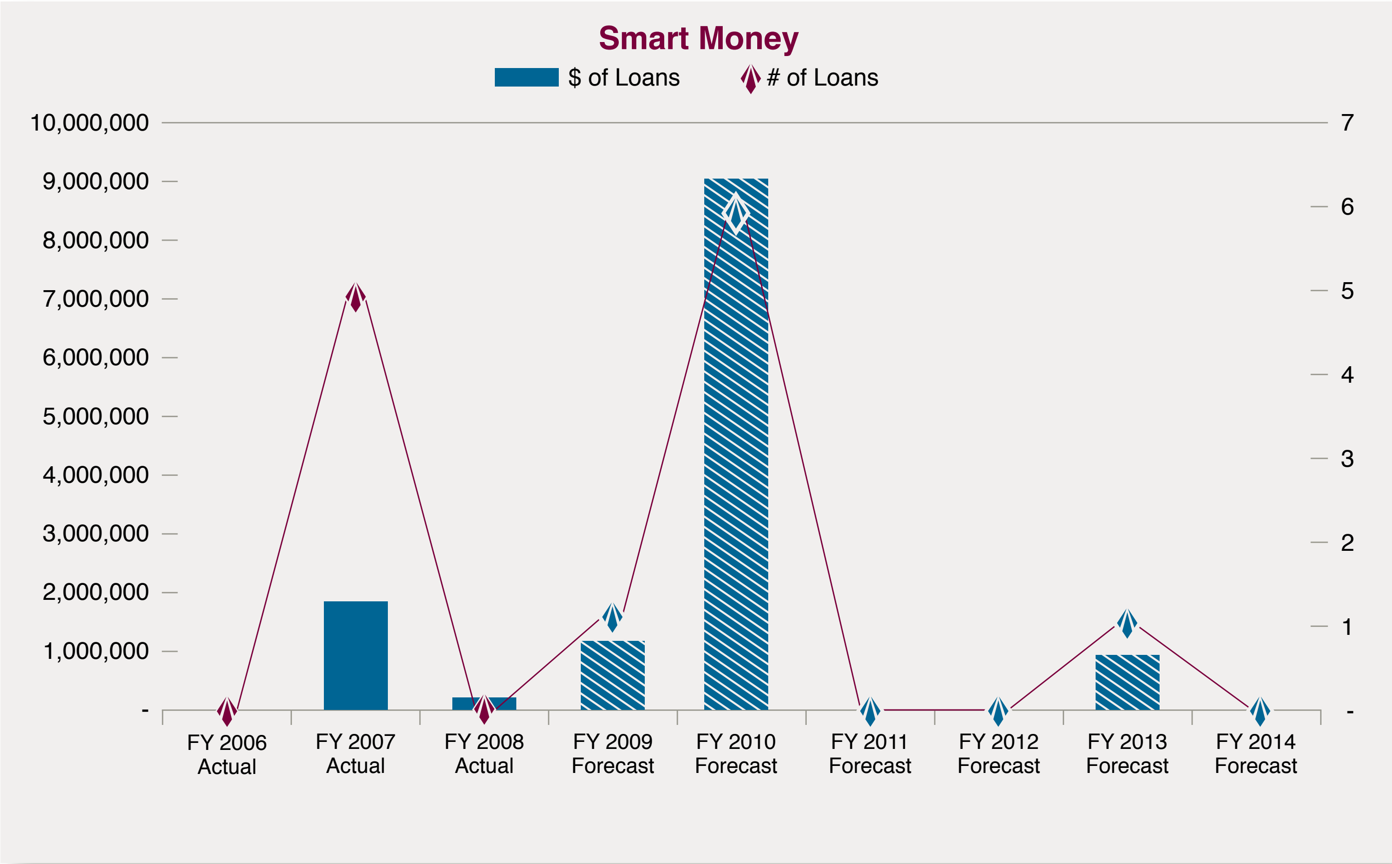
Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$2,421,742	$ 1,795,045
Excess Revenues over Expenditures	(141,497)	(158,642)
Transfers to Other Agencies		
Bond Principal Payments	(125,000)	(125,000)
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable	(610,200)	(460,000)
Net Increase/(Decrease) in Cash	(626,697)	(493,642)
Fiscal Year's Ending Cash Balance	$1,795,045	$ 1,301,403

Smart Money (SWEDFA)

Created in 2003, the Statewide Economic Development Finance Act authorizes the Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities. In 2005, the Authority, in its partnership with the Economic Development Department, was successful in amending the law to create the Smart Money Initiative, a business lending program designed to use a $12 million appropriation to create greater access to capital throughout rural and underserved areas of New Mexico.

Through the Smart Money Initiative, the Authority has secured partners from more than 30 participating financial institutions operating throughout the state. The Authority Board has approved six projects totaling $10.2 million in loan participations, which has leveraged additional financing from the Smart Partner banks of more than $32 million. To date, six loan participations have closed totaling almost $3.6 million. Future growth of this program will depend on additional state appropriations and the ability to leverage the outstanding loans.



SMART MONEY - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans	148,957	189,000	150,000		250,000
Interest Income - Investments, Cash & Equiv	133,000	195,000	85,000		50,000
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 281,957	$ 384,000	$ 235,000	-38.8%	$ 300,000
EXPENDITURES					
Operational Expenditures	$ 232,650	$ 394,567	$ 466,528	18.2%	$ 259,656
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense	18,575	18,575	15,000		15,000
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 18,575	$ 18,575	$ 15,000	-19.2%	$ 15,000
Total Expenditures	$ 251,225	$ 413,142	$ 481,528	16.6%	$ 274,656
Excess Revenues over Expenditures	$ 30,732		$ (246,528)		$ 25,344
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ 30,732		$ (246,528)		$ 25,344

Reconciliation of Change in Cash

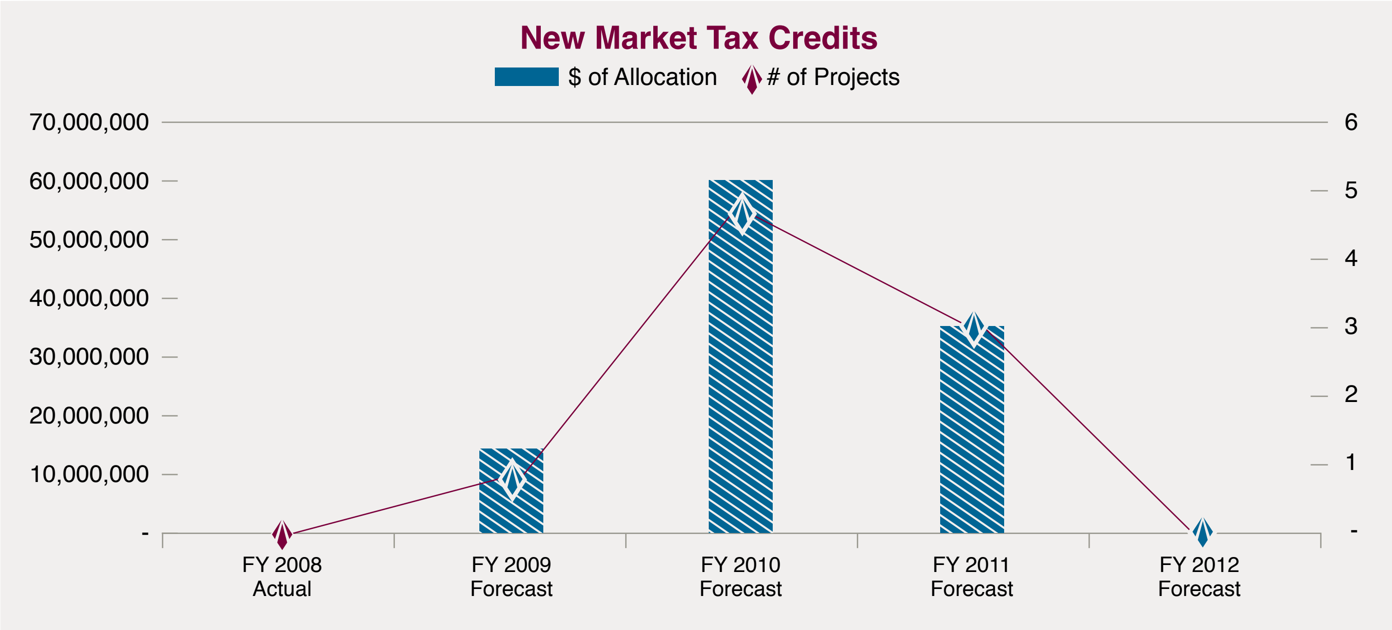
	FY 2010	FY 2011
FY 2009 Beginning Cash Balance	$ 10,300,000	$ 548,472
Excess Revenues over Expenditures	(246,528)	25,344
Transfers to Other Agencies		
Net Decrease/(Increase) to Bonds Payable		
Increase/(Decrease) in Loan to Programs		
Net Decrease/(Increase) in Loans Receivable	(9,505,000)	125,000
2009 Net Increase/(Decrease) in Cash	(9,751,528)	150,344
FY 2009 Ending Cash Balance	$ 548,472	$ 698,816

New Markets Tax Credits

To enhance the Smart Money Initiative, NMFA formed a subsidiary for-profit company called Finance New Mexico, LLC to pursue an allocation of federal tax credits, available under the New Markets Tax Credit program. Recognizing the lack of allocation to New Mexico, the Legislature and Governor supported—with enactment of legislation in 2006—creation of this company for the sole purpose of participating in this specific federal program. The Authority will submit an application for a new allocation in FY 2010.

The purpose of the New Markets Tax Credit program is perfectly aligned with the goal of the Smart Money Initiative, which is to provide private businesses in rural or underserved areas of the country with greater access to capital. The incentive to investors is a 39 percent federal income tax credit earned over seven years for every dollar invested in a qualified low income community enterprise. Surprisingly, until 2007, no single entity within New Mexico had received an allocation of these important incentives, and only one single deal had been completed in this state for $6 million, despite more than $11.5 billion of tax credits having been allocated nationwide.

Under its subsidiary company Finance New Mexico, the Authority submitted an application to the U.S. Department of Treasury in February 2007 and was awarded a $110 million allocation of tax credits which must be fully invested by September 2010. To date, $15.5 million of this allocation has been awarded.



NEW MARKETS TAX CREDIT PROGRAM - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv					
Administration Fee Revenue	465,000	2,000,000	1,800,000		1,035,000
Grant Revenue					
Total Revenues	$ 465,000	$ 2,000,000	$ 1,800,000		$ 1,035,000
EXPENDITURES					
Operational Expenditures	$ 168,900	$ 403,951	$ 1,197,862		$ 989,316
Non-Operational Expenditures					
Depreciation Expense	$ 1,025	$ 1,025	$ 580		$ 580
New Program Expenditures for FY 2009					
Personnel - Addition of 3 new positions	172,600	287,241			
Contractual Services	337,600	735,000	20,000		
Program Operating Costs	55,650	107,370			
TOTAL NEW PROGRAM EXPENDITURES	**$ 565,850**	**$ 1,129,611**	**$ 20,000**		
Total Expenditures	$ 735,775	$ 1,534,587	$ 1,218,442		$ 989,896
Excess Revenues over Expenditures	$ (270,775)	$ 465,413	$ 581,558		$ 45,104
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (270,775)	$ 465,413	$ 581,558		$ 45,104

Reconciliation of Change in Cash

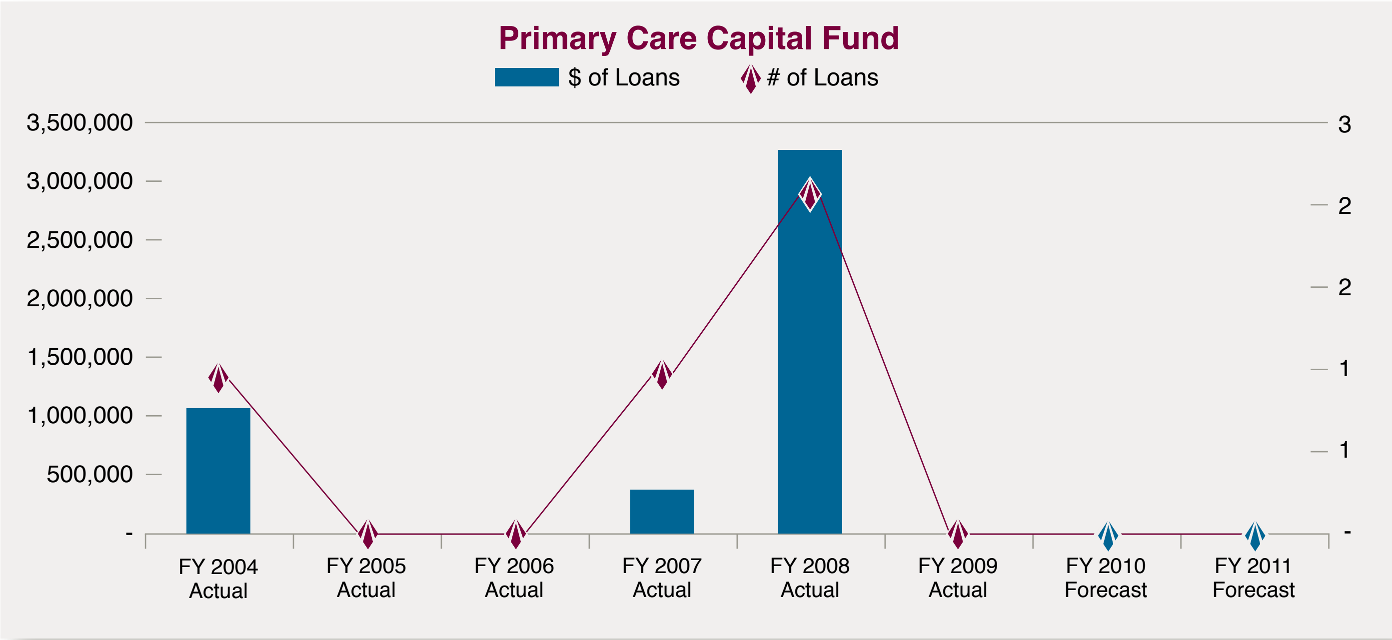
	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance		$ (418,442)
Excess Revenues over Expenditures	581,558	45,104
Transfers to Other Agencies		
Net (Decrease)/Increase to Bonds Payable		
Increase/(Decrease) in Loan to Programs	(1,000,000)	
Net Decrease/(Increase) in Loans Receivable		
Net Increase/(Decrease) in Cash	(418,442)	45,104
Fiscal Year's Ending Cash Balance	$ (418,442)	$ (373,338)

Primary Care Capital Fund

The Primary Care Capital Fund was created by the 1994 Legislature with an initial appropriation of $5 million to be used as a revolving fund in the State Treasury. The revolving fund provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases with a useful life of more than 3 years.

Clinics from New Mexico communities, such as Penasco, Silver City, Pecos, and Anthony, have borrowed from the fund to expand their existing medical facilities for mental and dental services in addition to the construction of new facilities. These communities benefit tremendously from the primary care services because the program allows for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care at free or reduced prices to sick and indigent clients.

These loans, some of which have been in repayments since 1997, have repaid almost $3 million to the fund. Currently, the Authority has loaned all available funds in this program and the program will have limited activity until existing borrowers have repaid their loans.



PRIMARY CARE CAPITAL FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	167,225	159,772	162,000		165,000
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 167,225	$ 159,772	$ 162,000	1.4%	$ 165,000
EXPENDITURES					
Operational Expenditures	$ 83,500	$ 83,752	$ 91,638	9.4%	$ 93,256
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense	375	675	375		300
Contract for Service Expense	120,500	75,650	135,860		134,620
TOTAL NON-OPERATIONAL EXPENDITURES	$ 120,875	$ 76,325	$ 136,235	78.5%	$ 134,920
Total Expenditures	$ 204,375	$ 160,077	$ 227,873	42.4%	$ 228,176
Excess Revenues over Expenditures	$ (37,150)		$ (65,873)		$ (63,176)
Transfer to Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (37,150)		$ (65,873)		$ (63,176)

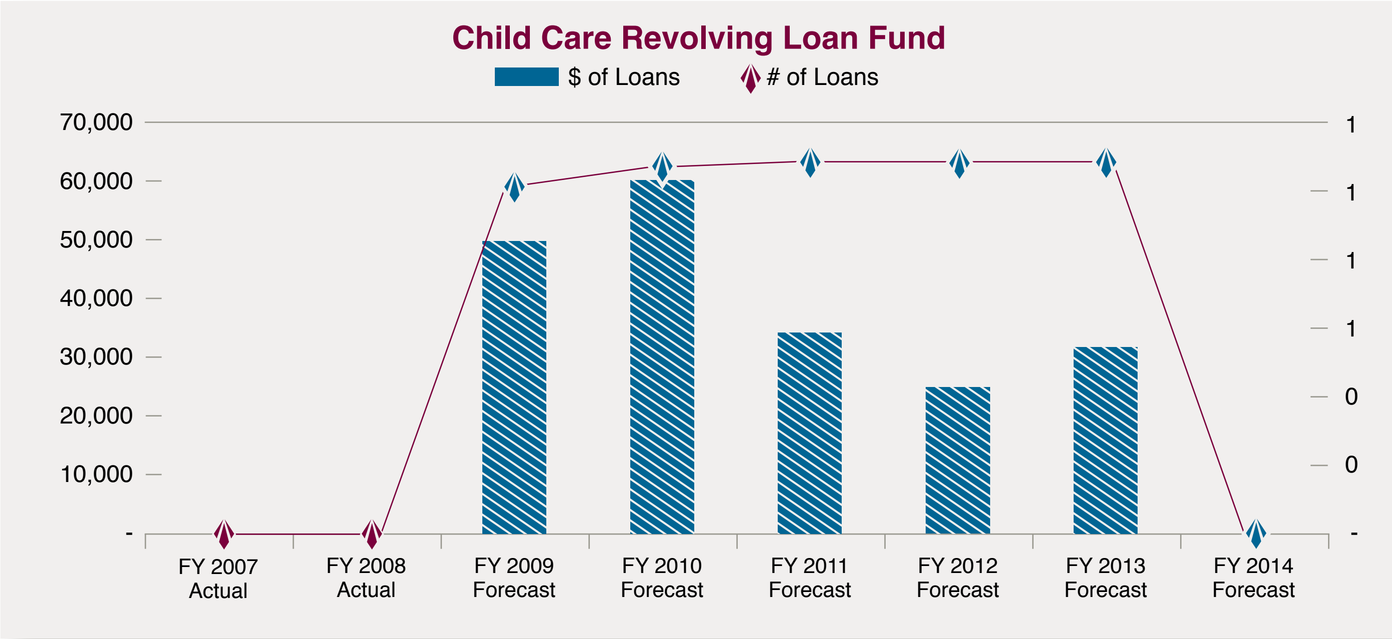
Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 2,815,600	$ 1,171,854
Excess Revenues over Expenditures	(65,873)	(63,176)
Transfers to Other Agencies		
Bond Principal Payments		
Increase/(Decrease) in Loan to Programs	227,873	228,176
Net Decrease/(Increase) in Loans Receivable	(1,350,000)	(450,000)
Net Increase/(Decrease) in Cash	(1,643,746)	(741,352)
Fiscal Year's Ending Cash Balance	$ 1,171,854	$ 430,502

Child Care Revolving Loan Fund

Created by the 2005 Legislature and funded by the Governor with $250,000 of federal funds, the Child Care Facility Loan Fund partners the Authority with Children Youth and Families Department (CYFD) to provide low-cost financing to licensed child care providers to fund improvements to their facilities.

In 2008, the Authority and CFYD stepped up their efforts to make certain child care providers were positioned to take advantage of this critical, low-cost funding. The effort culminated in increased activity of this small loan program and in FY 2009, the Authority completed its first loan under this program.



CHILD CARE REVOLVING LOAN FUND - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans			1,100		1,500
Interest Income - Investments, Cash & Equiv	3,800	10,099	2,000		1,000
Administration Fee Revenue					
Grant Revenue					
Total Revenues	3,800	10,099	3,100	-69.3%	2,500
EXPENDITURES					
Operational Expenditures	$ 22,250	$ 36,599	$ 54,263	48.3%	$ 55,746
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense	229	229	210		210
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 229	$ 229	$ 210	-8.3%	$ 210
Total Expenditures	$ 22,479	$ 36,828	$ 54,473	47.9%	$ 55,956
Excess Revenues over Expenditures	$ (18,679)	$ (26,729)	$ (51,373)		$ (53,456)
Transfer to Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (18,679)	$ (26,729)	$ (51,373)		$ (53,456)

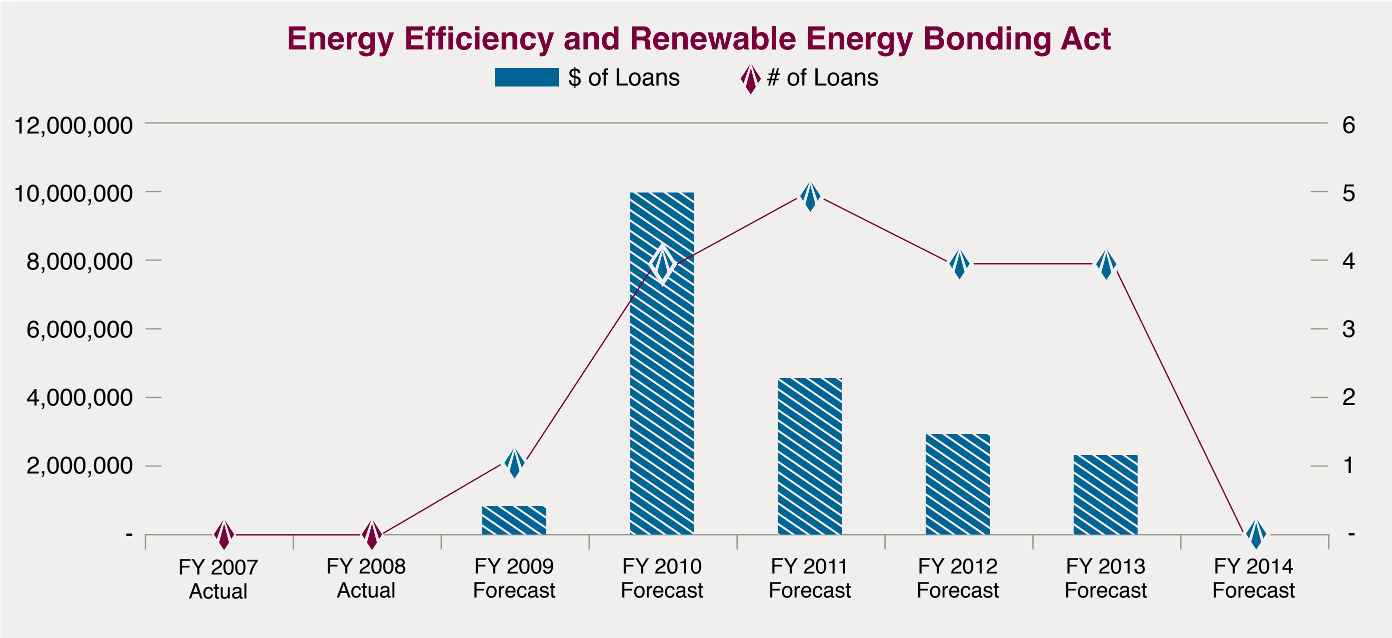
Reconciliation of Change in Cash

	FY 2010	FY 2011
Fiscal Year's Beginning Cash Balance	$ 258,600	$ 317,785
Excess Revenues over Expenditures	(51,373)	(53,456)
Transfers to Other Agencies		
Bond Principal Payments		
Increase/(Decrease) in Loan to Programs	195,558	206,210
Net Decrease/(Increase) in Loans Receivable	(85,000)	(32,000)
Net Increase/(Decrease) in Cash	59,185	120,754
Fiscal Year's Ending Cash Balance	$ 317,785	$ 438,539

Energy Efficiency and Renewable Energy Bonding Act

The Energy Efficiency and Renewable Energy Bonding Act of 2005 established an innovative financing mechanism for state agencies, universities, and public schools to fund and implement energy efficiency and renewable energy renovations at existing facilities. The Act authorizes the Authority to issue up to $20 million in bonds, which will be backed by the State's Gross Receipts Tax, to make loans to the state agencies, universities and public schools to fund these energy efficiency measures at their existing facilities. The State has agreed to cover the debt service on the bonds by reducing the appropriate agencies' operating budget by 90% of the estimated costs savings generated from the energy measures implemented. The Authority will issue these bonds and buy them into the Public Projects Revolving Fund ("PPRF") to minimize the issuance costs associated with these bonds.

In FY 2009, the Authority issued the first under this Program totaling a little more than $368 thousand.



ENERGY EFFICIENCY - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv					
Administration Fee Revenue					
Grant Revenue					
Total Revenues				100.0%	
EXPENDITURES					
Operational Expenditures	$ 5,120	$ 10,168	$ 10,250	100.0%	$ 10,250
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense					
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES				100.0%	
Total Expenditures	$ 5,120	$ 10,168	$ 10,250	100.0%	$ 10,250
Excess Revenues over Expenditures	$ (5,120)	$ (10,168)	$ (10,250)		$ (10,250)
Transfer to/(from) Other Agencies					
Excess (Deficit) Revenues over Expenditures	$ (5,120)	$ (10,168)	$ (10,250)		$ (10,250)

Reconciliation of Change in Cash

	FY 2010	FY 2011
FY 2009 Beginning Cash Balance		
Excess Revenues over Expenditures	(10,250)	(10,250)
Transfers to Other Agencies		
Net Decrease/(Increase) to Bonds Payable		
Increase/(Decrease) in Loan to Programs	10,250	10,250
Net Decrease/(Increase) in Loans Receivable		
2009 Net Increase/(Decrease) in Cash		
FY 2009 Ending Cash Balance		

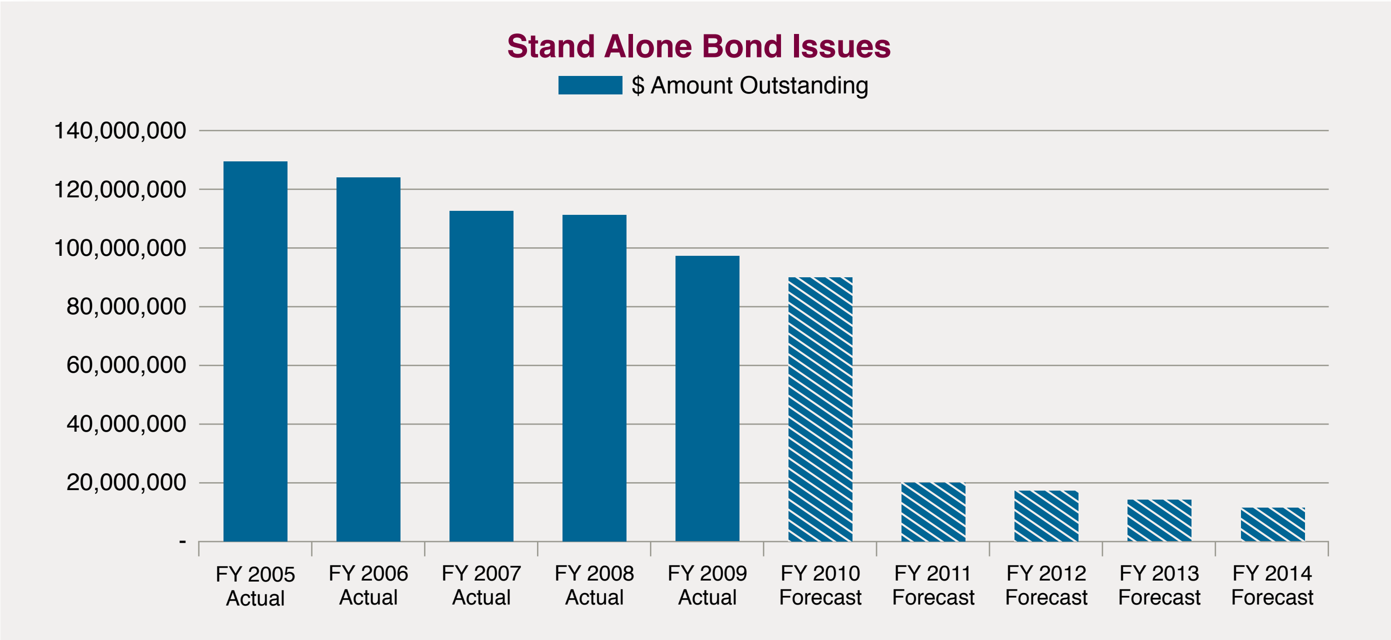
Stand Alone Bond Issues

Earlier in its history, the Authority issued bonds for a number of projects outside the Public Projects Revolving Fund that were called "Stand Alone" issues. For various reasons, these projects were not considered at the time to meet the criteria necessary to qualify for a PPRF loan. The definition of the requirements to qualify as a PPRF project have broadened over time, and similar projects today are funded as PPRF loans, not Stand Alone loans. For each of these loans, the source of repayment of the debt service on the related bonds issued by the Authority is a legislative appropriation. The bonds previously issued and currently outstanding to fund Stand Alone loans are as follows:

Borrower	*Amount Currently Outstanding*
UNM Health Sciences	$19,855,000
Workers Compensation Financing Fund	2,315,000
Court Facilities Fee Revenue Bonds 2001A	21,600,000
Court Facilities Fee Revenue Bonds 2002	23,825,000
State Capital Improvement Financing Fund	4,775,000
State Building Purchase Fund	24,525,000
COP*-Equip. Loan Fund Series 95A, 95B	172,000
COP- Equip. Loan Fund Series 96A	51,000
COP- Equip. Loan Fund Series 96B	126,000

**Certificates of Participation*

To provide a complete and comprehensive budget for the Authority, the appropriation revenues and debt service payments for these loans are included in the Authority's overall budget. The estimated amounts for fiscal 2010 are presented on the opposite page.



STAND ALONE BOND ISSUES - BUDGET FOR FISCAL YEARS 2010 & 2011

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues	$ 17,600,000	$ 14,880,000	$ 14,285,000		$ 13,935,000
Interest Income - Loans	21,000	21,000	20,600		16,600
Interest Income - Investments, Cash & Equiv	145,000	455,000	145,000		156,000
Administration Fee Revenue					
Grant Revenue					
Total Revenues	$ 17,766,000	$ 15,356,000	$ 14,450,600	-5.9%	$ 14,107,600
EXPENDITURES					
Operational Expenditures					
Non-Operational Expenditures					
Bond/Loan interest Expense	$ 5,466,463	$ 5,712,000	$ 5,712,000		$ 5,712,000
Bond Issuance Expense					
Contractual Services	168,063	175,000	175,000		175,000
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense					
Contract for Service Expense		1,989			
TOTAL NON-OPERATIONAL EXPENDITURES	$ 5,634,526	$ 5,888,989	$ 5,887,000	-0.0%	$ 5,887,000
Total Expenditures	$ 5,634,526	$ 5,888,989	$ 5,887,000	-0.0%	$ 5,887,000
Excess Revenues over Expenditures	$ 12,131,474	$ 9,467,011	$ 8,563,600		$ 8,220,600
Transfer to/(from) Other Agencies	$ 4,225,659	$ 4,225,659	$ 4,064,484		$ 4,225,659
Excess (Deficit) Revenues over Expenditures	$ 7,905,815	$ 5,241,352	$ 4,499,116		$ 3,994,941

Conduit Bonds (SWEDFA)

Created in 2003, the Statewide Economic Development Finance Act authorizes the Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities. To date, only the Smart Money Loan Participation Program has been implemented by the Authority. To help businesses and communities take advantage of changes in federal tax law, the Authority will implement in FY 2010 the rules and policies necessary for the NMFA to be an active conduit bond issuer benefiting for-profit and not-for-profit businesses to creating greater access to capital throughout rural and underserved areas of New Mexico.

six
Total Operating Budget

CONSOLIDATED BUDGETS FOR FISCAL YEARS 2010 & 2011

	Revised FYE 2009 Budget	FYE 2010 Budget	2009-2010 Budget % Change Incr (Dcr)	FYE 2011 Budget*	2010-2011 Budget % Change Incr (Dcr)
Personnel services	2,803,013	2,798,245	-0.17%	3,184,105	8.00%
Employee benefits	1,319,861	1,211,453	-8.21%	1,323,716	3.50%
In-state travel	176,431	152,880	-13.35%	152,880	0.00%
Maintence/Repairs	39,889	36,500	-8.50%	36,865	1.00%
Office supplies	66,713	52,335	-21.55%	52,858	1.00%
Contractual services	2,668,035	3,139,377	17.67%	3,053,044	-2.75%
Operating costs	950,497	953,723	0.34%	968,029	1.50%
Out-of state travel	104,250	103,050	-1.15%	103,050	0.00%
	8,128,689	8,447,563	3.92%	8,874,547	2.42%

		FYE 2010		FYE 2011	
New Programs					
1. Capital Facilities Financing					
- Personnel/Benefits					
1 - Capital Facilities Coordinator (FY 2010)		123,250			
- Program Expenditures					
Financial Advisor - Capital Facilities Bonds		60,000			
2. Public Information/Intergovernmental Relations					
- Personnel/Benefits					
1 - Public Information/Intergovernmental Relations (FY 2010)		94,250			
3. Investor Relations					
- Personnel/Benefits					
1 - Accountant - Investor Relations (FY 2011)				72,500	
4. Stimulus Funding					
- Program Expenditures					
Financial Advisor - Stimulus Funding		60,000		60,000	
5. Conduit Bonds					
- Program Expenditures					
Legal Services - Conduit Bonds		50,000		50,000	
Total New Programs		**387,500**		**182,500**	
Capital Expenditures					
- Disaster Recovery Project		110,000			
- New IP Phone System		65,000			
- FA Loan Management Servicing System		120,000			
Totals - Capital Expenditures		**295,000**			
Other One-time Program Expenses					
NMTC Application to CDFI		20,000			
Creation of SRF Bonds		60,000			
Totals - One-time Program Expenditures		**80,000**			

**** Base amount includes new employees added for new programs from previous budget years.***

GENERAL OPERATING FUND

	Estimate of FY 2009 Actual	FY 2009 Annual Budget	FY 2010 Annual Budget	FY 09-10 Percentage Change	FY 2011 Annual Budget
REVENUES					
Appropriation Revenues					
Interest Income - Loans					
Interest Income - Investments, Cash & Equiv	112,000	50,000	112,000		115,000
Administration Fee Revenue					
Administrative Fee	2,179,000	2,560,000	1,975,000		1,830,000
Processing Fee	1,900,000	2,445,000	1,500,000		1,675,000
Grant Revenue					
Total Revenues	$ 4,191,000	$ 5,055,000	$ 3,587,000	-29.0%	$ 3,620,000
EXPENDITURES					
Operational Expenditures					
Personnel Services including Benefits	$ 3,798,980	$ 4,133,762	$ 4,009,698	-3.0%	$ 4,507,821
Operating Costs	4,085,560	3,979,996	4,437,865	11.5%	4,366,726
Subtotal - Operating Expenditures	$ 7,884,540	$ 8,113,758	$ 8,447,563	4.1%	$ 8,874,547
New Program Expenditures					
Personnel			217,500		72,500
Contractual Services			170,000		110,000
Subtotal - New Program Expenditures			$ 387,500		$ 182,500
TOTAL OPERATIONAL EXPENDITURES	$ 7,884,540	$ 8,113,758	$ 8,835,063	8.9%	$ 9,057,047
Non-Operational Expenditures					
Bond/Loan interest Expense					
Bond Issuance Expense					
Contractual Services					
Other Fin use - Bond Premium					
Grant Expense					
Depreciation Expense	18,175	21,350	22,400		24,350
Contract for Service Expense					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 18,175	$ 21,350	$ 22,400	4.9%	$ 24,350
Total Expenditures	$ 7,902,715	$ 8,135,108	$ 8,469,963	4.1%	$ 8,898,897
Excess Revenues over Expenditures	$ (3,711,715)	$ (3,080,108)	$ (4,882,963)		$ (5,278,897)
Repayments from Other Funds	$ 6,289,505	$ 6,788,950	$ 8,694,194		$ 8,451,719
Excess (Deficit) Revenues over Expenditures	$ 2,577,790	$ 3,708,842	$ 3,811,231		$ 3,172,822

Reconciliation of Change in Cash

	FY 2010	FY 2011
FY 2009 Beginning Cash Balance	$ 8,956,500	$ 12,201,412
Excess Revenues over Expenditures	3,811,231	3,172,822
Transfers to Other Agencies		
Bond Principal Payments		
Increase/(Decrease) in Loan to Programs	(566,319)	444,636
Net Decrease/(Increase) in Loans Receivable		
2009 Net Increase/(Decrease) in Cash	3,244,912	3,617,458
FY 2009 Ending Cash Balance	$ 12,201,412	$ 15,818,870

BUDGET DETAIL BY PROGRAM - FISCAL YEAR 2010

	Grand Total	PPRF	GRIP	Local Government Transportation Fund	Local Transportation Infrastructure Fund	Drinking Water Revolving Loan Fund
REVENUES						
Appropriation Revenues	$ 52,991,000	$ 28,090,000		$ 3,700,000		
Interest Income - Loans	52,172,200	51,285,000				700,000
Interest Income - Investments, Cash & Equiv	5,549,000	3,580,000	25,000	300,000	20,000	735,000
Administration Fee Revenue	8,334,800	3,475,000	1,439,465		1,439,465	178,370
Grant Revenue	63,975,000					24,000,000
Total Revenues	**$ 183,022,000**	**$ 86,430,000**	**$ 1,464,465**	**$ 4,000,000**	**$ 1,459,465**	**$ 25,613,370**
EXPENDITURES						
Operational Expenditures						
Total Operating Expenses	8,447,563					
Allocated to Programs		3,798,503	1,205,726	69,358	54,568	693,550
Subtotal - Operational Expenditures	**$ 8,447,563**	**$ 3,798,503**	**$ 1,205,726**	**$ 69,358**	**$ 54,568**	**$ 693,550**
New Program Expenditures						
Personnel	217,500					
Contractual Services	250,000					60,000
Allocated to Programs		183,250				60,000
Subtotal - New Program Expenditures	**$ 467,500**	**$ 183,250**				**$ 120,000**
Total Operating Expenditures	**$ 8,915,063**	**$ 3,981,753**	**$ 1,205,726**	**$ 69,358**	**$ 54,568**	**$ 813,550**
Non-Operational Expenditures						
Bond/Loan interest Expense	$ 58,069,000	$ 52,240,000				
Bond Issuance Expense	2,500,000	2,150,000			350,000	
Contractual Services	175,000					
Other Fin use - Bond Premium						
Grant Expense	118,317,453	22,453		68,750,000	11,000,000	
Depreciation Expense	120,364	26,500	15,200		200	15,000
Contract for Service Expense	135,860					
TOTAL NON-OPERATIONAL EXPENDITURES	$ 179,317,677	$ 54,438,953	$ 15,200	$ 68,750,000	$ 11,350,200	$ 15,000
Total Expenditures	$ 187,765,240	$ 58,237,456	$ 1,220,926	$ 68,819,358	$ 11,404,768	$ 708,550
Excess Revenues over Expenditures	$ (4,743,240)	$ 28,192,544	$ 243,539	$ (64,819,358)	$ (9,945,303)	$ 24,904,820
Transfer to Other Agencies	6,714,484	650,000				2,000,000
Excess (Deficit) Revenues over Expenditures	$ (11,457,724)	$ 27,542,544	$ 243,539	$ (64,819,358)	$ (9,945,303)	$ 22,904,820

BUDGET DETAIL BY PROGRAM - FISCAL YEAR 2010

Water Project Fund	Local Government Planning Fund	Water Wastewater Grant Fund	Behavioral Health Capital Fund	Smart Money	New Markets Tax Credits	Primary Care Capital Fund	Child Care Revolving Loan Fund	Energy Efficiency and Renewable Energy Bonding	Operating Fund	Stand Alone Bond Issues
$ 4,000,000										$ 17,201,000
			15,500	150,000			1,100			20,600
299,000	9,000	30,000	45,000	85,000		162,000	2,000		112,000	145,000
2,500					1,800,000					
38,000,000									1,975,000	
$ 42,301,500	$ 9,000	$ 30,000	$ 60,500	$ 235,000	$ 1,800,000	$ 162,000	$ 3,100		$ 2,087,000	$ 17,366,600
									8,447,563	
807,500	99,850		84,598	466,528	869,540	91,638	54,263	10,250	(8,305,872)	
$ 807,500	$ 99,850		$ 84,598	$ 466,528	$ 869,540	$ 91,638	$ 54,263	$ 10,250	$ 141,691	
									217,500	
					20,000				170,000	
				50,000					(293,250)	
				$ 50,000	$ 20,000				$ 94,250	
$ 807,500	$ 99,850		$ 84,598	$ 516,528	$ 889,540	$ 91,638	$ 54,263	$ 10,250	$ 235,941	
			$ 117,000							$ 5,712,000
										175,000
38,200,000	345,000									
13,500	11,000		399	15,000	580	375	210		22,400	
						135,860				
$ 38,213,500	$ 356,000		$ 117,399	$ 15,000	$ 580	$ 136,235	$ 210		$ 22,400	$ 5,887,000
$ 39,021,000	$ 455,850		$ 201,997	$ 481,528	$ 870,120	$ 227,873	$ 54,473	$ 10,250	$ 164,091	$ 5,887,000
$ 3,280,500	$ (446,850)	$ 30,000	$ (141,497)	$ (246,528)	$ 929,880	$ (65,873)	$ (51,373)	$ (10,250)	$ 1,922,909	$ 11,479,600
										4,064,484
$ 3,280,500	$ (446,850)	$ 30,000	$ (141,497)	$ (246,528)	$ 929,880	$ (65,873)	$ (51,373)	$ (10,250)	$ 1,922,909	$ 7,415,116

FIVE YEAR PROJECTION

	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2012 Annual Budget	FY 2013 Annual Budget	FY 2014 Annual Budget
REVENUES					
Appropriation Revenues	$ 52,991,000	$ 49,442,000	$ 50,675,000	$ 52,105,000	$ 53,000,000
Interest Income - Loans	48,758,000	52,180,000	57,650,000	64,250,000	67,950,000
Interest Income - Investments, Cash & Equiv	5,000,000	5,100,000	5,227,500	5,358,000	5,492,000
Administration Fee Revenue	8,334,800	8,165,750	7,825,000	7,925,000	8,115,000
Grant Revenue	40,600,000	44,400,000	40,000,000	36,750,000	35,500,000
Total Revenues	$ 155,683,800	$ 159,287,750	$ 161,377,500	$ 166,388,000	$ 170,057,000
EXPENDITURES					
Operating Expenditures					
Personnel Services	$ 2,798,245	$ 3,184,105	$ 3,363,469	$ 3,674,854	$ 3,855,224
Employee Benefits	1,211,453	1,323,716	1,400,065	1,494,323	1,575,936
In-State Travel	152,880	152,880	155,173	156,725	158,292
Maintenance & Repairs	36,500	36,865	37,418	37,792	38,170
Office Supplies	52,335	52,858	53,387	53,387	53,387
Contractual Services	3,139,377	3,053,044	3,050,100	3,012,000	2,974,000
Operating Costs	953,723	968,029	1,001,910	1,041,986	1,083,665
Out-of State Travel	103,050	103,050	104,596	105,642	106,698
Subtotal - Operating Expenditures	$ 8,447,563	$ 8,874,547	$ 9,166,118	$ 9,576,709	$ 9,845,372
New Program Expenditures					
Personnel	217,500	72,500	78,100	71,000	
Contractual Services	170,000	110,000	0	0	0
Subtotal - New Program Expenditures	**$ 387,500**	**$ 182,500**	**$ 78,100**	**$ 71,000**	**$ 0**
Total Operating Expenditures	**$ 8,835,063**	**$ 9,057,047**	**$ 9,244,218**	**$ 9,647,709**	**$ 9,845,372**
Non-Operating Expenditures					
Bond/Loan interest Expense	$ 58,069,000	$ 60,372,000	$ 63,500,000	$ 66,450,000	$ 69,750,000
Bond Issuance Expense	2,500,000	3,025,000	2,800,000	3,100,000	3,000,000
Contractual Services	175,000	175,000	125,000	155,000	175,000
Other Fin use - Bond Premium					
Grant Expense	118,317,453	56,090,000	38,500,000	34,700,000	32,900,000
Depreciation Expense	120,364	107,039	100,000	90,000	75,000
Contract for Service Expense	135,860	134,620	130,250	125,600	121,500
Total Non-Operating Expenditures	$ 179,317,677	$ 119,903,659	$ 105,155,250	$ 104,620,600	$ 106,021,500
Total Fiscal Year Expenditures	$ 188,152,740	$ 128,960,706	$ 114,399,468	$ 114,268,309	$ 115,866,872
Excess Revenues over Expenditures	$ (32,468,940)	$ 30,327,044	$ 46,978,032	$ 52,119,691	$ 54,190,128

Capital Outlays

Furniture and Fixtures					
Computer Hardware & Software	295,000	120,000	75,000	20,000	55,000
Equipment and Machinery					
Leasehold Improvements					
Capital Outlay	$ 295,000	$ 120,000	$ 75,000	$ 20,000	$ 55,000
GRAND TOTAL	**$ 188,447,740**	**$ 129,080,706**	**$ 114,474,468**	**$ 114,288,309**	**$ 115,921,872**

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Appendix









Appendix

GLOSSARY OF TERMS

Accounting system The total set of records and procedures used to record, classify, and report information on the financial status and operations of an entity.

Accrual Basis The enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Allowance for Loan Losses 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.

Basis of Accounting Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Beginning Fund Balance An account used to record estimated and actual resources available for expenditure in one fiscal year because of revenues collected in excess of the budget and/or under expenditure of the budget.

Benefits The New Mexico Finance Authority provides employee benefits such as retirement, worker's compensation, life insurance, medical insurance and dental insurance.

Biennial Recurring every two years.

Bond Discounts, Premiums and Issuance Cost In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bond A certificate obligating the payment of a specified sum of money which includes the principle or face value, plus interest, to be computed at a specified rate on a specified date or dates in the future or the maturity date(s).

Bonds payable are reported net of the applicable bond premium or discount.

Budget A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed revenue, or means of financing these expenditures.

Budgetary Basis This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: cash, modified accrual, or accrual.

Budgets and Budgetary Accounting The Authority prepares a budget for the operations fund and for the Drinking Water Revolving Loan Fund. These budgets are approved by the Authority's board but are not legally binding. The budgets are also amended by the Authority's board. The budgets are prepared on a non-Generally Accepted Accounting Principles (GAAP) basis. The differences between the accounting on a budgetary basis and GAAP basis are that capital outlay is a budgetary expenditure and depreciation expense is not a budgetary expenditure.

Business-type Activities The Authority's revolving fund programs and operating fund are included in the Business-type activities. The funds included in the Business-type activities for the New Mexico Finance Authority are the Public Projects Revolving Fund, the Federal Drinking Water Loan Revolving Fund, the Primary Care Loan Revolving Fund, the Governor Richardson Investment Program (GRIP) Administrative Fund, and the General Operating Fund.

Cash Basis Accounting The method of accounting where revenues are recorded when received and expenditures are recorded when paid.

Cash Flows For purposes of the Statement of Cash Flows, the various funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Cash and Cash Equivalents Cash and cash equivalents consist of cash on deposit with the New Mexico State Treasurer, Wells Fargo and with banks acting as bond trustees. Cash in the various programs on deposit with the State Treasurer are invested by the New Mexico State Treasurer in the "overnight" repurchase program.

Contingency A contingency is an unforeseen event, condition or emergency.

Debt Service The process of accumulating resources for and making payment of long-term debt principal and interest.

Debt Service Funds The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs. The funds classified as debt service funds are the University of New Mexico Health Sciences Fund, the Metro Court Financing Fund, the Workers Compensation Building Financing Fund, the State Capitol Improvement Financing Fund, and the Equipment Certificate of Participation Funds.

Enterprise funds A type of proprietary fund which contains activities which are operated in a manner similar to private businesses. Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the costs of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs. The funds classified as proprietary funds are, the General Operating fund, the Public Projects Revolving Fund, the Drinking Water State Revolving Loan Fund, the Primary Care Capital Fund, and the Behavioral Health Clinic Fund.

Expenditure An outlay of current resources for goods or services. Expenditures reduce the remaining budget authorization available.

Fixed Assets Assets of significant value which have a useful life of several years.

Fund Governmental accounting systems are organized and operated on a fund basis. A fund is an independent financial and accounting entity with a self-balancing set of accounts in which financial transactions relating to revenues, expenditures, assets and liabilities are recorded. Funds are established to account for the use of restricted revenue sources and to carry on specific activities or pursue specific objectives.

Fund Balance Fund equity (the difference between revenue and expenditures) in a given accounting period.

Fund Financial Statements Fund financial statements consist of a series of statements that focus on information about the major governmental and proprietary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) are prepared using the economic resources measurement focus and the accrual basis of accounting.

Fund Equity Reserves represent those portions of fund equity appropriated or legally segregated for a specific future use. Debt service fund balances are reserved based on the language in the trust agreements which require the bond proceeds be used for the specific purposes of the fund. Special revenue funds are reserved based on the statutory or bond trust restrictions.

Governmental Activities All of the Authority's stand alone bond financings and grant programs are included in the governmental activities. State dedicated revenues and grant appropriations finance most of these activities. The funds included in Governmental Activities for the New Mexico Finance Authority are the, Metro Court Financing, State Building Program Financing, State Building Purchase Financing, University of New Mexico (UNM) Health Sciences Financing, Water Project Financing, Water/Wastewater Grant Fund, Behavioral Health Clinic Financing, Economic Development Financing, Emergency Drought Relief Grant Fund, Water Planning Fund, Workers Compensation Building Financing, State Capitol Improvement Financing, and Equipment Certificate of Participation Financings and the Insurance Department Financings.

Grants A contribution of assets (usually cash) by one governmental unit or other organization to be used or spent for a specified purpose, activity, or facility. Typically these contributions are made to local governments from the State and Federal governments.

Income Taxes The Authority is a tax exempt, quasi-governmental organization under Section H5 of the Internal Revenue Code.

Issuance costs Issuance costs are reported as deferred costs.

Infrastructure Assets Infrastructure assets (roads, bridges, traffic signals, etc.) are to be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The New Mexico Finance Authority does not own a material interest in any infrastructure assets.

Interfund Transfers Amounts transferred from one New Mexico Finance Authority fund to another.

Interest is credited to the various programs based on the programs average monthly balance. Average monthly interest rates are also used in determining the interest to be credited to the various programs. In general, state statues require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments which may differ from the cash deposited by the Authority. Funds held by the banks and the Authority acting as trustees are invested in money market accounts that invest in United States Treasury obligations and repurchase agreements secured by United States Treasury obligations. Repurchase agreements are collateralized at 102% in accordance with the Authority's internal policy.

Liability Debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date.

Loans Loans are stated at their principal amount. Interest on loans is accrued for based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements.

Modified Accrual Accounting All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (amounts collected within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Net Assets The government-wide and business types Fund Financial Statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Operating Budget A budget which includes all expenditures and revenues expected to be made during a year for ongoing operations of a government entity.

Property, Furniture and Equipment Property, furniture and equipment purchased or acquired at a value of $1,000 or greater are capitalized. Property, furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment purchases with useful lives over one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets which range from 3 to 7 years. In addition, furniture and equipment with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Proprietary Fund A fund used to account for operations that are financed and operating in a manner similar to business enterprises. Such a fund is established as a self-supporting operation with revenues provided from fees, charges or contracts for services.

Restricted Assets Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or legislation. The cash and cash equivalents held for others by trustees have the following restricted assets. The "debt service and bond reserve" accounts are used to report resources held by trustee and set aside for future debt service payments. The "program-grant proceeds" account is used to report those proceeds of bond issuances that were issued to finance a grant to another state agency. The "program-bond proceeds" account is used to report those proceeds of bond issues that were loaned to other governmental entities, which the borrowers have not yet expended. The "cash and cash equivalents held for others by the Authority" account is used to segregate bond proceeds that will be used for specific purposes as required by legislation. "Cash and cash equivalents pledged for repayment of bonds and bond expenses held by trustee" is used to report funds set aside for debt repayment, bond issuance, and other costs by the Authority.

Securities The Authority has purchased State of New Mexico Department of Energy, Minerals and Natural Resources, Jemez Springs, and New Mexico Interstate Stream Commission bonds which are recorded at cost which approximates market value.

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Authority's funds classified as Special Revenue Funds are the University of New Mexico Cancer Center Bond Fund, the Water/Waste Water Grant Fund, the Water Planning Fund, the Emergency Drought Relief Fund, the Water Projects Fund (accounted for within the Water Trust Fund) and the Economic Development Fund.

ACRONYMS

ASDWA	Assoc of State Drinking Water Administrators
BAR	Budget Adjustment Request
BPE	Bicycle/Equestrian/Pedestrian
BOF	Board of Finance
CDBG	Community Development Block Grant
CDU	Continuing Disclosure Undertaking
CFR	Code of Federal Regulations
CFS	Contract for Services
CPB	Construction Programs Bureau (NMED)
CPFO	Certified Public Finance Officer
COG	Council of Governments
CRAFT	Client Referral, Ridership and Financing Tracking
CWSRF	Clean Water State Revolving Fund
CYFD	Children Youth and Families Department
DBE	Disadvantaged Business Enterprise
DDCR	Deposit Delivery & Cross Receipt
DFA	Department of Finance Administration
DOE	Department of Energy
DOH	Department of Health
DOT	Department of Transportation
DWSRF	Drinking Water State Revolving Fund
DWRLF	Drinking Water Revolving Loan Fund
EA	Environmental Assessment
EDD	Economic Development Department
EID	Environmental Information Document
EPA	Environmental Protection Agency
FASB	Financial Accounting Standards Board
FIR	Fiscal Impact Report
FMHA	Federal Mortgage Housing Authority
FNSI	Finding of No Significant Impact
FHA	Federal Housing Administration
FHLMC	Federal Home Loan Mortgage Corporation
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GGRT	Governmental Gross Receipts Tax
GIS	Geographical Information System
GNMA	Government National Mortgage Association
GRT	Gross Receipts Tax
GRIP	Governor Richardson's Investment Partnership
HUD	US Dept. of Housing & Urban Development
ICMA	Institute of Cost & Management Accountants
ICIP	Infrastructure Capital Improvement Program
ITS	Intelligent Transportation System
IUP	Intended Use Plan
JPA	Joint Powers Agreement
LGD	Local Government Division (DFA)
LCS	Legislative Council Service
LFC	Legislative Finance Committee
LIHTC	Low Income Housing Tax Credits
LOC	Legislative Oversight Committee
LGRF	Local Government Road Fund
MAP	Municipal Arterial Program
MDWCA	Mutual Domestic Water Consumers Association
MPO	Metropolitan Planning Organization
MOU	Memorandum of Understanding
NEPA	National Environmental Policy Act
NMAC	New Mexico Administrative Code
NMML	New Mexico Municipal League
NPDES	National Pollution Discharge Elimination System
NOFA	Notice of Funds Availability
OSE	Office of the State Engineer
PCCF	Primary Care Capital Fund
PER	Preliminary Engineering Report
PID	Public Improvement District
PPRF	Public Project Revolving Fund
PSSC	Professional Services Selection Committee
RBIP	Rural Business Investment Program
RCAC	Rural Community Assistance Corporation
RFP	Request for Proposal
RPO	Regional Planning Organization
RIP	Rural Infrastructure Program
RWA	Rural Water Association
SAP	Special Appropriations Project
S&P	Standard and Poors
STB	Severance Tax Bond
STIP	Statewide Transportation Improvement Program
STO	State Treasurers Office
SWFGF	Solid Waste Facility Grant Fund
TEA-21	Transportation Equity Act for the 21st Century
TRAM	Transportation Accessibility Model
US EPA	United States Environmental Protection Agency
USDA RD	United States Department of Agriculture Rural Development
USDA RUS	United States Department of Agriculture Rural Utilities Service
US HUD	United States Department of Housing and Urban Development
WIIT	Water Infrastructure Investment Team
WITT	Water Infrastructure Technical Team
WTB	Water Trust Board
WWWGF	Water & Wastewater Grant Fund
WWWPGF	Water & Wastewater Planning Grant Fund

Mission ~ We are dedicated to improving the lives of New Mexicans by planning and financing infrastructure, strengthening the economy through public / private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.

NEW MEXICO
FINANCE**AUTHORITY**

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www.nmfa.net




Financing your future, believing in New Mexico.

NEW MEXICO
FINANCE**AUTHORITY**

2011 Strategic Plan & Operating Budget and Annual Report

Financing your future, believing in New Mexico.

Financing your future, believing in New Mexico

Table of Contents

I. Introduction

II. General Information

III. History

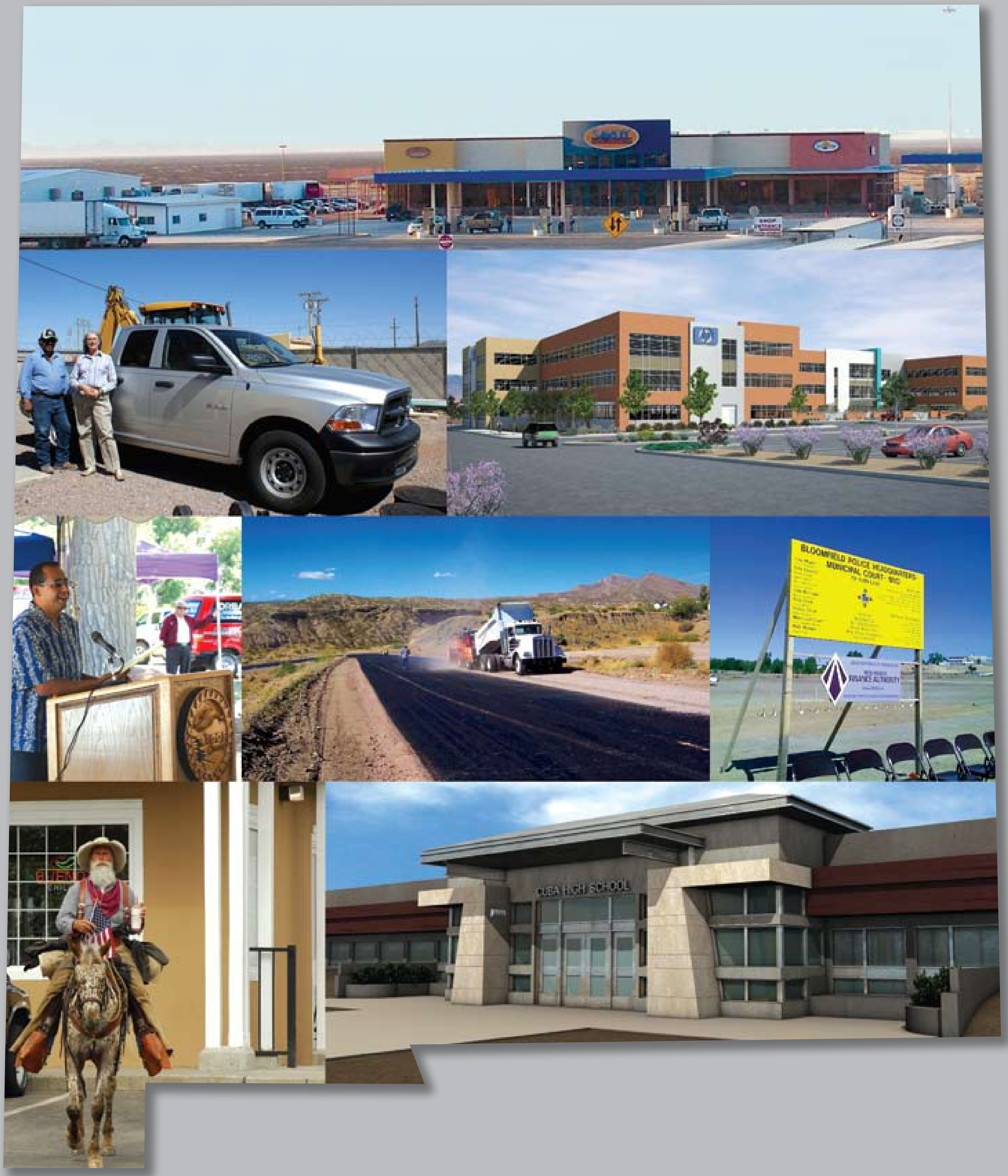
IV. Financial Management Policies

V. NMFA Programs and Target Numbers

VI. Total Operating Budget

VII. Five Year Projection

VIII. Audited Financial Statements


BLOOMFIELD POLICE HEADQUARTERS
CUBA HIGH SCHOOL

NEW MEXICO
FINANCE**AUTHORITY**

July 1, 2010

A message from the Chairman of the Board

The 2011 strategic plan, operating budget and 2010 annual report reflect the Authority's efforts and successes this past year. The report highlights the Authority's current projection of revenues and expenses for the next five years. It also reflects the Authority's continued move to an employee-based operation and strong commitments to provide innovative and solution-driven financing in serving the citizens of the state of New Mexico.

The Authority remains strongly committed to operating with the utmost integrity; open and direct communication is the hallmark of the Authority's culture, listening to and responding to investor and client concerns. The Legislative Oversight Committee provides valuable insight to the Board and the staff. The Legislators' dedication to the role we play in building the future of New Mexico is exemplary.

The importance of the Board, focus on policies and policy refinement creates a system that is complete. All loans are processed using consistent policies and criteria in conducting the financial analysis. Then we constructed a Committee vetting organization as a key step in performing our due diligence. Each project is then reviewed by a Credit Committee, and then assigned to a Standing Committee, then to the Finance & Loan Committee, then onto the Board of Directors for final action. This year I have directed the Chief Executive Officer and staff to report our Board meeting actions with reports to our Legislative Oversight Committee so they have a clear understanding of how the Authority operates. I am certain that the Governor and the Legislative Oversight Committee will have a clear understanding of the work we produce and the intense nature of our due diligence process.

We are a state of the art organization and will continue to provide financial services to our qualified entities. The Authority will become more important to all of New Mexico because of the lack of capital project money. Low cost project financing will be extremely important for our communities to complete projects that directly impact the health, safety and welfare of our state.

Since assuming the role of Chairman in January 2003, I have enjoyed the opportunity to interact more closely with the Authority employees at all levels. I am inspired by the energy, enthusiasm, and talent displayed by the employees who work at the Authority. I witness examples of their flawless planning and execution day after day. I look forward to serving New Mexico with the team we have in place. We take pride in serving the citizens of New Mexico.

Sincerely,

Stephen R. Flance
Chairman
New Mexico Finance Authority

NEW MEXICO FINANCE AUTHORITY

RESOLUTION APPROVING THE NEW MEXICO FINANCE AUTHORITY'S 2011 STRATEGIC PLAN AND OPERATING BUDGET, 2012 PRELIMINARY OPERATING BUDGET AND 2010 ANNUAL REPORT

WHEREAS, on June 11, 2010, the New Mexico Finance Authority (the Authority) held a study session to discuss the 2011 NMFA Strategic Plan and Operating Budget.

WHEREAS, the Authority desires to consider adopting and approving the 2011 NMFA Strategic Plan and Operating Budget.

WHEREAS, the Authority has determined it is in the best interest of the Authority to adopt and approve the 2011 NMFA Strategic Plan, Operating Budget and tentative 2012 Operating Budget.

NOW, THEREFORE BE IT RESOLVED BY THE MEMBERS AND BOARD OF DIRECTORS OF THE NEW MEXICO FINANCE AUTHORITY:

Section 1. That the 2011 NMFA Strategic Plan and Budget and the comprehensive plan from 2011-2015 be adopted with the provison that each year moving forward beginning with 2012 the budget will be brought back to the Board for review under the normal budget cycle that we follow in the agency.

Section 2. That the Chief Executive Officer of the Authority be and is hereby authorized to do all things necessary to implement the 2011 NMFA Strategic Plan and Operating Budget.

Section 3. This Resolution shall take effect immediately upon its adoption and approval.

PASSED AND APPROVED BY THE NEW MEXICO FINANCE AUTHORITY THIS 22nd DAY OF JUNE, 2010.

NEW MEXICO CORPORATE SEAL FINANCE AUTHORITY

Stephen R. Flance

Stephen R. Flance, Chairman

PREPARED FOR EXECUTION BY OFFICERS OF THE NEW MEXICO FINANCE AUTHORITY

ATTEST:

Ron Curry, Secretary

NEW MEXICO FINANCE AUTHORITY
General Counsel

By: Reynold E. Romero

Reynold E. Romero

A message from Bill Sisneros, CEO

Fiscal Year 2010 was a very productive year for the NMFA. With the challenges in the economy and the financial restraints that the state encountered, the Authority was able to utilize the strength of its management policies and efforts of its staff to continue to pursue and accomplish its mission of providing solution-driven financing. The Authority, through its 16 programs, provided financing to over 160 projects, totaling almost $300 million. This was accomplished while saving almost $600,000 in its revised operating budget.

We're optimistic that we are beginning to move out of the difficult times which have plagued the economy for the past 18 months. The document that is before you outlines the Authority's strategic plan for the next five years. It emphasizes the Authority's continued development and evolution of its platform, policies and programs. Over the next five years, the Authority will continue to communicate with our programs to clients and working partners statewide. We will develop marketing plans and continue outreach efforts to educate our clients on the wide range of financial assistance available from the Authority. We will continue to develop policies and internal processes that will safeguard the assets of the Authority as well as provide a foundation of sound fiscal integrity. The Authority will continue to maintain a strong working relationship with the Governor, the Legislature and the Oversight Committee as well as strengthen its collaborative efforts with sister agencies within the administration to effectively utilize all state resources.

Some of the highlights that the Authority expects to address over the next five years include: the implementation of the remaining $64 million in New Markets Tax Credit allocation, as well as securing a second allocation ($110 million); the implementation of a conduit bond program for the Statewide Economic Development Finance Act that will provide greater access to capital throughout the rural and underserved areas of the state; the creation of the Colonias Infrastructure program to ensure the availability of financial resources for infrastructure development for Colonia designated communities; a technical or economic refunding of GRIP to arrive at a lower interest at a fixed rate structure (est. $1.2 billion). The market was attractive in May 2010 and we are hopeful the conditions hold to allow the Authority to execute this transaction and remove the risks expected within the present structure; continued financial assistance statewide from the Authority's core programs which are expected to impact another 750 projects over the next five years, totaling almost $1.6 billion in financial assistance.

The Authority will strengthen and develop direct relationships with investment firms. Those relationships and communication strategies will further enhance the marketability of our bond sales. The combination of our Investor Relations Department with our underwriter relationships will expand and stabilize our sales efforts.

The addition of a Chief of Water Resources will assign proper importance and management of water funds available as well as advice to our communities.

Our WEB site development will move the Authority to quick public access to program activities, key personnel guide and program descriptions. The IT Department has now completed full digitization of all records/documents, and interacts with the Records Policies Department. This system is user friendly and will improve to include on-line application features for all of our clients.

Governor Richardson has requested that the Authority "Collaborate with tribes and explore possible mechanisms and procedures which would allow for greater tribal access to NMFA Loans, financial solutions and programs." The Authority must report a "solution" strategy by September 1, 2010.

The Water Trust Board staff is continuing to improve the application and review process for Water Trust Fund applications. Policies must be completed that allow for a streamlined process including a stronger Technical Review Team including OSE, NMED, the AG, and others as needed. This year we received over $200 million in requests and received about $30 million in revenue.

The ARRA Stimulus program came fast and furious and was complicated. We allocated $19.5 million and are reviewing the strengths and weaknesses with partner agencies and the EPA. We must address the weaknesses and evaluate the new and revised standards so we are prepared for a second round of Stimulus funds.

The new Build America Bonds (BABs) is a new product that provides tax credits to issuers. This product has great potential for bond issuers and will become a part of our portfolio to assist our qualified entities.

Disadvantaged funding and Cost of Issuance support continues to help lower income communities, especially in rural areas. We are capturing the information and will prepare reports illustrating what percentage of those funds is allocated to rural areas.

The Authority will continue to present our products to the rating agencies. The financial crisis resulted in federal regulators directing the agencies, e.g., Standard & Poor's and Moody's, to recalibrate the criteria they use in rating agencies. NMFA has received six (6) upgrades over the last five years. We are one step away from AAA and will continue to pursue a AAA because it could result in a 5 to 10 basis point savings for our clients. The Authority is recognized as part of "The Flight to Quality" issuer. Remember we were out of the Bond Insurance Market (insurance for the investor to purchase to make our bonds more attractive) before it collapsed. Because of our reputation and upgrades, buyers were comfortable buying our product without investor insurance, the result being a savings to 20 to 50 basis points on our issues. If we now add another, say six basis points, we save our entities money in this difficult economy. This is our mission, i.e., the lowest cost financing we can provide for our communities.

The Authority must intensify its surveillance of revenue to the state and local gross receipts tax. We will focus on surveillance testing, payment patterns and schedules, as well as develop comprehensive default policies that focus systems development process. A key element of that strategy is to develop an organization that integrates the Authority platform within our 5-year budget and allows department directors to manage day-to-day operations with identified objectives.

Our primary mission is to provide access to capital markets to borrowers who do not have access. Many of our borrowers (64%) are small communities who need our services to finance needed projects. Additionally we actively manage our loan and investment portfolio, yields and payments which resulted in six upgrades over the last six years. As I stated, we will continue to pursue an AAA rating in this financial environment in order to attract additional investors and reduce borrowing costs further. Our management policies and our management systems are designed to meet these goals and to achieve our objectives. We continue to be the best and constantly strive to ensure that "Better is in Constant Production" at the Authority.

The Authority impacts economic and revenue patterns in our state. Our financing creates jobs and opportunities for New Mexicans. We have significant fiduciary responsibilities and continue to monitor and analyze this volatile market in order to provide advice to our Board and Oversight Committee.

In light of financial reform discussions (including recalibration by rating agencies) and speculation about what the future holds, we must better define our strategy. First, a strong and competent internal staff, a strong Board of Directors who focus on policies and systems, building a strong investor outreach program, moving toward competitive, as well as negotiated bond sales, better utilization of our financial advisors, increased communications format with the NMFA Oversight Committee, testing of our surveillance program, and a commitment to conduct debt capacity assessment for our borrowers and be advocates for them.

In my opinion we are looking at about 24 months before the economic cycle starts to improve in New Mexico. The Authority is prepared to manage the turbulent and speculative environment we are experiencing.

I continue to be honored to lead this organization for Chairman Flance and the Authority Board of Directors. This Board is very committed and involved in building a strong and effective Authority. They are committed to developing policies that serve our state and dedicate many hours of their time and expertise the Authority. The Authority has, and will continue to be, dedicated to its mission statement of *Believing in New Mexico.*

Platform: "Defining our future"

NMFA CLIENT FOCUS STRATEGY

a) Build customer service database
b) Provide friendly, courteous, professional service
c) Project and analyze clients' capital needs
d) Assist and educate clients in matching programs to their communities
e) Communicate programs to clients statewide
f) Build long-term relationships with DFA and local government division
g) Provide affordable financing alternatives for clients
h) Conduct debt capacity analysis
i) Analyze refinancing opportunities for clients

OPERATIONS MANAGEMENT EVOLUTION

a) Develop marketing plan
b) Communicate programs to clients statewide
c) Continue to emphasize management and leadership
d) Conduct functional Analysis and intensive review of operations
e) Implement internal audit program
f) Assure policies and systems are current and adequate
g) Assure orderly flow of information and activity to committees, Board, Oversight Committee and Governor
h) Assure systems continue to provide accurate, efficient and complete information
i) Maintain a knowledgeable and capable staff
   - Cross train (2-deep strategy)
   - Staff meets current and future operations
   - Staff to meet new program commitments and direction
   - Continue to provide cost effective information and telecommunication systems
   - Conduct internal/external salary survey
   - Create a wellness program
   - Develop procedure manuals for Departments
j) Improve communication and presentation skills
k) Develop employee orientation program
l) Develop continuing training program
m) Meet the State's need for new programs
   - Conduit bonds for economic development
   - Loan guarantees
   - State facility capital planning
   - Energy retrofitting
n) Implement improved financial reporting
   - Completion of a revised Accounting Manual
   - Enhance accounting reporting systems
o) Enhance E- business infrastructure

MANAGE MARKET VOLATILITY

a) Issue more frequent cost-effective bond issues
b) Manage market rate risk
   - Issue market rate bonds (over $5M)
   - Tie loan closings more closely to bond issues
   - Mitigate interest rate risk
   - Set weekly interest rates
   - Consider Reset Provision if excessive market fluctuation exists
c) Monitor daily investment interest rate
d) Issue competitive bond sales
e) Sell bonds on a flexible schedule
f) Develop investor relations program and strategy

PORTFOLIO STRATEGY FOR LOANS & INVESTMENTS

a) Regularly review and refine loan and investment policy
b) Evaluate financing options
   - Security
   - Risk analysis
c) Evaluate commercial paper
d) Monitor daily investments
e) Evaluate consultant performance
f) Improve cash flow forecasting
g) Continue to refine rating agency strategy

SAFEGUARDS: Preserving the Integrity of the Public Project Revolving Fund

a) Regularly review debt management policies
b) Continue to monitor loan portfolio
c) Assure loan project compliance
d) Continue to strengthen internal controls

e) Assure and test internal control periodically
f) Monitor leverage debt/equity ratio
g) Implement Common Debt Reserve Policy
h) Ensure proper risk mitigation for loan programs
i) Evaluate PPRF program with focus on market suitability and risk analysis
j) Evaluate public improvement/tax increment financing
k) Surveillance
l) Default Policies
m) Payment Distress Strategy

EXECUTIVE/LEGISLATIVE INTERACTION MANAGEMENT

a) Provide strong governance support
    * Governor
    * Legislature
    * Oversight Committee
b) Develop and maintain external relationships with state offices and entities (i.e. office of the Governor, Legislature, Attorney General, county and municipal governments)
c) Implement Legislative Initiatives
d) Support economic development initiatives
e) Provide professional support for statewide activities

NMFA collaboration and advice to:

- Board of Directors
- Finance and Loan Committee
- Investment Committee
- Audit Committee
- Contracts Committee
- Ad Hoc Policy Committee
- Economic Development Committee
- Credit Committee
    - Enhance lending practices
- Finance New Mexico, LLC Advisory Board

NMFA/NMDOT

- DOT Debt Management Committee
- NM State Transportation Commission

Governor and Legislature

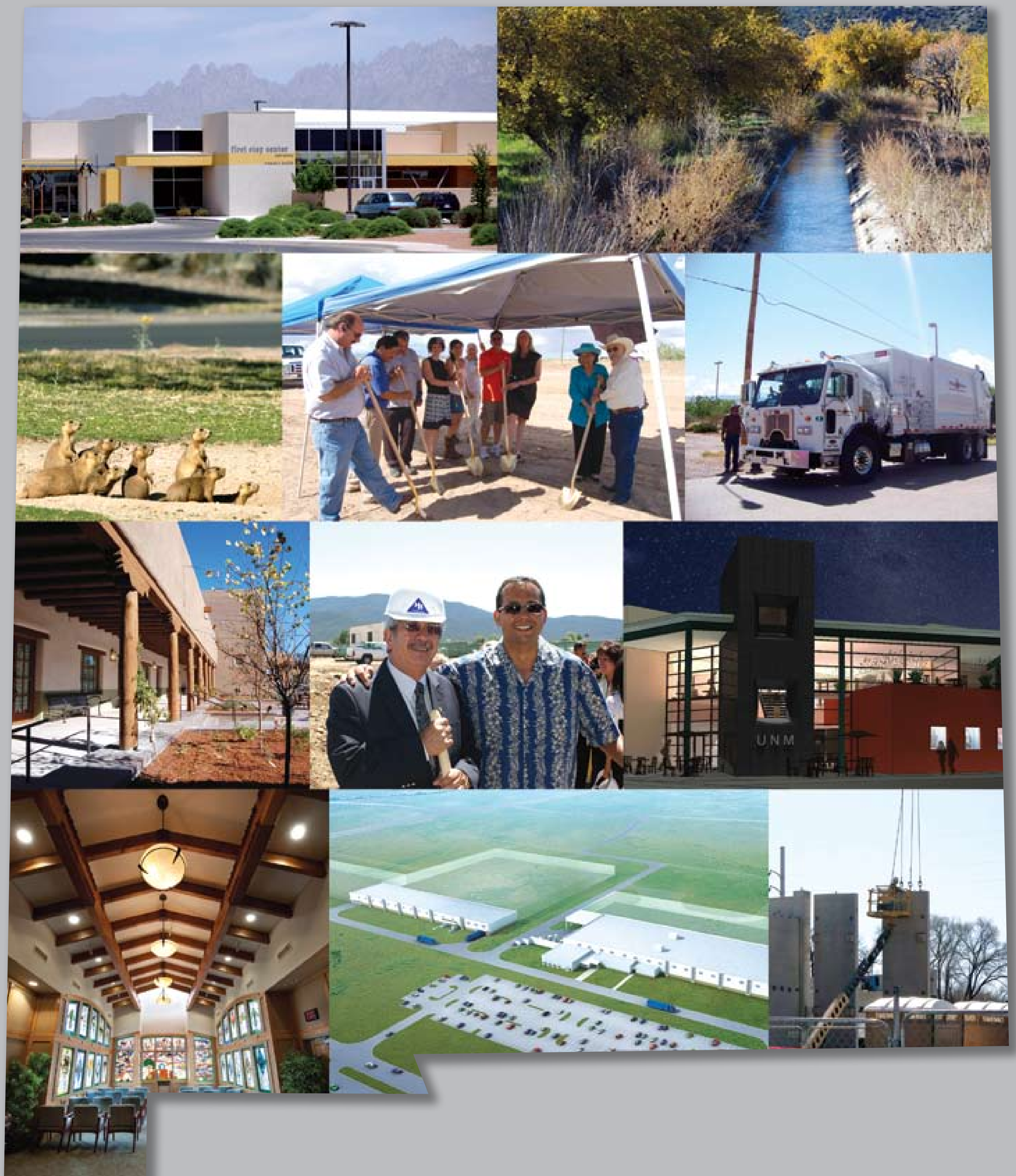
- NMFA Oversight Committee
    - NMFA Oversight communications and briefing plan
- Governor's Finance Council
- Governor's Infrastructure Finance Team
- Legislative Finance Committee
- NM Legislative Committees
- Economic Development Team
- Water Trust Board
- Drought Task Force
- Tribal Infrastructure Board
- Water Cabinet
- Capitol Buildings Planning Commission
- Colonias Infrastructure Board

NMFA POLICIES & PRACTICES

a) Strengthen commitment to vision and mission statements
b) Stress cultural values throughout the organization
c) Maintain client focus and support
d) Continue to improve policy based organization
    - Identify policies
    - Develop policies for new programs
    - Analyze need for new policies
    - Assure policies meet legislative intent
    - Review and clarify policy with Board
    - Adopt new Board policies when needed
e) Assess Public/Private Partnerships Program (SWEDFA, SMART MONEY, NEW MARKETS TAX CREDIT)
f) Evaluate program performance

OFFICE OF THE GENERAL COUNSEL

a) Review actions, policies, objectives and legislative initiatives; provide legal advice to the CEO, Board and Water Trust Board
b) Coordinate legal firms and consultant services for the Authority
c) Analyze cost-effectiveness of replacing contract legal services with in-house staff
d) Continue to develop procedures and standard forms for the Authority agreements
e) Conduct intensive legal review and coordination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Board Members

William Fulginiti, Vice-Chairman
Executive Director
New Mexico Municipal League

Craig Reeves, Treasurer
President
First National Bank of New Mexico

Ron Curry, Secretary
Cabinet Secretary
New Mexico Environment Department

Paul Gutierrez
Executive Director
New Mexico Association of Counties

Lonnie Marquez
VP for Administration & Finance
NM Institute of Mining & Technology

Steven Moise
State Investment Officer
State Investment Council

Jon Goldstein
Secretary
New Mexico Energy, Minerals & Natural Resources

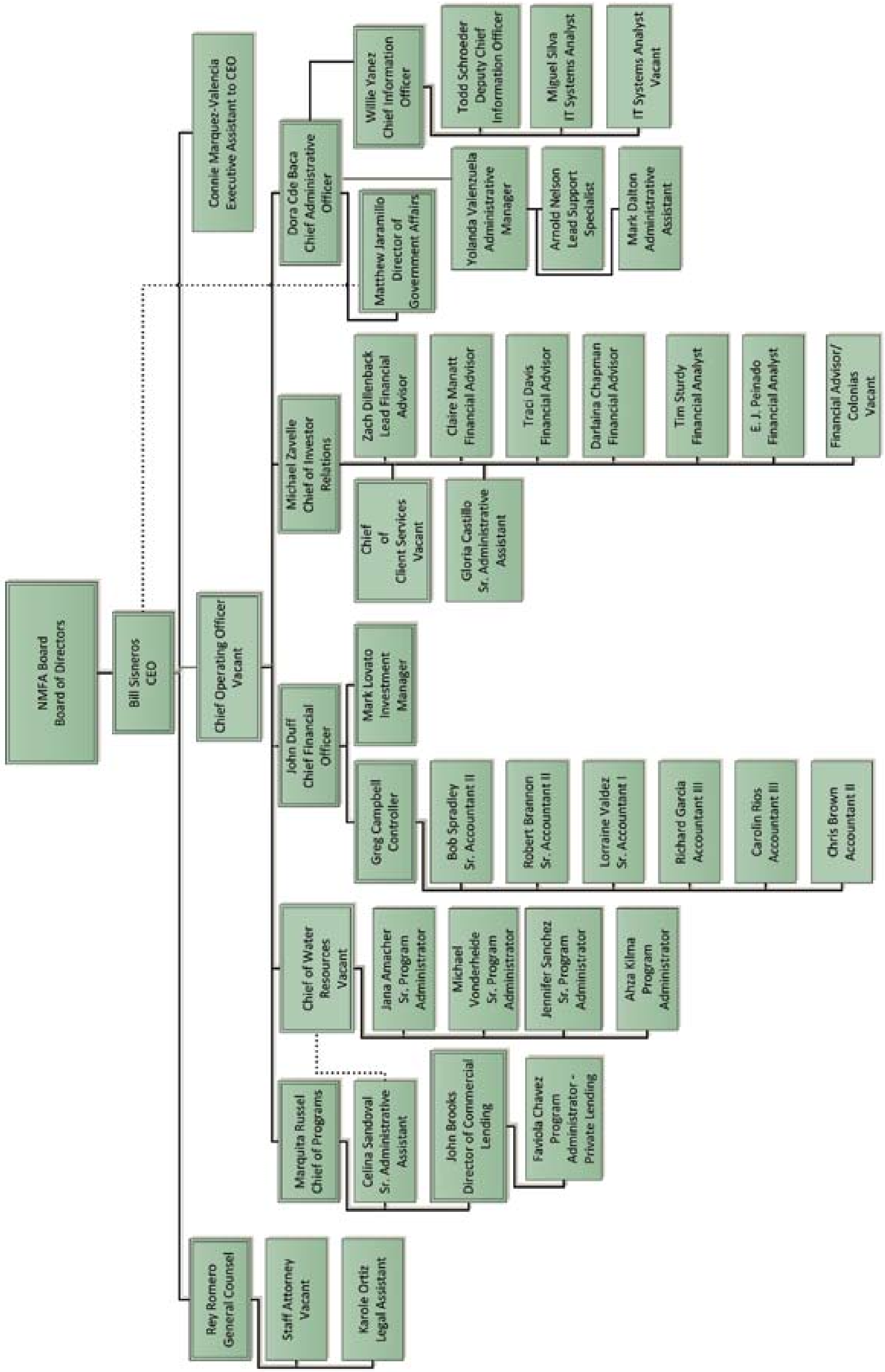
Rhonda Faught
Principal
R. Faught & Associates, LLC

Katherine Miller
Secretary
Department of Finance & Administration

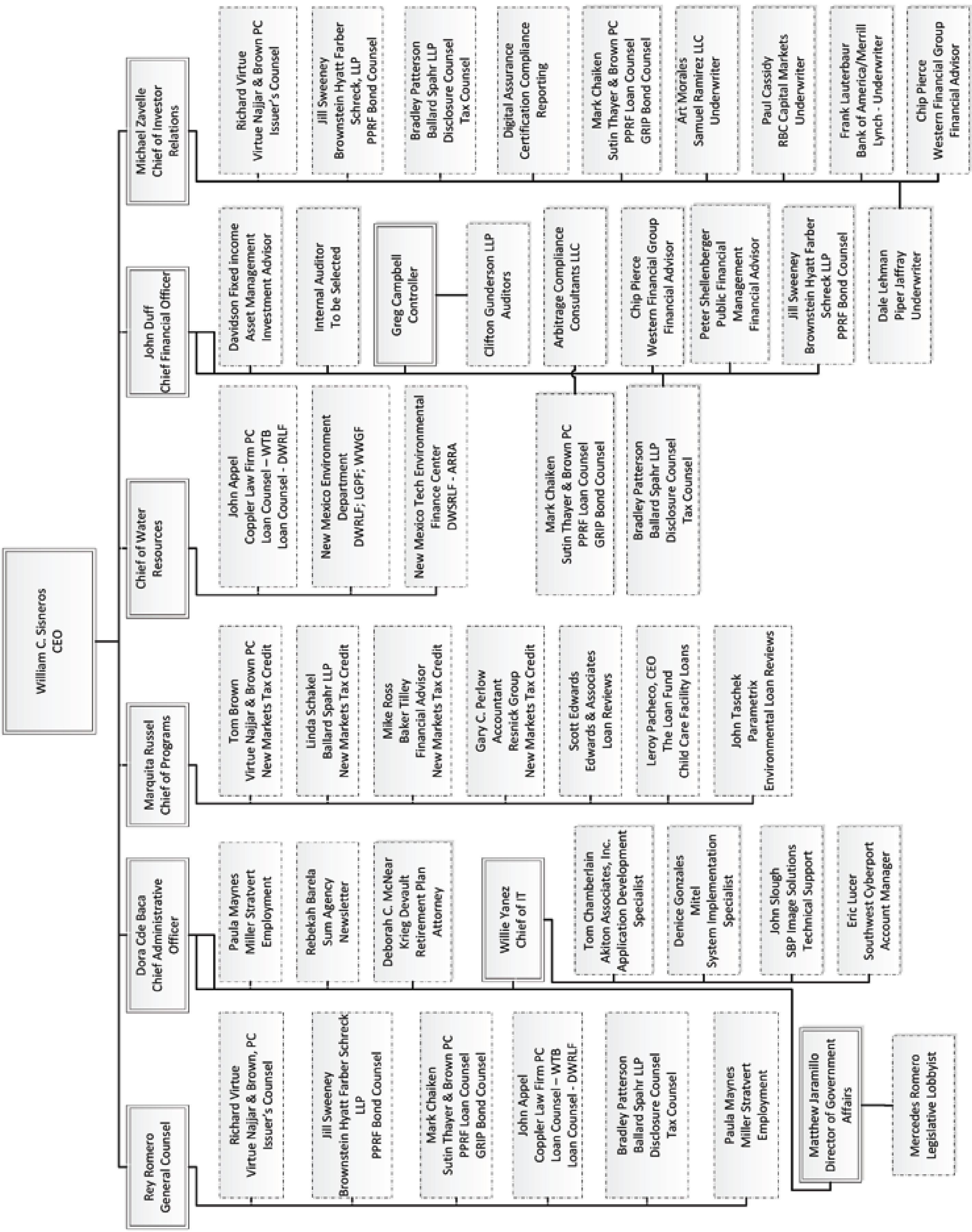
Fred Mondragon
Secretary
New Mexico Economic Development Department

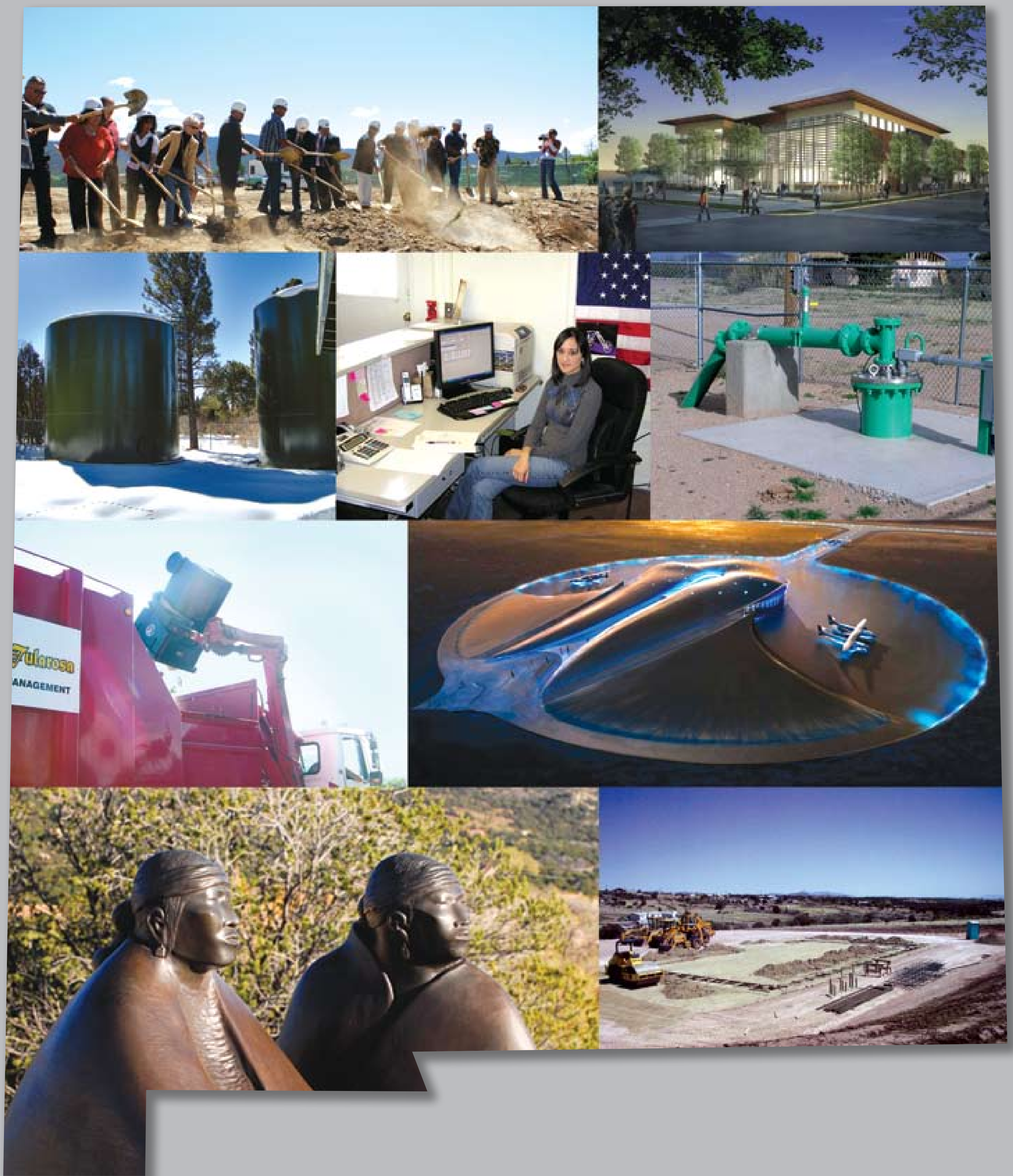
Daniel P. Silva
Restaurateur
Amici

Organization Chart



Consultants

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ANAGEMENT

New Mexico Finance Authority Evolution

History

The New Mexico Finance Authority (the Authority) was created with passage of the New Mexico Finance Authority Act in 1992 (Chapter 6, Article 21, NMSA 1978). The Authority assists qualified entities with affordable financing for capital equipment and infrastructure projects by providing low-cost funds and technical assistance. The Authority is a state instrumentality governed by a Board of Directors consisting of twelve members, ten of whom are appointed by the Governor. The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state. The Legislative Oversight Committee is empowered to monitor and oversee its operations.

The Authority has grown steadily since its inception and has positioned itself well within a growth environment. The Authority's formation in 1992 brought about new service to the state with the ability to manage capital expenditures and provide a mechanism for smaller governments to gain access to capital project funds. The Authority's strength is in providing low-interest, low-cost, flexible, and creative loan structuring with a long term objective of decreasing project closing turnaround time and increasing cost savings for borrowers.

Through the Public Project Revolving Fund, the Authority assists in lowering overall cost of borrowing by reducing fees that typically burden the borrower. Benefits include a 1.5% processing fee capped at $75,000 on any loan, "cost of issuance" assistance up to $200,000 per fiscal year, and up to $200,000 in reduced interest rates for communities meeting low income criteria.

The Authority also assists qualified governmental entities in the financing of capital equipment and infrastructure projects at any stage of completion, from pre-planning through construction, by providing low-cost funds and technical assistance through its five main financing sources: Public Project Revolving Loan Fund; Drinking Water Revolving Loan Fund; Primary Care Capital Fund; State Buildings and Automation and Water and Wastewater Grant Fund.

The Water Project Fund (created in 2001) is also administered by the Authority and the Authority provides staff support to the Water Trust Board which oversees this fund.

Mission

We are dedicated to improving the lives of New Mexicans by planning and financing infrastructure, strengthening the economy through public/private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.

Mission Fulfillment

Serving the citizens of New Mexico is the mission of the Authority. The Authority must continue to focus on the needs of the smaller communities that have limited access to the financial markets. Providing communities with low-cost financing is the foundation of the Authority. The Authority helps with their financing needs, but also helps plan for the future to develop and improve their fiscal viability. The Authority has a cadre of finance professionals to help them achieve their capital needs. The Authority has other resources through the various offices of the state to bring a coordinated effort in planning for the future.

In reaching out to serve its clients the Authority has been highly successful in meeting the needs of the smaller communities of the state. The Authority now has a sufficient capital base to also serve the larger communities in New Mexico. One of the newly initiated systems is tracking and projecting the leverage ratio of the Public Project Revolving Fund. This budget includes a new policy guiding the leverage of the Public Project Revolving Fund. The steady infusion of governmental gross receipts into that fund indicates the Authority can increase its outstanding loans by over $200 million per year. This is in addition to the re-issuance of loans paid off in any given year.

Vision

Financing your future, believing in New Mexico.

Vision Fulfillment

The Authority's shared vision of "Financing your future, believing in New Mexico" is dependent on its ability to operate in this manner. As the Authority faces challenges of the future, the Authority must continue to focus its efforts in keeping its ideals and structure in place. The platform identifies the effort the Authority must undertake to keep it reliant on its founding philosophy. By doing so, the Authority will serve New Mexico to its full potential.

Values

To the Authority, values represent the core priorities in its culture. The values of the Authority are: customer orientation; discipline; great place to work; initiative; quality; and results orientation. The Authority goes the distance to find the right solution to facilitate its clients' needs and is always looking at constant improvement of its operations.

Operations Management

Organizations grow and improve by taking a series of positive steps to build success. Developing management systems is a journey comprised of making steady progress toward a goal. The Authority has become an economic engine for New Mexico. In fulfilling this role the Authority must exercise constant vigilance. The viability of its commitments to its clients, changing circumstances in the market and the evolution of the programs being administered, demand that the Authority respond in a thorough and well planned manner. The Authority strives to be the best at what it does which demands a level of evaluation and aggressive analysis of how to perform better.

The platform was developed in 2005 to define the Authority's future and provide guidance and direction to the Board and staff on improving performance, ability and capacity to serve the citizens of New Mexico. Building for the future means never being satisfied with the status quo. The Authority must continually improve to realize its full potential.

Employee Based Operation

One of the most dramatic transitions at the Authority was building internal staff capability and using consultants in a more strategic role. During the past years, key hiring, training and education decisions have been made, creating staff capacity to manage:

- investments
- computer systems
- financial information systems
- market monitoring
- bond issuance
- attorney utilization
- policy development

In addition to being more effective by directly managing these operations, bringing these functions in-house has allowed the Authority to contain costs. Providing the current level of services with outside consultants would be far more costly.

The Authority is a learning organization. The Authority provides employees the opportunity and resources to grow and take on additional challenges. The Authority can take pride in its development. In addition to the capital infrastructure the Authority has built with its programs, the Authority is also building the human infrastructure capable of meeting the financial management needs of New Mexico.

Fiscal Integrity

The investment made by the Authority in policy, systems and personnel creates responsive and efficient financial management. This fact is borne out not only by our clients, but also staff and those we interface with in conducting the business of the Authority and the State. It has also been recognized by the rating agencies who have given the Authority six upgrades over the past six years. In granting these upgrades the rating agencies regularly cite the active involvement of the Board, the reliance on policy, the underlying systems and the strong management of the organization.

The enhancements to the systems have occurred even though the Authority has been growing at a rapid pace. The workload at the Authority has increased by over:

- 400% in Total Assets
- 500% in Cash and Cash Equivalents
- 300% in Bonds Payable
- 400% in Loans Outstanding

These increases have been absorbed by the staff while the Authority has increased the ratio of assets managed per employee by over 225%.

At the same time the Authority continues to obtain clean audit opinions from its external auditors.

The personal commitment to excellence by the members of the Board is validated by this record. The investment by the Board in systems and personnel has been validated by the staff's performance. The Authority can pause for a brief moment and reflect on its accomplishments.

The Authority has become the type of financial engine New Mexico needs for the future.

Policies and Practices

The Authority is a policy driven organization. It is also an organization that is built on rigorous practices. It would be impossible to effectively and efficiently administer the number and complexity of its programs without these two elements in place.

Having sound policies and practices is a building block of the Authority. Every program entrusted to the Authority is managed through rules and policies adopted by the Board with the full involvement of the Authority Oversight Committee. The transition of the Board from a transaction-orientated to a policy making body has provided a solid base to the staff. Having this foundation in place has allowed the staff to actively promote these programs to their respective constituencies.

The financial policies guiding the staff on how to finance and approach the implementation of new programs have resulted in the successful initiation of ten new programs over the past five years. Several of these programs were languishing without direction prior to the Board's policy guidance.

When the concept of a policy driven organization was first presented years ago, it was received with little enthusiasm. Now that the Board has fully embraced the policy culture it is hard to fathom how the Authority could function without it.

Board Committees

The Authority Board committees do much of the hard work of the organization. The less formal structure of a committee format allows the members to discuss and deliberate policies, issues and transactions in direct contact with staff. Over the past years, the committees have established regular meeting cycles that correspond to the Board meeting. The active participation of the committee members and staff provides an opportunity to discuss options and concerns and present a thoroughly vetted recommendation to the Board.

Utilizing the committee structure to provide guidance and policy direction provides essential information and documentation to support Board decisions. The Board member chairing each committee is prepared to discuss issues at length. The committee structure provides thorough Board governance to the Authority.

Executive/Legislative Interaction Management

The Authority's record of performance has brought a steady stream of new programs to manage. The Authority's interaction with the Governor, Legislature and the Oversight Committee has enabled it to engage in the planning and administration of every program entrusted to it. In establishing new programs and modifying existing programs the Oversight Committee has been especially constructive. By meeting with the committee on a regular basis the Authority is able to engage them in policy development, report on the Authority's performance and discuss difficulties encountered in each program under their jurisdiction.

The Statewide Economic Development Finance Act authorized issuance of conduit bonds which is critical for those communities throughout the state that do not have the capability of issuing conduit bonds. In addition, the federal stimulus program has added opportunities for the use of conduit bonds. The budget provides the resources to fully implement the conduit bond program for the Authority.

In addition, the Authority's close cooperation with sister agencies in the administration of many of these programs has provided an effective utilization of state resources. The Authority can rely on the skills of sister agencies rather than duplicating those skills within the Authority.

Market Volatility

The Authority has learned from the financial meltdown over the past two years that it must be self-reliant and cannot depend on the financial markets to function as they have in the past. Underwriting firms, insurance companies, investment firms and rating agencies have failed to perform properly. Their practices, often motivated by current financial gains, are highly suspect. The track record speaks for itself.

The market of the future will require the Authority to communicate directly with the individuals and organizations that invest in its bonds. It will also require the Authority to monitor the market and viability of the financial institutions it does business with. The Authority by the nature of its business lends, borrows and invests a considerable amount of funds. The Authority can take pride in its performance during these trying financial times but must also learn from experience in order to perform at a higher level in the future.

The platform stresses a new direction for the Authority which can be achieved by realigning duties within the organization. The Authority will identify current and potential investors. The Authority will present its financial credibility and keep the investors informed on a regular basis. In this manner, the Authority will be reaching beyond the underwriters and ratings agencies to tell its story. Through this effort the Authority will be reducing its dependence on underwriters while defining its future.

Portfolio Strategy for Loans and Investments

In these difficult financial times it is vital for the Authority to monitor, guide and analyze market conditions and their effect on investments and loans. The Authority has the systems, personnel and contractors in place to perform these critical functions. The performance during the financial crisis should be a source of pride to everyone associated with the Authority. The Authority will weather the current financial storm and emerge stronger and more resilient as the economy recovers.

Meeting the uncertainties of the present and the future will require vigilance. The platform identifies key steps the Authority will take to assure it avoids pitfalls it may encounter. If uncertainties arise, the measures identified will allow the Authority to respond quickly and minimize their impact.

Managing the portfolio of loans and investments for the Authority is an essential indicator of its competency and understanding of the financial markets. Having an unblemished record of underlying loan payments is one of the main reasons for a series of rating upgrades. The conservative loan policy of the Authority has allowed it to offer loans to many borrowers who may not have access to the financial markets. Providing this service to New Mexico communities is the Authority's mission and the reason for its existence. However, providing credit to less financially sound communities is a challenge addressed by the Authority with strong policy and management systems. Even though the Authority has enjoyed a substantial record of success, the Authority will strive to become the best by continuing its pursuit of a AAA rating.

Critical Success Factors

New Markets Tax Credits (NMTC)

In 2006, the Authority formed Finance New Mexico, LLC ("Finance New Mexico"), a qualified Community Development Entity and in 2007, Finance New Mexico was awarded an allocation of $110 million in tax credits which enables Finance New Mexico to generate capital that is loaned directly to qualified businesses in low income areas.

Highly subsidized loans of up to 25% of project costs are available at a low interest rate. These loans are combined with other sources of funding secured by the applicant and managed by Finance New Mexico.

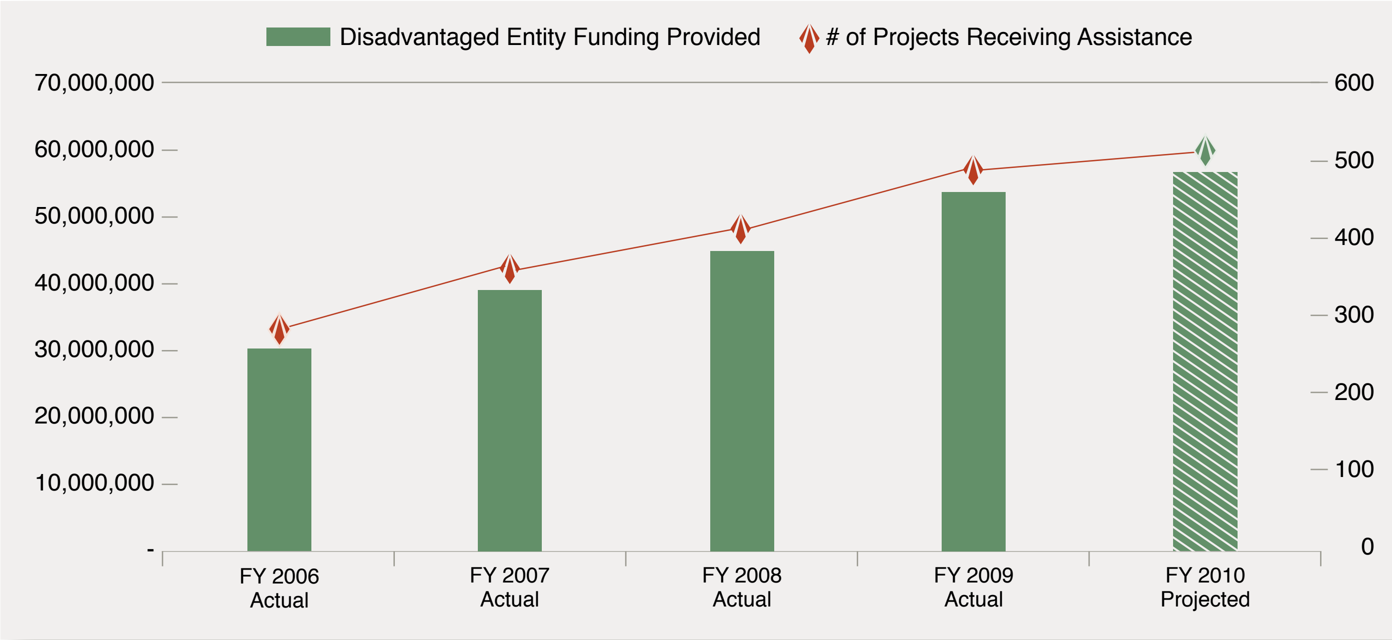
The Authority operates the program on behalf of Finance New Mexico under the guidance of its adopted Program Policies and Procedures, Economic Impact Policies and Lending and Credit Policies. The program was established primarily to provide greater access to financing new, expanding or relocating businesses in underserved areas across the country. Finance New Mexico and the Authority are targeting the use of allocation of tax credit incentives to add to existing statewide economic development initiatives.

Disadvantaged Entity Funding & Cost of Issuance

Due to low-income populations in many areas of the state, a large number of entities have very limited resources to secure funding. To help, the Authority offers loans below market rates to make it possible for qualified entities to provide governmental services for public health, safety or welfare of their communities. The PPRF permits the Authority to lower the cost of borrowing for entities with median household incomes (MHI) of less than 90% of the State's MHI.

The Authority offers zero percent interest rates to borrowers whose MHIs are less than 75% and 3% interest rates to borrowers whose MHIs are between 75% and 90% of the MHI. These 0-3% loan rates are considered "disadvantaged entity funding." PPRF rates are limited to the first $75,000 for equipment loans and $200,000 for infrastructure loans, with no single entity receiving more than $200,000 in total disadvantaged entity funding per fiscal year. Funds needed in excess of these caps are made available at the Authority's AA+ rated municipal market interest rates. In addition to disadvantaged financial assistance, the PPRF permits the Authority to pay up to $200,000 of cost of issuance assistance per entity per fiscal year. The Authority is more competitive than traditional lenders by carrying these costs and allowing borrowers to dedicate more dollars to their projects.

The graph below depicts the growing amount of funding provided through the disadvantaged entity assistance program. Through the end of fiscal year 2010, the Authority will have provided $57.6 million in disadvantaged entity assistance to more than 500 projects financed through the PPRF. The majority of this assistance has occurred over the past five years in which total assistance of more than $33.7 million was provided to 265 projects. Over half of the projects financed through the PPRF program have received some form of disadvantaged entity funding assistance.



Another benefit offered through the PPRF program takes the form of costs of issuance assistance which include the costs to cover legal fees incurred in closing a loan as well as costs to bring the loan transaction to the market. Current policy allows for the Authority to provide costs of issuance assistance on a sliding scale based upon transaction size. To date, the Authority has provided almost $13 million in costs of issuance assistance to over 715 projects funded by the PPRF program. Much of this assistance has occurred over the past 5 years in which costs of issuance assistance has been provided to over 300 projects, with assistance totaling more than $7.8 million.

Strengthening Borrower Relationships

One of the goals of the Authority is to strengthen relationships with borrowers and potential borrowers to reinforce commitment to the state and local governments. The Authority works with "program partners" such as the Council of Governments, the New Mexico Municipal League and Association of Counties.

The Authority refers to "program partners" because these are long-term relationships that far exceed a basic loan agreement. The Authority has a wide variety of loan programs or 'tools' for communities to take advantage of and the Authority's job is to spend as much time as necessary to match appropriate programs to communities' needs. Authority programs provide low or no-cost financing that may not otherwise be available.

Build America Bonds

Build America Bonds enables municipalities and other tax-exempt borrowers to issue taxable bonds. The federal government subsidizes 35% of the interest costs by making direct tax refund payments to the bond issuer (i.e., the borrower). These bonds can be a great opportunity for Authority clients.

Build America Bonds were introduced as part of the federal stimulus program to expand the market for state and local government bonds; they must be issued for new projects (not to refinance past endeavors); have been well accepted into the financing market; borrowers using the bonds create meaningful savings by cutting net annual debt service payments by 2.5% - 5% and act like other taxable bonds without additional burden on the borrower.

Investors who may have only invested in taxable bonds in the past and who have not invested in municipal issues, now have an avenue to purchase municipal bonds at taxable rates to diversify their portfolios. New investors are thereby introduced to the municipal market, helping both investors and municipal issuers.

Build America Bonds are a federally subsidized alternative for state and local governments seeking to minimize financing costs for public capital projects.

Stimulus Funds

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 ("ARRA") which provides a special $19.5 million capitalization grant to the Drinking Water State Revolving Fund. This program requires that in addition to making below-market rate loans, capitalization grant recipients must deliver at least 50% of funds as "additional subsidization" which is defined as grants, negative interest rate loans, or loans with principal forgiveness. Currently, the only form of additional subsidy allowed under the program is principal forgiveness.

In 2009, the Authority received Stimulus funds to administer under the Drinking Water program. The requirements of these funds have considerable reporting requirements. The Authority has established the rules, policies and recipients for these funds with existing personnel. The ongoing administration of the program will need to be filled with additional resources.

The program jointly administered through the New Mexico Environment Department and the Authority, has the following objectives:

- Preserve and create jobs and promote economic recovery
- Assist those most impacted by the recession
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits
- Stabilize State and local government budgets, in order to minimize and avoid reductions in essential services

The Authority received an award of Stimulus funds in the amount of $19,500,000. The Authority funded 16 projects; nine of which were targeted to projects that focused on water conservation and energy efficiency.

New Mexico Department of Transportation Refinancing Transactions

Market conditions have created the opportunity for lower interest costs and elimination of certain risks in the Department of Transportation's debt structure managed by the Authority.

The first planned transaction is a refinancing of various Department of Transportation debt in the Closed Senior Subordinate Lien series 2002 A, 2002 C, and 2002 D, as well as Senior Lien 2004 A and 2006 A. The refinancing is an economic refunding which requires a 3% net present value savings or more. The refunding could provide as much as $50 million in savings.

The second planned transaction would be to replace $420 million in variable-rate debt and attached Swap structure with fixed rate debt. This transaction will include a payment to Swap providers to terminate Swap contracts. By eliminating the Swap structure and the variable rate debt, the Authority/Department of Transportation will eliminate a variety of market risks. The goal of this technical financing is to eliminate certain risks related to the variable rate bonds.

The third transaction is a fixed-rate bond issue to retire a line of credit. The line of credit was obtained as a cost-effective short term financing mechanism which allowed NMDOT to issue contracts for construction projects. The line of credit was planned to be replaced with a long-term, fixed-rate bond issue in two years. This interim financing provided low cost interest during the construction period. The line of credit served the purpose of minimizing interest expenses rather than paying for long term debt at the time.

Disaster Recovery Plan

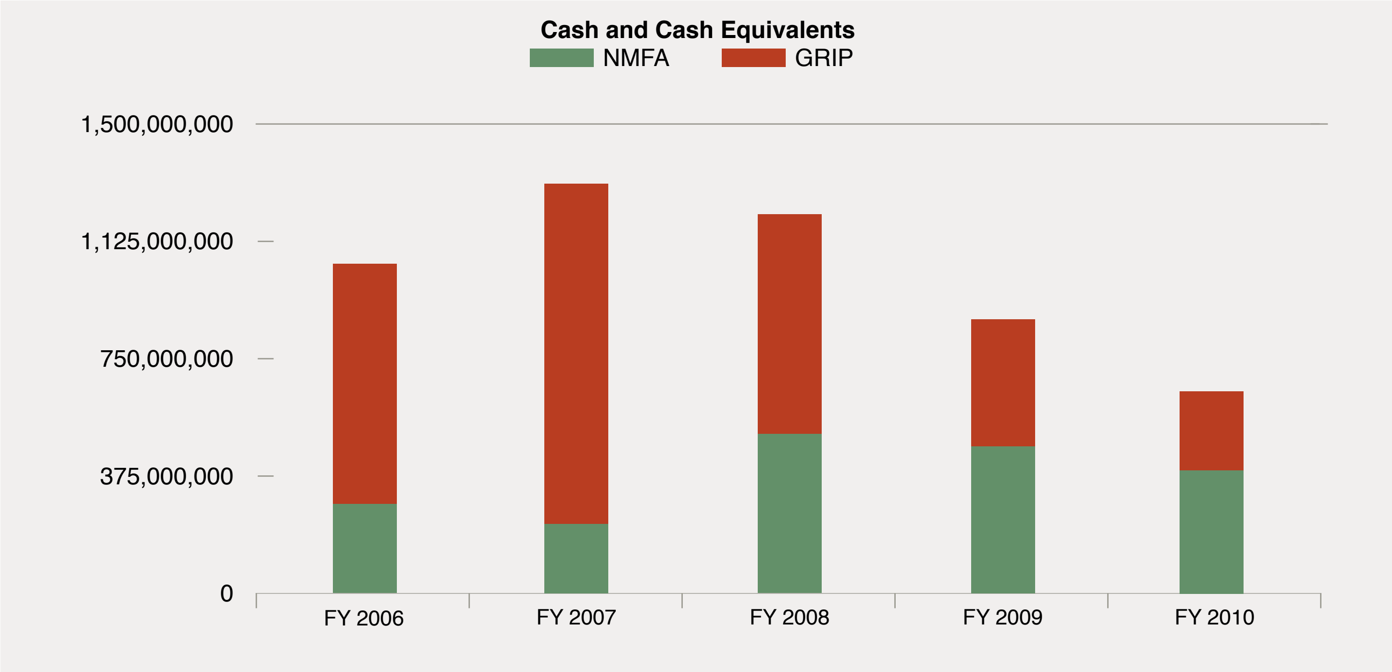
As a safeguard, the Authority implemented a Business Continuity System Plan. The plan ensures that in the event of any type of foreseeable or unforeseeable circumstance, the Authority can continue operations with minimal interruption to meet the Authority's mission of securing its hardware and software. This comprehensive plan includes alternate business locations, redundant information and telecommunication systems.

Financial Activity - Past Five Years

Cash and Cash Equivalents

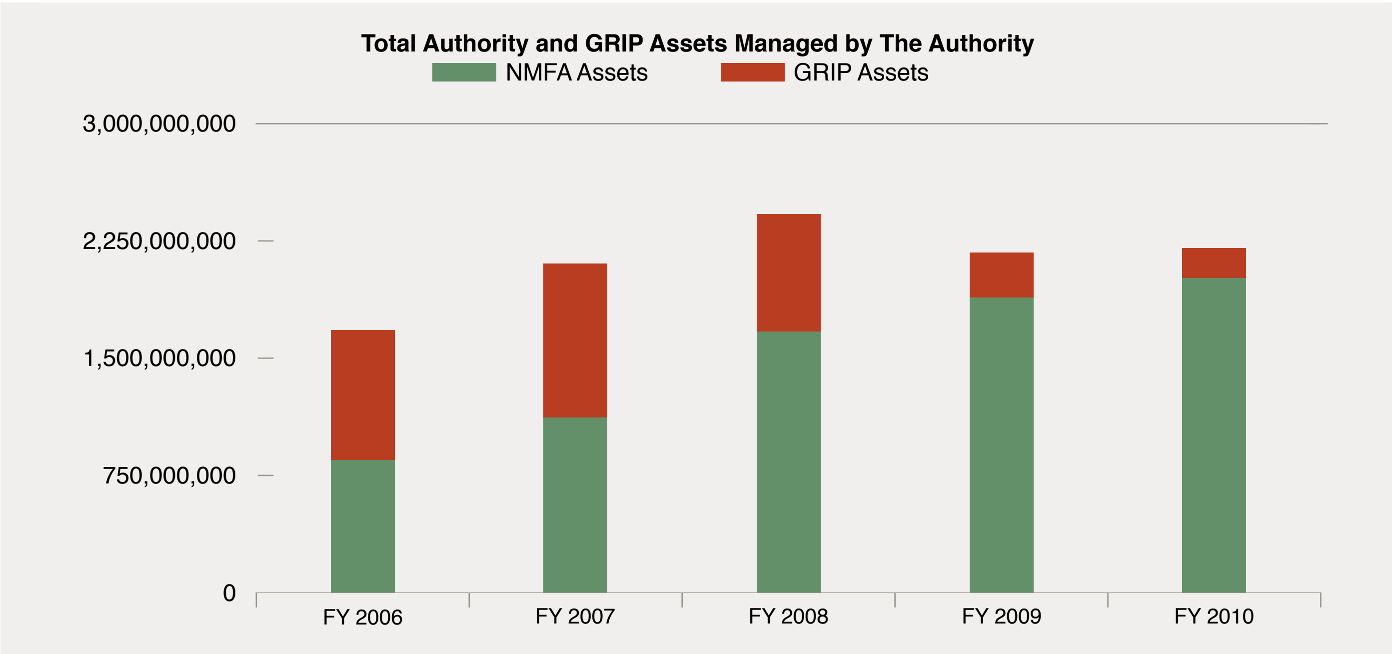
At any point in time, the Authority holds cash received from such sources as bond proceeds, loan repayments, administrative fees, federal grant revenues, amounts appropriated by the state legislature, and interest income received on investments. In 2004, the Authority's issuance of bonds on behalf of the NMDOT for GRIP significantly increased the Authority's cash management responsibilities.

The Authority manages its cash in accordance with an Investment Policy Statement approved by its Board. The Statement establishes safety, liquidity, and return, in that order, as the objectives of the Authority's investment program. Funds are invested, pursuant to policy, in diversified instruments that may include U.S. Treasury and agency securities, repurchase agreements, certificates of deposit, money market mutual funds, and the State Treasurer's Local Government Investment Pool. In addition to policies established by the Authority's Board, the Authority's investments must comply with statutes that set standards for permissible investment of public funds.

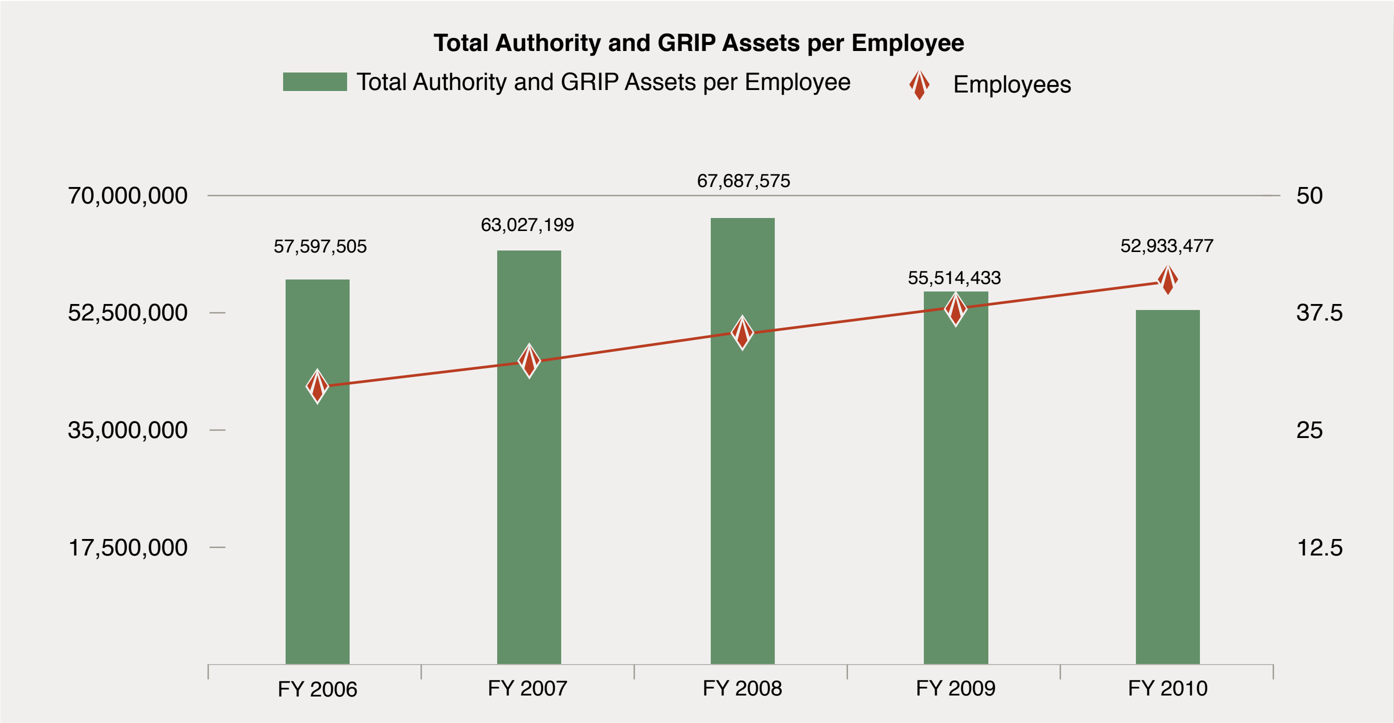


Total Assets

The total assets managed by the Authority are comprised of both the Authority's own assets and assets managed by the Authority on behalf of the NMDOT as part of the GRIP program. A significant portion of the Authority's assets are loans receivable and cash related to outstanding bond issues which have grown significantly over the past 5 years.

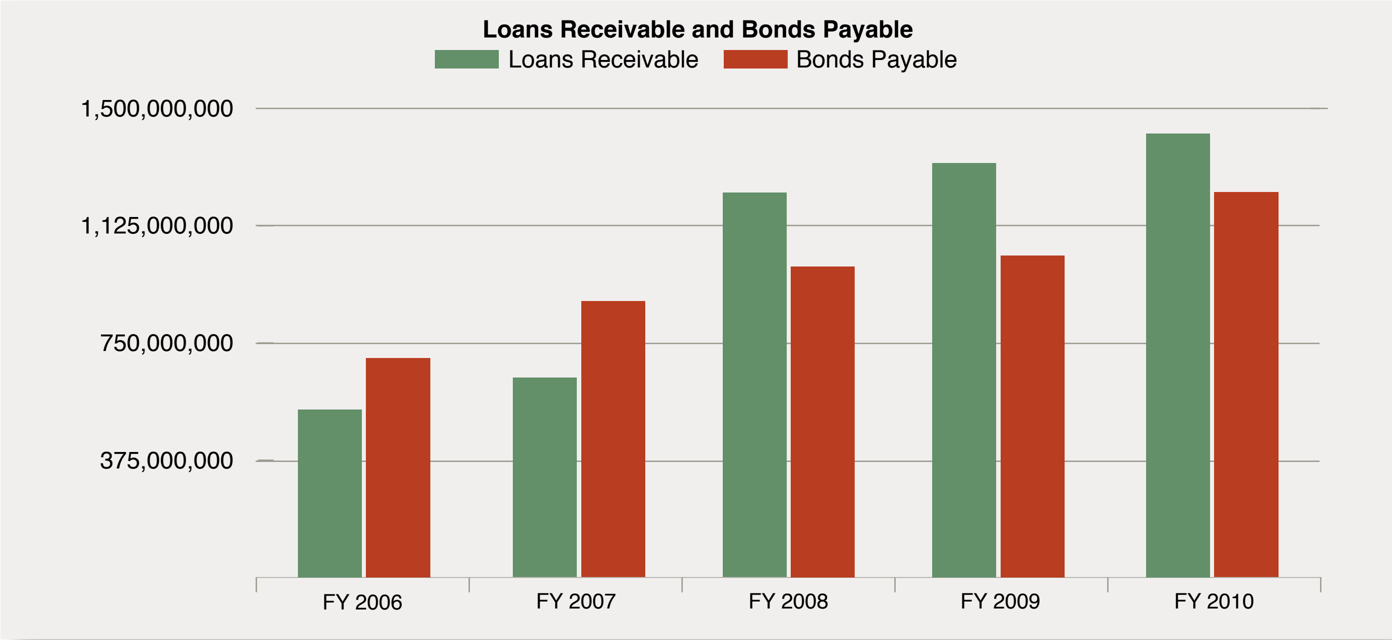


Total Authority and GRIP Assets per Employee



Loans Receivable and Bonds Payable

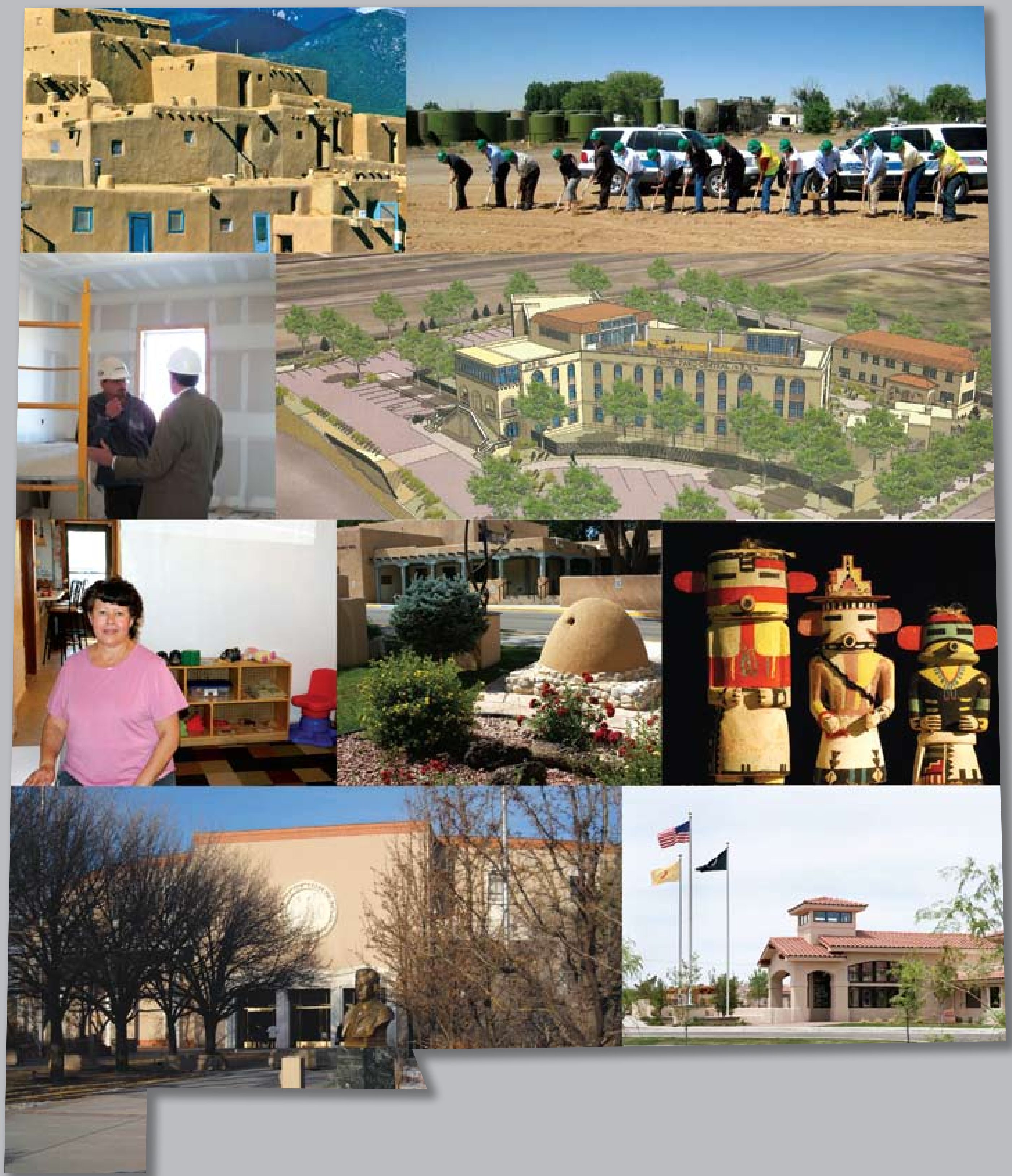
The majority of the Authority's total assets are loans receivable. All of the major Authority programs which have loans associated with them have shown significant growth over the last five years. New loan programs such as the Behavioral Health Care Capital Fund, the Child Care Revolving Loan Fund, and the SMART Money Initiative should provide additional growth in loans receivable over the next couple of years. Of course the primary growth in loans receivable is reflective of the Authority's PPRF which has grown from $287 million at the end of FY 2004 to over $1.06 billion at the end of FY 2009. This corresponds with the increase in bonds payable for the PPRF program from $255 million in FY 2004 to $1.05 billion by the end of FY 2009.



The Future

Even though the Authority's accomplishments are many, it must consistently prepare for the future. An organization can never become complacent. If an organization is standing still, it's getting behind. The five year planning process lays the foundation for continuing to improve the effectiveness of the Authority.

The Authority's focus over the past five years has been to become better at what it does. The purpose of the five year strategic plan is to make the Authority, simply stated, the best. The goals identified in the platform document are essential steps that the Authority will take in the future to achieve that distinction.



Organizational Policies

Audit Policies

Overview

The Authority recognizes the importance of achieving an unqualified or "clean" audit opinion on its financial statements from its independent auditors each fiscal year. The audit opinion impacts the ratings assigned by nationally recognized rating agencies on its bond issues and also reflects the financial soundness of the Authority and the fiscal policies that guide its financial management and accounting practices.

As a frequent issuer of tax-exempt bonds, the Authority also understands the critical importance of being able to provide its audited financial statements on a timely basis to financial market participants including rating agencies, underwriters and investors.

General Considerations

In order to achieve and maintain the unqualified audit opinion each fiscal year, Authority staff will take the following steps:

1. Maintain all accounting records in accordance with applicable Governmental Accounting Standards Board (GASB) pronouncements.
2. Seek professional advice as appropriate in recording complex and unusual transactions.
3. Maintain year-round communication with independent auditors and provide them with all necessary documents and schedules as agreed in order to complete the audit efficiently and on schedule.
4. Take necessary steps to ensure that the State Auditor's approved contract is in place prior to commencement of any audit fieldwork performed by the auditors.
5. Contract with an accounting firm whose work will be directed by the Audit Committee, to provide internal audit services to further enhance the quality of accounting records and minimize the possibilities of reportable findings by the external auditors.
6. Meet with the Audit Committee monthly to report on issues concerning financial reporting and audit matters. The external and internal auditors should also meet with the Audit Committee as appropriate to report on the progress of their work and to bring any issues they may have to the attention of the Committee.
7. The Audit Committee will report to the full Authority Board on all matters discussed in Committee meetings.

In carrying out this policy, the Authority will achieve the following goals:

1. An unqualified audit opinion each fiscal year, with no reportable and unreportable findings.
2. Complete the annual audit and file the audited financial statements with the State Auditor as soon as practical each year. The goal for filing with the Auditor will vary from year to year depending on circumstances, but should not be later than November 15.

Accounting for Legislatively Authorized Programs and the use of Interest Income from Funds Appropriated by the Legislature.

Overview

The Authority, from time to time, is called upon by the State Legislature to manage and administer certain legislatively authorized programs. In order to carry out its mandate, the Authority must ensure that it will have available the funds necessary to effectively manage and administer these legislative initiatives. This policy will govern the use of interest income that is earned from legislative appropriations in order to carry out the management and administration of these programs.

General Considerations

The following steps will be taken in order to effectively use the interest earnings from legislatively approved appropriations for programs managed and administered by the Authority:

1. Staff will analyze all legislation relating to programs and appropriations to ensure that there is no language in the authorizing legislation strictly prohibiting the Authority from using the interest income for funding the general administration of a program.
2. All appropriations will be held in separate accounts created solely for each program and will not be commingled with the funds from any other account.
3. Accounting records detailing all transactions within the fund will be maintained and reconciled on a monthly basis.
4. Interest earnings of the fund will be posted on a monthly basis.
5. Adequate and detailed records of the expenses incurred by a program will be maintained by the Authority and reconciled on a monthly basis.
6. The general operating fund of the Authority will be

reimbursed on a quarterly basis for the expenses incurred by the Authority in administering and managing a program.

7. The reimbursement of the operating fund will be made from the interest earnings on the legislatively appropriated funds that are held in the individual fund accounts.
8. Under no circumstances will the amount of the reimbursement exceed the amount of interest earnings.
9. Adequate and detailed records will be maintained by the Authority showing all transfers from fund interest earnings to the Authority general operating fund.

The Performance of a Due Diligence Analysis by the Authority before Initiating New Programs and Initiatives.

Overview

The Authority has proven itself a resourceful and effective manager of state and federal programs. As such, the agency is frequently called upon to take on new programs, as well as manage and administer these programs. The purpose of this policy is to ensure that the Authority performs a due diligence analysis of the resources it has available to administer a new program, the organizational impact to the agency of adding a new program and an assessment that the addition will not negatively impact existing programs. Staff must be confident that new programs and initiatives will receive the same level of effective and efficient management as other existing programs.

General Considerations

The following steps will be taken in carrying out this policy:

1. Staff will make every effort necessary to be familiar with and aware of all pending legislation that proposes new initiatives and programs for the Authority.
2. The appropriate staff members will work with State Legislators in drafting legislation that provides adequate sources of funding for the Authority in managing and administering new programs.
3. An internal analysis will be conducted that assesses the expenses that will be incurred by the Authority in assuming the responsibilities of managing a new program.
4. An internal analysis will be conducted that assesses the impact of a new program and Authority's staffing levels.
5. An internal analysis will be conducted that assesses procedural issues in assuming new programs and the possibility of combining new programs with existing programs to avoid duplicate efforts and expenses.
6. In the event that a new program does not provide for adequate funding to cover program expenses, staff will assess the impact on existing fund balances in assuming new programs without funding to administer those programs.

This policy should have as its focus, the confidence of the Authority's staff that new program implementation will be adequately funded, adequately staffed, combined with existing programs whenever possible and above all will not negatively impact the existing operation and programs of the Authority.

Management of the Public Project Revolving Fund Cash and Fund Balance

Overview

The Authority recognizes the importance of maintaining a sufficient cash balance in the PPRF to carry out the purposes of the Authority. In addition, the maintenance of appropriate cash balances in the PPRF demonstrates sound fiscal management of the fund and indicates the strength and continued viability of the PPRF program. Such objectives can be achieved through the implementation of certain actions. First, after taking into consideration all other amounts available in debt service reserve funds and agreement reserve funds created under bond documents, fund a reserve fund to the maximum amount allowable under the tax-exempt bond provisions of the Internal Revenue Code. Second, establish and fund a contingent account within the PPRF. The contingent account would be available to provide liquidity for unforeseen or extraordinary events, including, but not limited to, payment of unforeseen expenses of the Authority, origination of loans, payment of delinquencies on any obligations of the Authority, offset any delinquencies on any obligation owing to the Authority, and application for any other purpose approved by the Authority. Some of the effects from the implementation of this policy are to provide additional security to bondholders of Authority obligations and to provide additional assurances to the nationally recognized rating agencies of the fiscal soundness and integrity of the PPRF program. It is the desire of the Authority to eventually obtain an upgrade to AAA for the PPRF bond rating through the implementation of this policy.

The following steps will be taken in the implementation of this policy:

1. Target growth of the PPRF fund balance (net assets) will be 7.5% annually.
2. For lending purposes, the Authority will maintain liquidity (cash plus credit facilities) within the

PPRF fund of at least $75 million.

3. In fiscal year 2007, the Authority established the Contingent Liability Account within the PPRF as discussed previously, with an initial funding of $20 million. The Contingent Liability Account will be increased annually by an amount equal to at least 25% of the GGRT flow-through received by the Authority at the end of the fiscal year.
4. The funding goal for the Contingent Liability Account is an amount equal to 50% of the maximum annual debt service on all PPRF Bonds (senior and subordinate). This goal will be attained within the next five fiscal years.
5. Rating agencies will be periodically updated on the progress of this funding of the contingent account in order to achieve upgrades to the PPRF's bond rating.

Program Policies

Loan Monitoring

Overview

In order to minimize delinquencies and defaults on Authority loans, staff will monitor the financial condition of borrowers on a regular basis. The objective of the monitoring program will be to identify as early as possible borrowers whose financial condition appears to be deteriorating to an extent that might jeopardize their ability to continue to meet their debt service obligations on a timely basis. Early identification of potential problems will protect the integrity of the Authority's loan portfolio by permitting the restructuring of loans, or other solutions, before problems become unsolvable. In addition, the analysis will serve as the basis for counseling borrowers on a forward-looking basis concerning their debt capacity and capital improvement plans.

If a periodic credit review indicates that a borrower's financial condition has deteriorated in any material respect, that fact shall immediately be reported to the CEO or his designee.

Procedures applicable to different types of loans are summarized below:

1. Loans secured by a pledge of tax revenues -- Staff will obtain data on tax revenues collected by or for the borrower from the Department of Taxation and Revenue and other sources as applicable. Staff will analyze the amounts of tax collected and determine if any adverse trends have developed. The analysis of tax collections will normally be performed at six-month intervals for each borrower, although longer or shorter intervals may be selected depending on the circumstances of the borrower and current economic conditions.

2. Loans secured as General Obligations of entities with property taxing powers -- Staff will annually review the credit strength of the borrower using information available in the annual report the borrower files with the Department of Finance and Administration (DFA).

3. Loans secured by a pledge of net systems revenues -- During the negotiation of the loan agreement for an entity, staff will reach an agreement with the borrower as to the nature and frequency of financial reports to be furnished to the Authority. Generally, the quarterly reports filed with the DFA by municipal utilities will provide sufficient information for the necessary analysis. If a borrower is not required to file such reports with DFA or staff determines that the DFA reports are not adequate to provide for appropriate credit analysis, staff shall ensure that the loan agreement provides for reporting by the borrower that is adequate for credit analysis purposes. The credit analysis should normally be performed on a quarterly basis, although more or less frequent analysis may be performed depending on the credit strength of the borrower, the borrower's history with the Authority, and any trends that have recently been observed.

4. Loans secured by cash flows and/or assets of a commercial enterprise–During the negotiation of the loan agreement with an entity, staff will ensure that the loan agreement requires the borrower to provide the Authority with financial statements and such other reports and information as may be necessary to properly evaluate the financial condition of the borrower. The Authority will also engage in periodic checks on any and all assets used to secure loans including site visits, UCC searches, etc. The exact nature of the required information and the frequency of reporting will vary considerably depending on the type of business and the structure of the loan.

The foregoing is offered as examples of the general approaches that should usually be followed in monitoring borrowers' credit worthiness. No policy can anticipate every situation that will be encountered. In the process of negotiating and structuring each loan, the Authority makes it staff's responsibility to define and to obtain the borrower's commitment to a reporting and monitoring process that will provide for an adequate periodic review of the borrower's financial condition.

Liquidity Policy on Public Project Revolving Fund

Overview

In Fiscal year 2008, the Liquidity Task Force appointed by the Authority's Board considered a variety of issues related to the cash flow characteristics of the PPRF loan program. The Task Force made recommendations in six areas, each of which was approved by the Board and adopted. Staff subsequently presented, and the Board approved and adopted policy statements incorporating the recommendations. The following is a summary of the relevant sections of the policy statements:

Interest Rate Policy

General Considerations:

The goal of the Interest Rate Policy is to define the process under which the Authority will: 1) set the market interest rates for its PPRF loans in a manner that will allow staff and applicants to assess accurately applicants' ability to undertake debt and to aid in the marketing of the program, and; 2) to set interest rates on loans in a manner which tracks as closely as practical the interest rates paid by the Authority for its bonds issued to reimburse PPRF loans.

For fixed rate loan applications of less than $5 million, the Authority will set the market rate portion of the interest rate at the time of final loan adoption in the following manner:

1. The Authority's staff will set interest rates for market rate loans on a weekly basis. These weekly rates shall approximate, as closely as possible, the rates that would be obtained if reimbursement bonds were to be issued the same week. The rates will be published on the Authority's website each week;

2. The then-current maximum rate and weekly rate shall be stated in the materials presented to the Board and its Committees for their approval of the loan. Staff shall use the maximum rate for determining whether coverage ratios for loan applications comply with the PPRF Debt Service Coverage and Additional Bonds Test Policies (Section 4 of the PPRF Loan Management Policies);

3. Following Board approval of a loan, the maximum rate will be "locked" for 90 days while the Authority and borrower work together to close the loan. A final rate will be determined and communicated to the borrower as close to the date of loan closing as practical, considering the borrower's requirement to hold a scheduled public hearing to authorize the ordinance or resolution necessary for the execution of the loan, bond sale, or other appropriate documents. The final rate the borrower will receive will be the maximum rate or the weekly rate then in effect, whichever is lower;

4. Any loan that does not close within the 90-day period may have its maximum rate reset at the discretion of the CEO;

5. The Investment Committee of the Board will monitor the weekly rates set by staff from the previous Board meeting. In addition, as soon as practical after the closing of each reimbursement bond issue, staff will prepare and the Investment Committee will review a report comparing the final rates set for each loan reimbursed by the bond sale with the actual rates obtained in the bond sale; and

6. In certain instances in which an applicant is seeking to maximize the net loan proceeds available from a dedicated revenue stream and the final rate set on the loan is lower than the maximum interest rate used by staff to determine debt service coverage, the Board delegates to the CEO the authority to increase the market rate portion of the loan.

Determination of Bond Rate Loans

For fixed rate loan applications of $5 million or more, the Authority will set the interest rate in the following manner:

1. The loans shall be designated as "Bond Rate Loans;"

2. The interest rate on Bond Rate Loans shall be the same rate of interest received on the bonds issued to reimburse the Bond Rate Loans;

3. The Authority and the borrower shall close Bond Rate Loans after the Authority's Board approves the sale of the bonds issued to reimburse the loan and prior to or simultaneously with the closing of the bonds issued by the Authority to reimburse the loan;

4. Compliance with the Debt Service Coverage and Additional Bonds Test Policy (Section 4 of the PPRF Loan Management Policies) shall be determined during the marketing of the bonds and in no instance shall the loan's debt service coverage drop below the amount set by the Board; and

5. As provided for Market Rate Loans in Section 2.3 A 7 of the PPRF Loan Management Policies, the CEO may increase the Bond Rate portion of the loan subject to the same conditions provided for Market Rate loans.

Structuring Policy

General Considerations

All loans approved by the Board, except those specifically identified as equity loans, will be structured with the expected pre-payment or call options of the bonds anticipated to be issued to reimburse the PPRF.

New Markets Tax Credit Program Fees

Fees and other revenues, net of program expenses, generated by the New Markets Tax Credit Program shall not be used for Authority operating expenses, but shall be separately accounted for and used by the Authority to fund infrastructure and economic development projects of the types permitted by the rules and policies of the Statewide Economic Development Finance Act.

PPRF Loan Processing Fee

A 1.5% processing fee shall be paid by each PPRF loan applicant at closing. The fee may be paid out of loan proceeds or from other funds the applicant has available. The fee shall be calculated on the first $5 million of the loan amount. No fee shall be payable with respect to any loan amount in excess of $5 million. In the annual budget process, and more frequently if deemed necessary, staff shall review the Authority's operating expenses, other sources of revenue, fees charged other lenders, and other relevant information, and shall recommend to the Board whether the then-current fee rate should be continued or changed.

PPRF Leveraging and Capital Ratio Policy

In its 2010 budget, the Authority adopted the following policy to ensure a sufficient capital base to permit a sound and efficient operation of the PPRF:

> In order to preserve the financial strength of the PPRF program, the Authority shall not lend excessive amounts in relation to its capital base. In its management of lending and reimbursement bond issuance volumes the Authority shall manage its business activities so as to maintain a capital ratio for the PPRF program of not less than 8 percent and not more than 12%.

As of June 30, 2009, the Authority's capital ratio was 22%. While this ratio currently exceeds the policy's 12% upper limit, management believes a conservative balance sheet is appropriate in light of the current economic and financial market conditions. Management will continue to evaluate this metric as conditions evolve.


New Mexico
FINANCE
AUTHORITY
207 Shelby Street
CNM

Programs and Target Numbers

The Public Project Revolving Fund

The Public Project Revolving Fund or PPRF is considered the Authority's flagship program. The PPRF was created in 1994 and assists a wide range of public entities in accessing the capital markets. The advantage is being able to offer all borrowers an AA+ investment grade credit rating. The Authority's main purpose is to coordinate the planning and financing of state and local public projects, provide long-term planning based on state and local capital needs and to improve cooperation among the executive and legislative branches of state and local governments. These goals are achieved primarily through the PPRF.

Over the past several years the fund has evolved from a broad-based financier of state and local government agencies to one that now includes a greater diversity of entities. This diversity has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities. It has also allowed the Authority to continue to offer a variety of program enhancements to borrowers.

The PPRF is funded primarily through the Authority's share of Government Gross Receipts Tax (GGRT), which provides approximately $23 million per year. The Authority uses this cash inflow to make loans to borrowers and then replenishes the fund by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities.

Through June 30, 2010, the Authority will have made 938 PPRF loans totaling approximately $1.780 billion. The majority of this growth has occurred over the past 5 years where the Authority has issued over 425 loans totaling over $1.09 billion. This has been accomplished by several factors: 1) the strength of the GGRT which has grown annually from $18.4 million in FY 2004 to $23.0 million in FY 2010; 2) the strong credit rating of the PPRF bonds which maintains at AA+ and Aa2; and 3) the ability to raise capital through the issuance of PPRF bonds.

As you can see from the chart below, the PPRF has been instrumental in providing capital for all four corners of New Mexico and is expected to do so for many years to come.

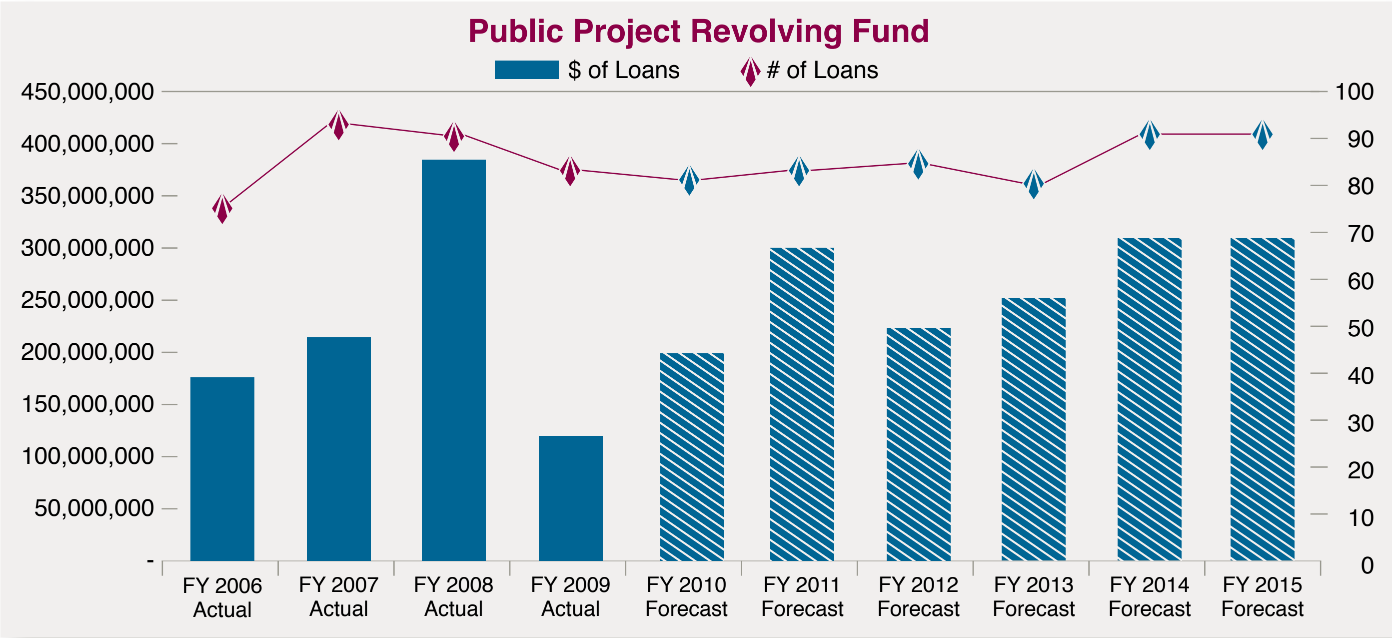
PPRF STAFF SUPPORT

Michael Zavelle, Chief of Investor Relations	992-9639
Zach Dillenback, Lead Financial Advisor	992-9616
Claire Manatt, Financial Advisor	992-9643
Darlaina Chapman, Financial Advisor	992-9622
E.J. Peinado, Financial Analyst	992-9621
Tim Sturdy, Financial Analyst	992-9708
Traci Davis, Financial Advisor	992-9637
Gloria Castillo, Sr. Administrative Assistant	992-9663
Connie Marquez-Valencia, Executive Assistant	992-9611
Rey Romero, General Counsel	992-9667

Lorraine Valdez, Sr. Accountant I	992-9623
Richard Garcia, Accountant III	992-9624
Carolin Rios, Accountant III	992-9636
Chris Brown, Accountant II	992-9617
Karole Ortiz, Legal Assistant	992-9665

OUTSIDE COUNSEL

Western Financial Group - Financial Advisor
Sutin, Thayer, Browne - Loan Counsel
Brownstein, Hyatt - Bond Counsel



Public Project Revolving Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues					
GGRT	$ 23,000,000	$ 22,340,000	$ 23,400,000		23,850,000
Other Appropriations	1,625,700	5,750,000	1,370,000		1,335,000
Interest Income - Loans	51,200,000	51,285,000	52,500,000		53,000,000
Interest Income - Investments, Cash & Equiv	1,301,855	3,580,000	1,333,850		1,594,850
Administration Fee Revenue	4,080,469	3,475,000	3,849,275		3,904,986
Grant Revenue	-	-	-		-
Total Revenues	$ 81,208,024	$ 86,430,000	$ 82,453,125	-4.6%	$ 83,684,836
EXPENDITURES					
Operational Expenditures	$ 4,465,633	$ 3,981,753	$ 5,167,982	29.8%	$ 5,476,215
New Program Expenditures					
New Personnel Including Benefits (Colonias Program)			85,000		75,000
Contractual Services			-		-
Subtotal - New Programs	***-***	***-***	***85,000***		***75,000***
Total Operating Expenditures	***4,465,633***	***3,981,753***	***5,252,982***		***5,551,215***
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 55,035,000	$ 52,240,000	$ 56,250,000		57,500,000
Bond Issuance Expense	1,125,000	2,150,000	3,250,000		4,500,000
Contractual Services	95,000		325,000		450,000
Other Financial Use - Bond Premium	4,275,000		-		-
Grant Expense	19,945	22,453	17,340		14,620
Depreciation Expense	32,159	26,500	-		-
Contract for Service Expense	-	-	-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 60,582,104	$ 54,438,953	$ 59,842,340	9.9%	$ 62,464,620
Total Expenditures	$ 65,047,737	$ 58,420,706	$ 65,095,322	11.4%	$ 68,015,835
Excess (Deficit) Revenues over Expenditures	$ 16,160,287	$ 28,009,294	$ 17,357,803		$ 15,669,001
Transfers to Other Agencies	1,500,000	650,000	1,500,000		320,000
Repayments from Other Programs	- 0	- 0	- 0		-
Excess (Deficit) Revenues over Expenditures	$ 14,660,287	$ 27,359,294	$ 15,857,803		$ 15,349,001

The Operating Budget, Five Year Projection, and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements.

TRANSPORTATION PROGRAMS

Governor Richardson's Investment Partnership (GRIP)

In 2003, the State Legislature authorized the issuance of \$1.6 billion in bonds to fund 40 statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership ("GRIP"). GRIP's enabling legislation named the Authority as the agent for the New Mexico Department of Transportation (NMDOT) and authorized the Authority to issue \$1.6 billion in bonds to finance the projects.

In 2008, House Bill 2 increased the original GRIP funding by slightly more than \$53 million to address the inflationary impact of construction materials, for which the NMDOT has had cost increases of more than 30%. \$435 million in bonds remain to be issued under the original 2003 authorization.

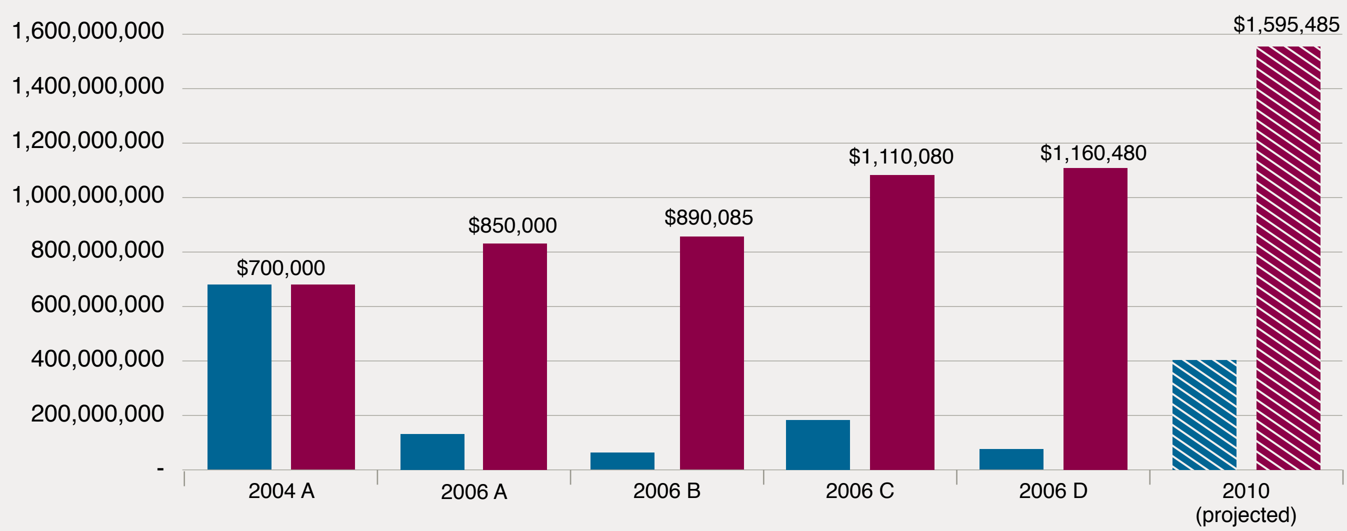
GRIP STAFF SUPPORT

John Duff, Chief Financial Officer	992-9626
Michael Zavelle, Chief of Investor Relations	992-9639
Mark Lovato, Investment Officer	992-9629
Connie Marquez-Valencia, Executive Assistant	992-9611
Mark Dalton, Administrative Assistant	992-9610

OUTSIDE COUNSEL

Sutin, Thayer, Brown - Loan Counsel
Public Financial Management - Financial Advisor
Ballard Spahr - Tax & Disclosure Counsel

Governor Richardson's Investment Partnership - Bonds Issued (000's omitted)



	2004 A	2006 A	2006 B	2006 C	2006 D	2010 (projected)
Bond Issue	\$700,000	\$150,000	\$40,085	\$220,000	\$50,400	\$435,000
Cumulative Issued	\$700,000	\$850,000	\$890,085	\$1,110,080	\$1,160,480	\$1,595,485

GRIP
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0		$ 0		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	3,500	25,000	3,600		3,750
Administration Fee Revenue	1,440,000	1,439,465	1,000,000		900,000
Grant Revenue			-		-
Total Revenues	$ 1,443,500	$ 1,464,465	$ 1,003,600	-31.0%	$ 903,750
EXPENDITURES					
Operational Expenditures	$ 1,075,000	$ 1,205,726	$ 542,937	-55.0%	$ 566,010
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense	23,457	15,200	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 23,457	$ 15,200	$ 0	-100.0%	$ 0
Total Expenditures	$ 1,098,457	$ 1,220,926	$ 542,937	-56.0%	$ 566,010
Excess (Deficit) Revenues over Expenditures	$ 345,043	$ 243,539	$ 460,663		$ 337,740
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ 345,043	$ 243,539	$ 460,663	89.0%	$ 337,740

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 2,505,300	$ 2,965,963
Excess Revenues over Expenditures	460,663	337,740
Transfers to Other Agencies	- 0	- 0
Bond Principal Payments	- 0	- 0
Increase/(Decrease) in Loan to Programs	- 0	- 0
Net Decrease/(Increase) in Loans Receivable	- 0	- 0
Net Increase/(Decrease) in Cash	460,663	337,740
Fiscal Year's Ending Cash Balance	$ 2,965,963	$ 3,303,703

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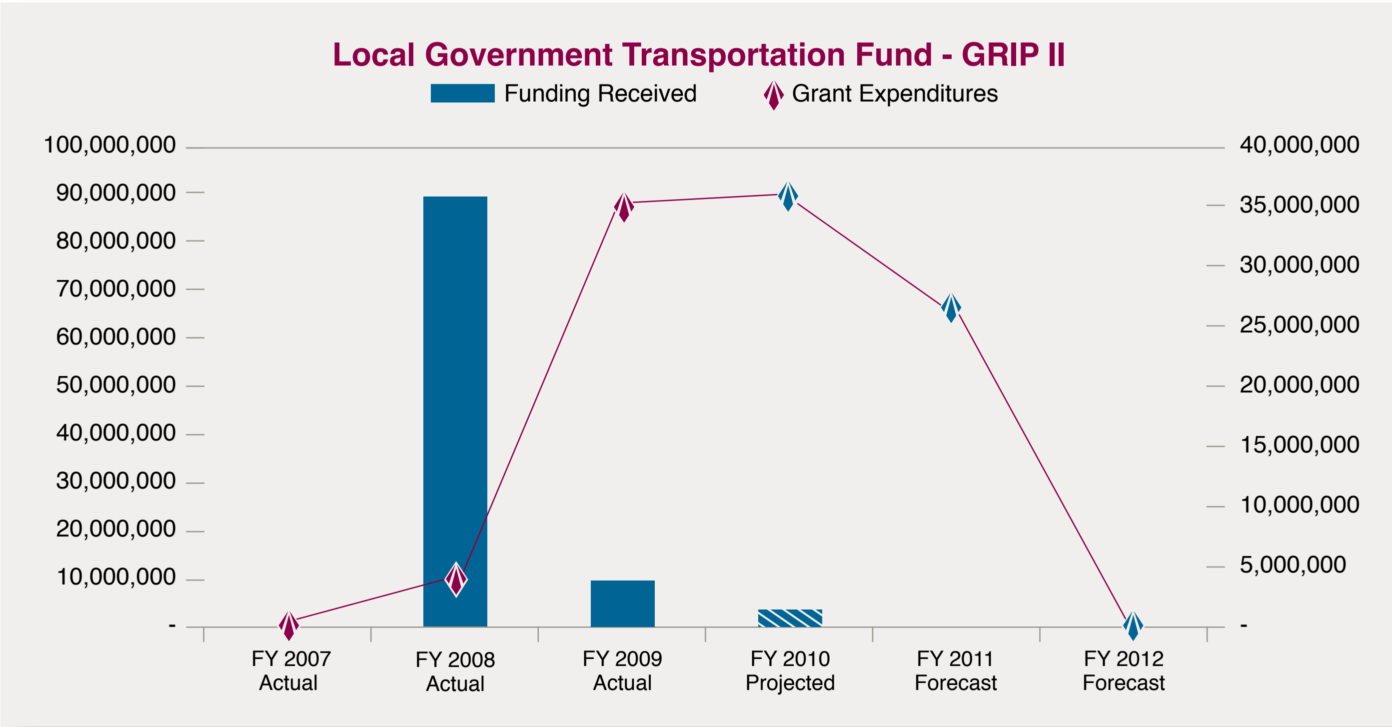
Local Government Transportation Fund (GRIP II)

The Local Government Transportation Fund – GRIP II – was created by the 2007 Special Legislature HB 2 to provide funding for 116 local government transportation projects, totaling more than $180 million, as well as engineering and design services incurred by NMDOT for the projects funded from the Fund. The funding is made up of a $25 million appropriation from the General Fund and up to $150 million in proceeds realized from the issuance of severance tax bonds. Through June 30, 2010, the Fund has received a total $101.7 million which has resulted in 88 projects being certified by NMDOT to proceed with $75.2 million having been expended to date. It is expected that all the certified projects will be completed by January 2012.

GRIP II STAFF SUPPORT

Rey Romero, General Counsel	992-9667	Greg Campbell, Controller	992-9614



Local Government Transportation Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ (12,263,824)	$ 3,700,000	$ 7,200,000		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	62,500	300,000	35,000		5,000
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ (12,201,324)	$ 4,000,000	$ 7,235,000	80.9%	$ 5,000
EXPENDITURES					
Operational Expenditures	$ 52,450	$ 69,358	$ 39,540	-43.0%	$ 41,221
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	27,850,000	68,750,000	33,433,967		3,737,272
Depreciation Expense			-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 27,850,000	$ 68,750,000	$ 33,433,967	-51.4%	$ 3,737,272
Total Expenditures	$ 27,902,450	$ 68,819,358	$ 33,473,507	-51.4%	$ 3,778,493
Excess (Deficit) Revenues over Expenditures	$ (40,103,774)	$ (64,819,358)	$ (26,238,507)		$ (3,773,493)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (40,103,774)	$ (64,819,358)	$ (26,238,507)		$ (3,773,493)

Reconciliation of Change in Cash		FY 2011 Annual Budget		FY 2012 Annual Budget
Fiscal Year's Beginning Cash Balance		$ 30,012,000		$ 3,773,493
Excess Revenues over Expenditures		(26,238,507)		(3,773,493)
Transfers to Other Agencies		-		-
Bond Principal Payments		-		-
Increase/(Decrease) in Loan to Programs		-		-
Net Decrease/(Increase) in Loans Receivable		-		-
Net Increase/(Decrease) in Cash		(26,238,507)		(3,773,493)
Fiscal Year's Ending Cash Balance		$ 3,773,493		$ 0

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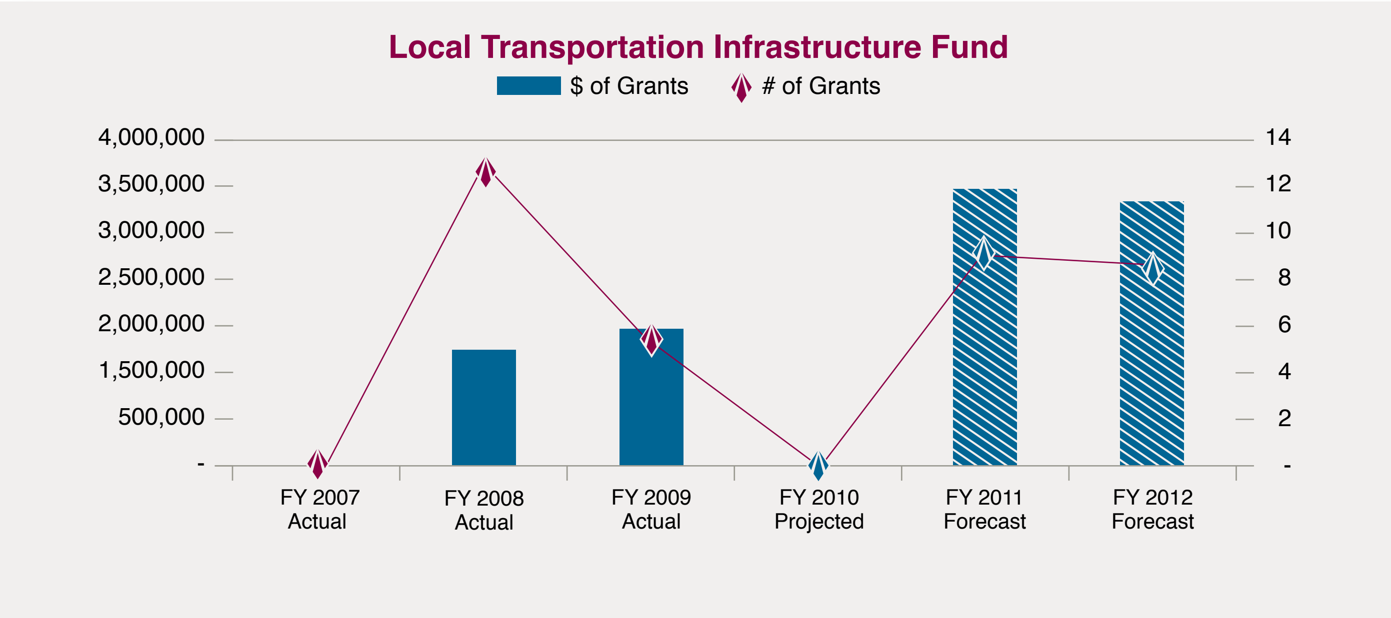
Local Transportation Infrastructure Fund

Created by the 2005 Legislature HB 979, the Local Transportation Infrastructure Fund Act is a fund targeted specifically at local government road and transportation projects. The purpose of the fund is to provide local governments not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low-cost financial assistance for transportation projects.

The Authority provides the funding for this program through the dedication of up to 50% of the funds received by the Authority for managing the GRIP bonds. Beginning in FY 2008, the NMDOT recommended and the Authority approved funding for 19 projects totaling over $3.7 million.

LTIF STAFF SUPPORT

Matthew Jaramillo, Director of Government Affairs	992-9638	Rey Romero, General Counsel	992-9667
Greg Campbell, Controller	992-9614		



Local Transportation Infrastructure Fund

BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	5,200	20,000	5,200		10,000
Administration Fee Revenue	1,440,000	1,439,465	1,000,000		900,000
Grant Revenue			-		-
Total Revenues	$ 1,445,200	$ 1,459,465	$ 1,005,200	-31.1%	$ 910,000
EXPENDITURES					
Operational Expenditures	$ 5,565	$ 54,568	$ 19,181	-64.8%	$ 19,996
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 355,000
Bond Issuance Expense		350,000	150,000		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	1,150,000	11,000,000	2,000,000		2,500,000
Depreciation Expense	681	200	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 1,150,681	$ 11,350,200	$ 2,150,000	-81.1%	$ 2,855,000
Total Expenditures	$ 1,156,246	$ 11,404,768	$ 2,169,181	-81.0%	$ 2,874,996
Excess (Deficit) Revenues over Expenditures	$ 288,954	$ (9,945,303)	$ (1,163,981)		$ (1,964,996)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ 288,954	$ (9,945,303)	$ (1,163,981)		$ (1,964,996)

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 4,225,000	$ 13,061,019
Excess Revenues over Expenditures	(1,163,981)	(1,964,996)
Transfers to Other Agencies	-	-
Bond Principal Payments	10,000,000	(1,500,000)
Increase/(Decrease) in Loan to Programs	-	-
Net Decrease/(Increase) in Loans Receivable	-	-
Net Increase/(Decrease) in Cash	8,836,019	(3,464,996)
Fiscal Year's Ending Cash Balance	$ 13,061,019	$ 9,596,023

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WATER PROGRAMS

Drinking Water Revolving Loan Fund

Created in 1997 as a partnership between the Authority and the New Mexico Environment Department, the Drinking Water Revolving Loan Fund 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 the public health.

This federal program, managed by the Authority on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. The state is required to match the federal grant by 20%. The primary use of the funding is for 0 or 2% loans to drinking water systems to fund vital water quality projects. The New Mexico Environment Department is allowed, under federal law, to use up to 27% of the funding to meet its duties as defined under the federal Safe Drinking Water Act. The Authority receives 4% for its management of the program. To date, the Authority has received approximately $100 million in federal Environmental Protection Agency (EPA) capitalization grants, which has been matched directly by the Authority with $18 million and by the Legislature with $2 million.

Since the inception of the program, the Authority has issued 36 loans totaling $91.5 million. This program has greatly accelerated over the past 5 years in which the Authority has issued loans amounting to $67.0 million of the $91.5 million closed since the program's inception.

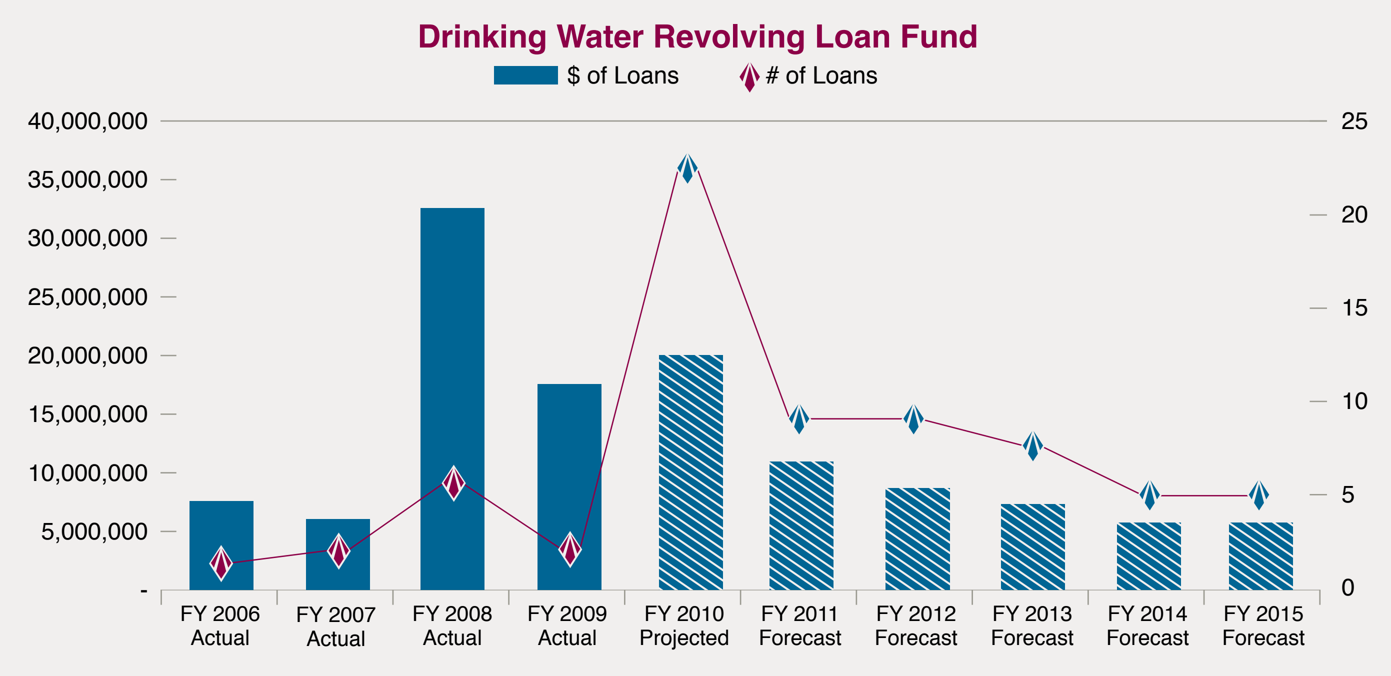
In July 2009, the Authority finalized its agreement with the EPA to deliver $19.5 million in highly subsidized funding through the American Recovery and Reinvestment Act (ARRA) of 2009. The funds were to be used to further the goals of the Safe Drinking Water Act and to provide loans with principal forgiveness to systems that could enter into construction contracts by February 17, 2010. Working with its partners at the New Mexico Environment Department, the Authority identified 16 projects that could meet the project and timing guidelines set by the EPA. The Authority will fund these 16 projects through a combination of the ARRA funding and the regular Drinking Water funds offered at ARRA-like terms of one percent interest rate.

DWRLF STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9665
Michael Vonderheide, Sr. Program Administrator	992-9623
Jennifer Sanchez, Sr. Program Administrator	992-9624
John Brooks, Director of Commercial Lending	992-9638
Michael Zavelle, Chief of Investor Relations	992-9639
Claire Manatt, Financial Advisor	992-9643
Darlaina Chapman, Financial Advisor	992-9622
E.J. Peinado, Financial Analyst	992-9621
Tim Sturdy, Financial Analyst	992-9708
Traci Davis, Financial Advisor	992-9637
Zach Dillenback, Lead Financial Advisor	992-9616
Gloria Castillo, Sr. Administrative Assistant	992-9663
Rey Romero, General Counsel	992-9667
Bob Spradley, Sr. Accountant II	992-9631

OUTSIDE COUNSEL

Coppler Mannick - Loan Counsel



Drinking Water Revolving Loan Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 1,000,000	$ 0	$ 0		$ 0
Interest Income - Loans	825,000	700,000	835,000		838,000
Interest Income - Investments, Cash & Equiv	25,250	735,000	26,500		27,500
Administration Fee Revenue	112,000	178,370	150,000		155,000
Grant Revenue	14,450,000	24,000,000	24,380,000		11,260,000
Total Revenues	$ 16,412,250	$ 25,613,370	$ 25,391,500	-0.9%	$ 12,280,500
EXPENDITURES					
Operational Expenditures	$ 705,750	$ 753,550	$ 853,316	13.2%	$ 889,579
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	225,000		9,375,000		-
Depreciation Expense	3,592	15,000	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 228,592	$ 15,000	$ 9,375,000	62400.0%	$ 0
Total Expenditures	$ 934,342	$ 768,550	$ 10,228,316	1230.9%	$ 889,579
Excess (Deficit) Revenues over Expenditures	$ 15,477,908	$ 24,844,820	$ 15,163,184		$ 11,390,921
Transfer to Other Agencies	2,200,000	2,200,000	4,000,000		2,000,000
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ 13,277,908	$ 22,644,820	$ 11,163,184		$ 9,390,921

Reconciliation of Change in Cash			
Fiscal Year's Beginning Cash Balance	$ 18,650,000		$ 17,313,184
Excess Revenues over Expenditures	11,163,184		9,390,921
Transfers to Other Agencies	-		-
Bond Principal Payments	-		-
Increase/(Decrease) in Loan to Programs	-		-
Net Decrease/(Increase) in Loans Receivable	(12,500,000)		(7,500,000)
Net Increase/(Decrease) in Cash	(1,336,816)		1,890,921
Fiscal Year's Ending Cash Balance	$ 17,313,184		$ 19,204,105

The Operating Budget, Five Year Projection, and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements.

Water Project Fund

Created by the 2001 Legislature, the Water Project Finance Act established the 16-member Water Trust Board to recommend to the Legislature projects to be funded through the Water Project Fund. Under the Act, the Board is authorized to recommend funding for five project categories:

1. Water treatment, conservation or reuse;
2. Flood prevention;
3. Endangered Species Act collaborative efforts;
4. Water storage, conveyance and delivery infrastructure improvements; and
5. Watershed restoration and management initiatives

These categories reflect the state's comprehensive effort to promote funding for projects that improve water quantity up and down the value chain—from the water source to its use. In FY 2008, the Board approved comprehensive water project policies that govern the use of the fund and provide for greater accountability. With these policies in place, the Board is able to rely on advice from a seven-agency technical team that evaluates applications and reports to the Board prior to its recommendations to the Legislature.

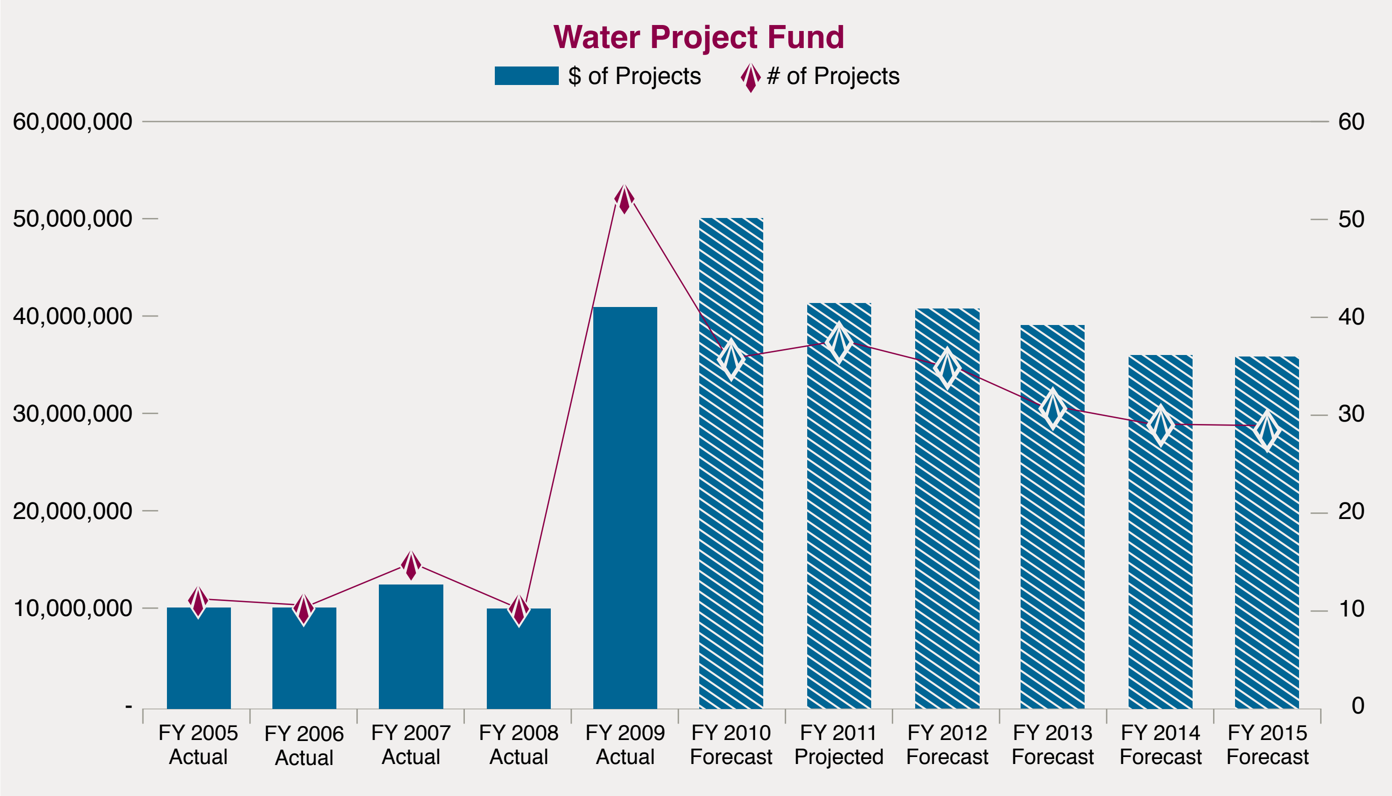
The Authority administers the program on behalf of the state. Since its inception, the Water Project Fund has provided funding to 142 projects totaling over $137.8 million with the majority of the funds delivered in the past two years. The Authority attributes the increase in funding activity to the policies adopted by the Board which ensure that funds earmarked for projects are used expeditiously. FY 2010 was a particularly strong year for providing funding in the Authority closed 35 projects totaling over $50.2 million.

WPF STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
Jana Amacher, Sr. Program Administrator	992-9662
Ahza Kilma, Program Administrator	992-9627
Celina Sandoval, Sr. Administrative Assistant	992-9642
Rey Romero, General Counsel	992-9667
Karole Ortiz, Legal Assistant	992-9665
Connie Marquez-Valencia, Executive Assistant	992-9611
Michael Zavelle, Chief of Investor Relations	992-9639
Zach Dillenback, Lead Financial Advisor	992-9616
Claire Manatt, Financial Advisor	992-9643
Darlaina Chapmen, Financial Advisor	992-9622
E.J. Peinado, Financial Analyst	992-9621
Tim Sturdy, Financial Analyst	992-9708
Traci Davis, Financial Advisor	992-9637
Gloria Castillo, Sr. Administrative Assistant	992-9663
Bob Spradley, Sr. Accountant II	992-9631
Lorraine Valdez, Sr. Accountant I	992-9623
Carolin Rios, Accountant III	992-9636
Chris Brown, Accountant II	992-9617

OUTSIDE COUNSEL

Coppler Mannick - Loan Counsel



Water Projects Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 4,000,000	$ 0		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	19,250	299,000	15,000		12,500
Administration Fee Revenue	5,200	2,500	5,500		6,500
Grant Revenue	23,000,000	38,000,000	28,000,000		30,000,000
Total Revenues	$ 23,024,450	$ 42,301,500	$ 28,020,500	-33.8%	$ 30,019,000
EXPENDITURES					
Operational Expenditures	$ 780,800	$ 807,500	$ 770,414	-4.6%	$ 803,153
New Program Expenditures					
New Personnel including benefits			-		-
Contractual Services			-		-
Subtotal - New Programs	-	-	-		-
Total Operating Expenditures	***780,800***	***807,500***	***770,414***		***803,153***
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	18,400,000	38,200,000	25,500,000		28,000,000
Depreciation Expense	13,532	13,500	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 18,413,532	$ 38,213,500	$ 25,500,000	-33.3%	$ 28,000,000
Total Expenditures	$ 19,194,332	$ 39,021,000	$ 26,270,414	-32.7%	$ 28,803,153
Excess (Deficit) Revenues over Expenditures	$ 3,830,118	$ 3,280,500	$ 1,750,086		$ 1,215,847
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ 3,830,118	$ 3,280,500	$ 1,750,086		$ 1,215,847

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 8,675,000	$ 6,725,086
Excess Revenues over Expenditures	1,750,086	1,215,847
Transfers to Other Agencies	-	-
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	-	-
Net Decrease/(Increase) in Loans Receivable	(3,700,000)	(5,500,000)
Net Increase/(Decrease) in Cash	(1,949,914)	(4,284,153)
Fiscal Year's Ending Cash Balance	$ 6,725,086	$ 2,440,933

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Local Government Planning Fund

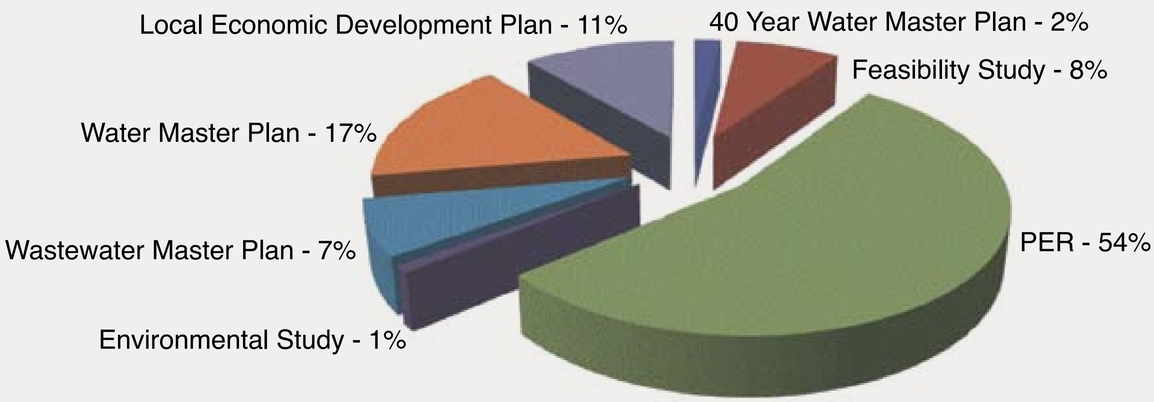
In 2002, the Local Government Planning Fund (LGPF), originally named the Water and Wastewater Planning Fund, was created under the management of the Authority to provide grants to qualified entities to study the feasibility of water and wastewater public projects. In 2005, the Legislature subsequently amended the program to expand the use to include long term water management, conservation and economic development plans.

To date, the Authority has funded 62 projects totaling $1.49 million for a variety of projects as illustrated in the chart below. The 2010 Legislature authorized the Authority to increase the funding in this program by $2 million which is available to fund new studies.

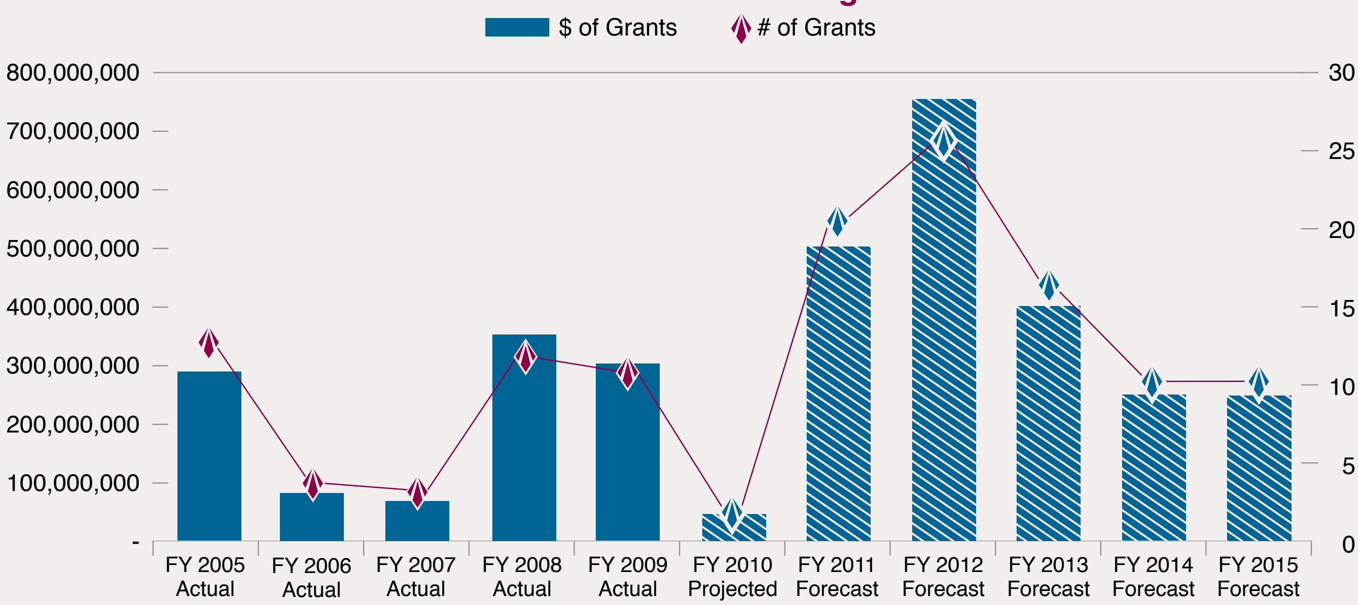
LGPF STAFF SUPPORT

Michael Zavelle, Chief of Investor Relations	992-9639	Marquita Russel, Chief of Programs	992-9619
Zach Dillenback, Lead Financial Advisor	992-9616	Rey Romero, General Counsel	992-9667
Claire Manatt, Financial Advisor	992-9643	Lorraine Valdez, Sr. Accountant I	992-9623
Darlaina Chapman, Financial Advisor	992-9622	Carolin Rios, Accountant III	992-9636
E.J. Peinado, Financial Analyst	992-9621		
Tim Sturdy, Financial Analyst	992-9708	**OUTSIDE COUNSEL**	
Traci Davis, Financial Advisor	992-9637	Coppler Mannick	
Gloria Castillo, Sr. Administrative Assistant	992-9663		

LGPF Closed Projects by Type



Local Government Planning Fund



Local Government Planning Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	600	9,000	600		750
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ 600	$ 9,000	$ 600	-93.3%	$ 750
EXPENDITURES					
Operational Expenditures	$ 70,350	$ 99,850	$ 107,582	7.7%	$ 112,154
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	285,500	345,000	375,000		310,000
Depreciation Expense	7,175	11,000	-		-
Contract for Service Expense			-		
TOTAL NON-OPERATIONAL EXPENDITURES	$ 292,675	$ 356,000	$ 375,000	5.3%	$ 310,000
Total Expenditures	$ 363,025	$ 455,850	$ 482,582	5.9%	$ 422,154
Excess (Deficit) Revenues over Expenditures	$ (362,425)	$ (446,850)	$ (481,982)		$ (421,404)
Transfer to Other Agencies					-
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (362,425)	$ (446,850)	$ (481,982)		$ (421,404)

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 975,000	$ 493,018
Excess Revenues over Expenditures	(481,982)	(421,404)
Transfers to Other Agencies	-	1,000,000
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	-	-
Net Decrease/(Increase) in Loans Receivable	-	-
Net Increase/(Decrease) in Cash	(481,982)	578,596
Fiscal Year's Ending Cash Balance	$ 493,018	$ 1,071,614

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Water and Wastewater Grant Fund

During the 1999 Legislative session, the Legislature created the Water and Wastewater Project Grant Fund. In 2000, the Legislature authorized the Authority to issue up to $5 million in bonds to fund grants for 38 public water and wastewater systems which have been completed and the funds expended. Since its inception, the Legislature has appropriated approximately $55.9 million to fund 172 public water wastewater systems.

The Water and Wastewater Projects Grant Fund is basically completed with several grants completing their projects in FY 2010. Over the life of the program, the Authority provided funding to 159 projects, totaling over $59.6 million. There will be no additional projects approved for this program unless additional funding is secured for this purpose.

WATER / WASTEWATER STAFF SUPPORT

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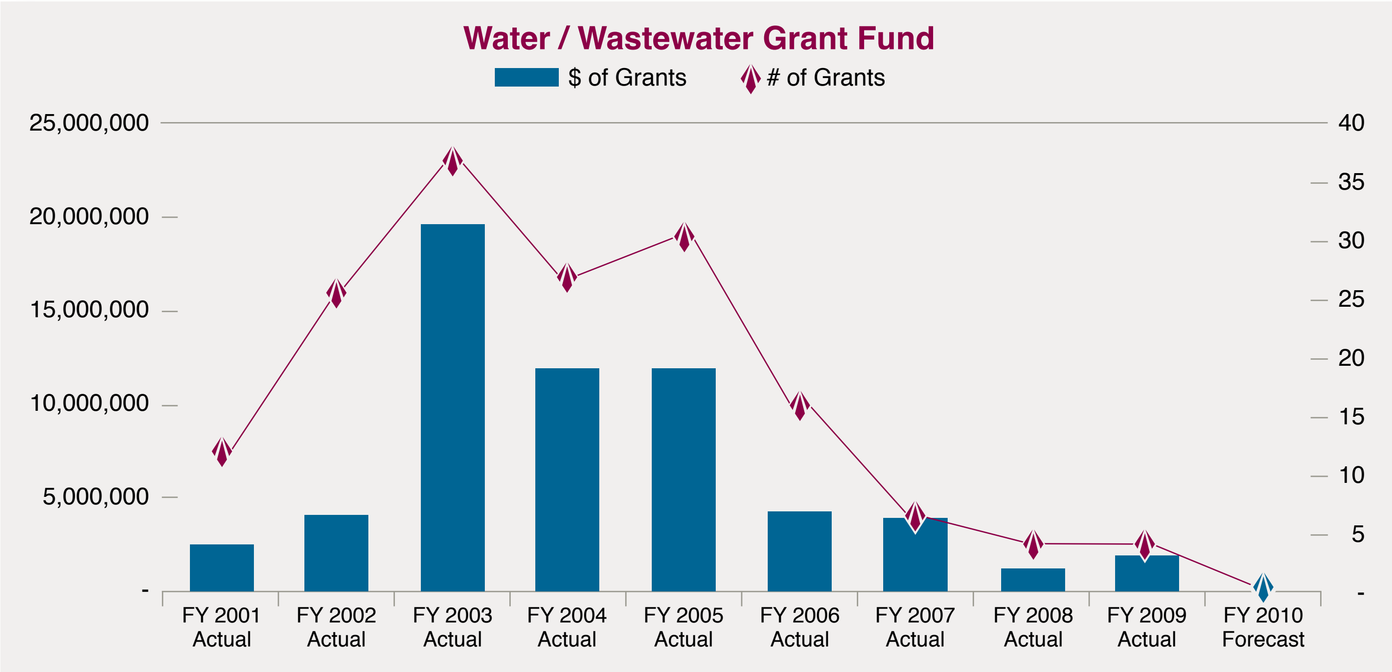
Zach Dillenback, Lead Financial Advisor	992-9616	Gloria Castillo, Sr. Administrative Assistant	992-9663
Claire Manatt, Financial Advisor	992-9643	Rey Romero, General Counsel	992-9667
Darlaina Chapman, Financial Advisor	992-9622	Lorraine Valdez, Sr. Accountant I	992-9623
E.J. Peinado, Financial Analyst	992-9621	Carolin Rios, Accountant III	992-9637
Tim Sturdy, Financial Analyst	992-9708		



Water and Wastewater Grant Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		-
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	7,250	30,000	6,500		15,000
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ 7,250	$ 30,000	$ 6,500	-78.3%	$ 15,000
EXPENDITURES					
Operational Expenditures	$ 85,200	$ 0	$ 85,000	1000.0%	$ 0
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	501,500	-	525,000		-
Depreciation Expense	9,136	-	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 510,636	$ 0	$ 525,000	1000.0%	$ 0
Total Expenditures	$ 595,836	$ 0	$ 610,000	1000.0%	$ 0
Excess (Deficit) Revenues over Expenditures	$ (588,586)	$ 30,000	$ (603,500)		$ 15,000
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (588,586)	$ 30,000	$ (603,500)		$ 15,000

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 4,250,500	$ 3,647,000
Excess Revenues over Expenditures	(603,500)	15,000
Transfers to Other Agencies	-	-
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	-	-
Net Decrease/(Increase) in Loans Receivable	-	-
Net Increase/(Decrease) in Cash	(603,500)	15,000
Fiscal Year's Ending Cash Balance	$ 3,647,000	$ 3,662,000

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PRIVATE LENDINGS

Behavioral Health Capital Fund

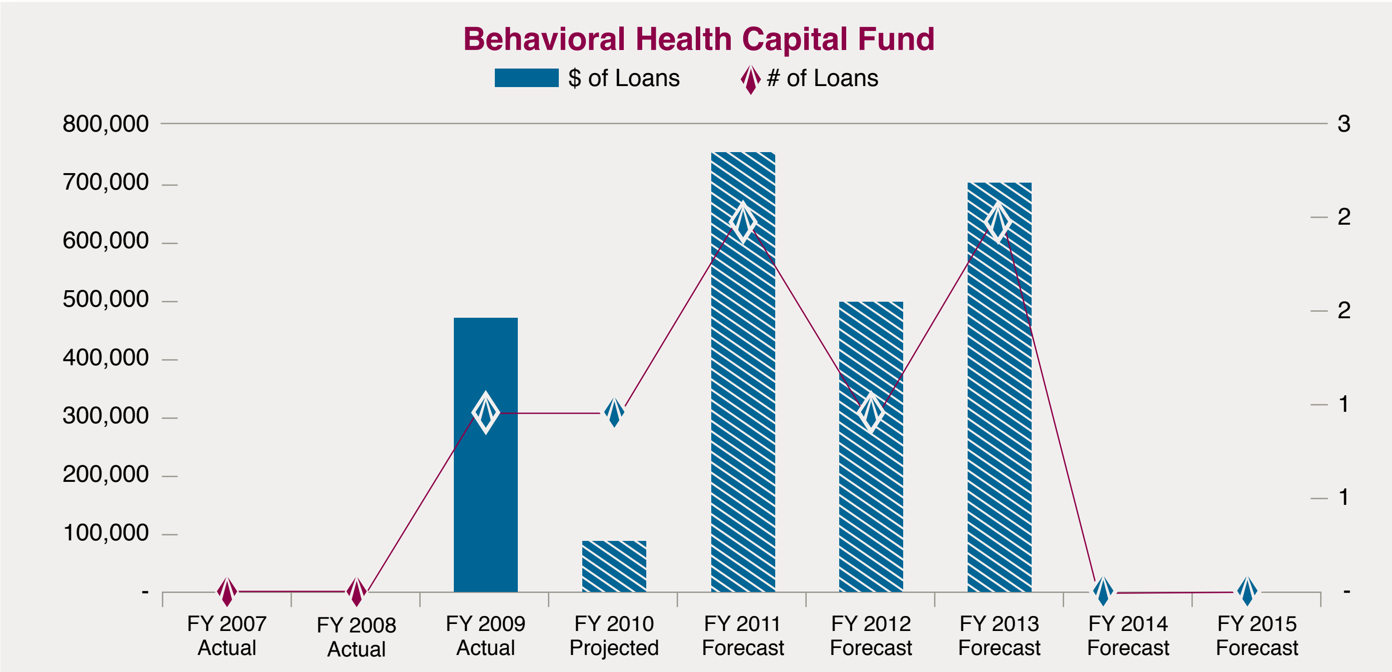
Tailored after the successful Primary Care Capital Fund, this program provides low cost capital to behavioral health clinics in rural and underserved areas of the state. Capitalized by the Authority with $2.5 million, this small loan program provides 3% loans to non-profit behavioral health care providers. With its partners at the Department of Human Services, the Authority has funded two projects totaling $580,000, including a $100,000 loan to *La Familia* in Chaparral, New Mexico which closed in FY 2010.

BHCF STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
John Brooks, Director of Commercial Lending	992-9638
Faviola Chavez, Program Administrator, Private Lending	992-9700
Richard Garcia, Accountant III	992-9624
Rey Romero, General Counsel	992-9667

OUTSIDE COUNSEL

Brownstein, Hyatt



Behavioral Health Capital Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	-	$ 0		$ 0
Interest Income - Loans	16,000	15,500	16,500		16,000
Interest Income - Investments, Cash & Equiv	2,300	45,000	2,500		2,500
Administration Fee Revenue	800	-	-		-
Grant Revenue	-	-	-		-
Total Revenues	19,100	60,500	19,000	-68.6%	18,500
EXPENDITURES					
Operational Expenditures	$ 18,760	$ 84,598	$ 41,537	-50.9%	$ 43,302
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 117,088	$ 117,000	$ 110,200		$ 103,313
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense	1,024	399	-		-
Contract for Service Expense	10,000		12,000		15,000
TOTAL NON-OPERATIONAL EXPENDITURES	$ 128,112	$ 117,399	$ 122,200	4.1%	$ 118,313
Total Expenditures	$ 146,872	$ 201,997	$ 163,737	-18.9%	$ 161,615
Excess (Deficit) Revenues over Expenditures	$ (127,772)	$ (141,497)	$ (144,737)		$ (143,115)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (127,772)	$ (141,497)	$ (144,737)		$ (143,115)

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 2,421,742	$ 1,791,805
Excess Revenues over Expenditures	(144,737)	(143,115)
Transfers to Other Agencies	-	-
Bond Principal Payments	(125,000)	(125,000)
Increase/(Decrease) in Loan to Programs	-	-
Net Decrease/(Increase) in Loans Receivable	(610,200)	(460,000)
Net Increase/(Decrease) in Cash	(629,937)	(478,115)
Fiscal Year's Ending Cash Balance	$ 1,791,805	$ 1,313,691

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Smart Money (SWEDFA)

Created in 2003, the Statewide Economic Development Finance Act authorizes the Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities. In 2005, the Authority, in partnership with the Economic Development Department, successfully amended the law to create the Smart Money Initiative, a business lending program designed to use a $7 million appropriation to create greater access to capital throughout rural and underserved areas of New Mexico.

Through the Smart Money Initiative, the Authority has secured partners from more than 30 participating financial institutions operating throughout the state. To date, the Authority has purchased 4 loan participations totaling just under $5 million, which has leveraged additional financing from the Smart Partner banks of more than $12.9 million. These loans are funding new and expanding businesses located in Raton, Las Vegas, Alamogordo and Silver City. More importantly, the funding will create at least 200 new jobs for New Mexicans over a five year period. To date, these companies have filled 67% of those jobs.

Conduit Bonds (SWEDFA)

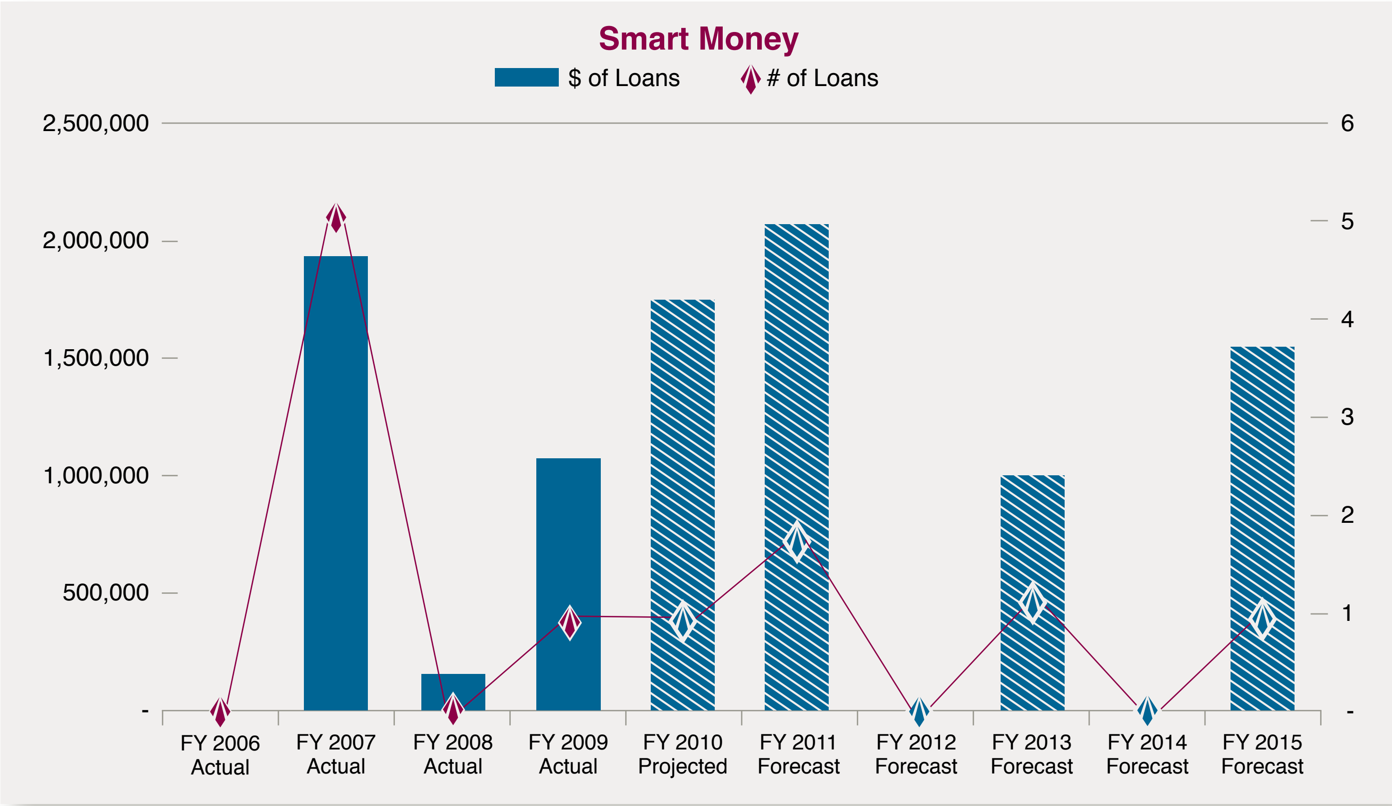
Created in 2003, the Statewide Economic Development Finance Act authorizes the Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities. Until FY 2010, only the Smart Money Loan Participation Program has been implemented by the Authority. However, during FY 2010, the Authority implemented the rules necessary to help businesses and communities take advantage of changes in federal tax law by becoming an active conduit bond issuer. Through this program, the Authority can help for-profit and not-for-profit businesses, particularly in rural and underserved areas of New Mexico, access the national bond market and take advantage of federal programs that can lower their interest rates.

SWEDFA STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
John Brooks, Director of Commercial Lending	992-9638
Faviola Chavez, Program Administrator, Private Lending	992-9700
Celina Sandoval, Sr. Administrative Assistant	992-9642
Rey Romero, General Counsel	992-9667
Robert Brannon, Sr. Accountant II	992-9660

OUTSIDE COUNSEL

Brownstein, Hyatt



Smart Money
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ (5,000,000)	$ 0	$ 0		$ 0
Interest Income - Loans	210,000	150,000	200,000		225,000
Interest Income - Investments, Cash & Equiv	13,850	85,000	10,000		5,000
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ (4,776,150)	$ 235,000	$ 210,000	-10.6%	$ 230,000
EXPENDITURES					
Operational Expenditures	$ 334,650	$ 516,528	$ 254,478	-50.7%	$ 265,292
New Program Expenditures					
New Personnel including benefits			-		-
Contractual Services			50,000		50,000
Subtotal - New Programs	***-***	***-***	***50,000***		***50,000***
Total Operating Expenditures	***334,650***	***516,528***	***304,478***		***315,292***
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense	15,200	15,000	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 15,200	$ 15,000	$ 0	-100.0%	$ 0
Total Expenditures	$ 349,850	$ 531,528	$ 304,478	-42.7%	$ 315,292
Excess (Deficit) Revenues over Expenditures	$ (5,126,000)	$ (296,528)	$ (94,478)		$ (85,292)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (5,126,000)	$ (296,528)	$ (94,478)		$ (85,292)

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 3,925,000	$ 587,050
Excess Revenues over Expenditures	(94,478)	(85,292)
Transfers to Other Agencies	-	-
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	306,528	79,656
Net Decrease/(Increase) in Loans Receivable	(3,550,000)	125,000
Net Increase/(Decrease) in Cash	(3,337,950)	119,364
Fiscal Year's Ending Cash Balance	$ 587,050	$ 706,414

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New Markets Tax Credits

To enhance the Smart Money Initiative, the Authority formed a subsidiary for-profit company called Finance New Mexico LLC, to pursue an allocation of federal tax credits available under the New Markets Tax Credit (NMTC) program. Recognizing the lack of allocation to New Mexico, the Legislature and Governor supported—with enactment of legislation in 2006—creation of this company for the sole purpose of participating in this specific federal program.

The purpose of the NMTC program is perfectly aligned with the goal of the Smart Money Initiative, which is to provide private businesses in rural or underserved areas of the state with greater access to capital. The incentive to investors is a 39% federal income tax credit earned over seven years for every dollar invested in a qualified low income community enterprise. Surprisingly, until 2007, no single entity within New Mexico had received an allocation of these important incentives, and only one single deal had been completed in this state for $6 million, despite more than $11.5 billion of tax credits having been allocated nationwide.

Under its subsidiary company Finance New Mexico, the Authority submitted an application to the U.S. Department of Treasury in February 2007 and was awarded a $110 million allocation of tax credits, 60% of which must be obligated by September 2010.

Nationally, the pace of the NMTC program has slowed while banks were reticent to lend for new projects. Additionally, the demand for tax credits decreased as major banks and insurance companies face less taxable income. As a result, the program was negatively impacted as the credit pricing was reduced and deals that could have been funded several years ago were no longer economical to fund.

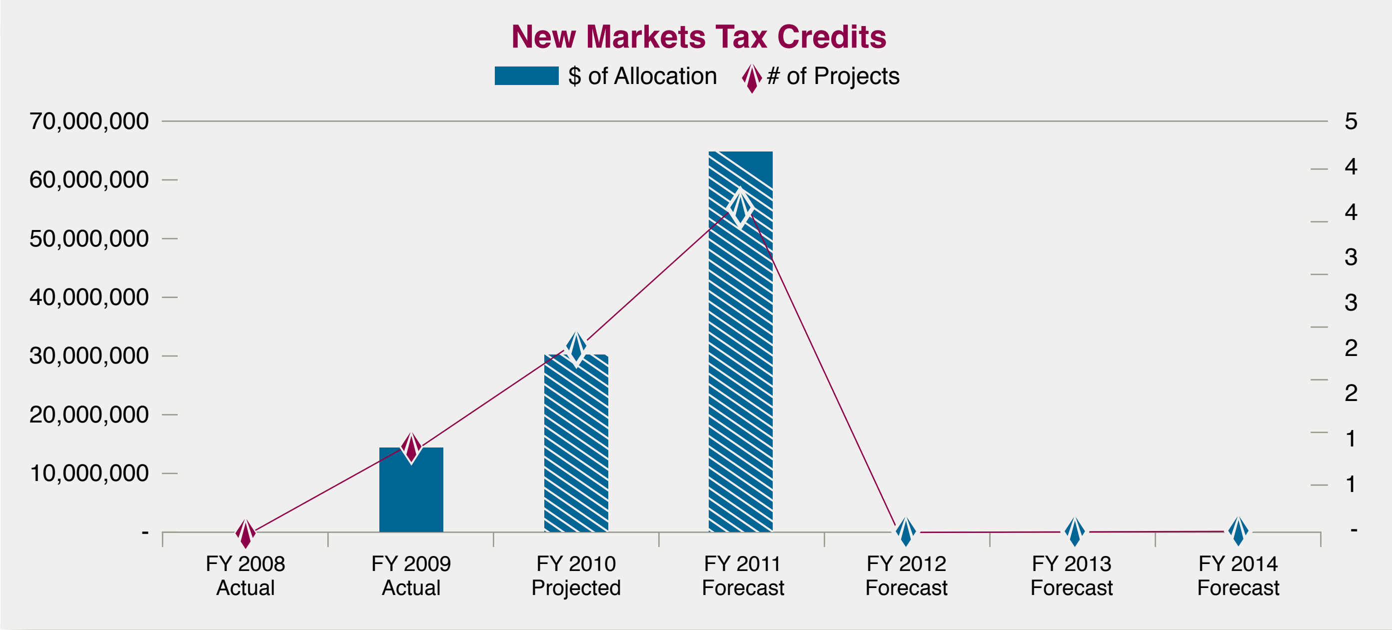
Fortunately, New Mexico saw less impact than its neighboring states. To date, Finance New Mexico has used $45.846 million of its allocation to fund three deals and has obligated another $15.5 million of the allocation.

NMTC STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
John Brooks, Director of Commercial Lending	992-9638
Faviola Chavez, Program Administrator, Private Lending	992-9700
Robert Brannon, Sr. Accountant II	992-9660
Celina Sandoval, Sr. Administrative Assistant	992-9642
Connie Marquez-Valencia, Executive Assistant	992-9611
Rey Romero, General Counsel	992-9667

OUTSIDE COUNSEL

Virtue, Najjar & Brown - Loan Counsel
Baker Tilley - Financial Advisor



New Markets Tax Credit
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv	120		500		350
Administration Fee Revenue	1,368,155	1,800,000	1,800,000		-
Grant Revenue			-		-
Total Revenues	$ 1,368,275	$ 1,800,000	$ 1,800,500		$ 350
EXPENDITURES					
Operational Expenditures	$ 535,750	$ 869,540	$ 597,627		$ 623,024
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense	-		-		-
Depreciation Expense	1,200	580	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 1,200	$ 580	$ 0	-100.0%	$ 0
Total Expenditures	$ 536,950	$ 870,120	$ 597,627		$ 623,024
Excess (Deficit) Revenues over Expenditures	$ 831,325	$ 929,880	$ 1,202,873		$ (622,674)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ 831,325	$ 929,880	$ 1,202,873		$ (622,674)

Reconciliation of Change in Cash

	FY 2011 Annual Budget	FY 2012 Annual Budget
Fiscal Year's Beginning Cash Balance	$ 0	$ 967,873
Excess Revenues over Expenditures	1,202,873	(622,674)
Transfers to Other Agencies	-	-
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	(235,000)	-
Net Decrease/(Increase) in Loans Receivable	-	-
Net Increase/(Decrease) in Cash	967,873	(622,674)
Fiscal Year's Ending Cash Balance	$ 967,873	$ 345,199

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Primary Care Capital Fund

The Primary Care Capital Fund was created by the 1994 Legislature with an initial appropriation of $5 million to be used as a revolving fund in the State Treasury. The revolving fund provides financial assistance to small primary care health clinics for infrastructure, construction and capital equipment purchases with a useful life of more than 3 years.

Clinics in New Mexico communities such as Peñasco, Silver City, Pecos and Anthony have borrowed from the fund to expand their existing medical facilities for mental and dental services in addition to the construction of new facilities. These communities benefit tremendously from the primary care services because the program allows for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide free medical care or reduced prices to sick and indigent clients.

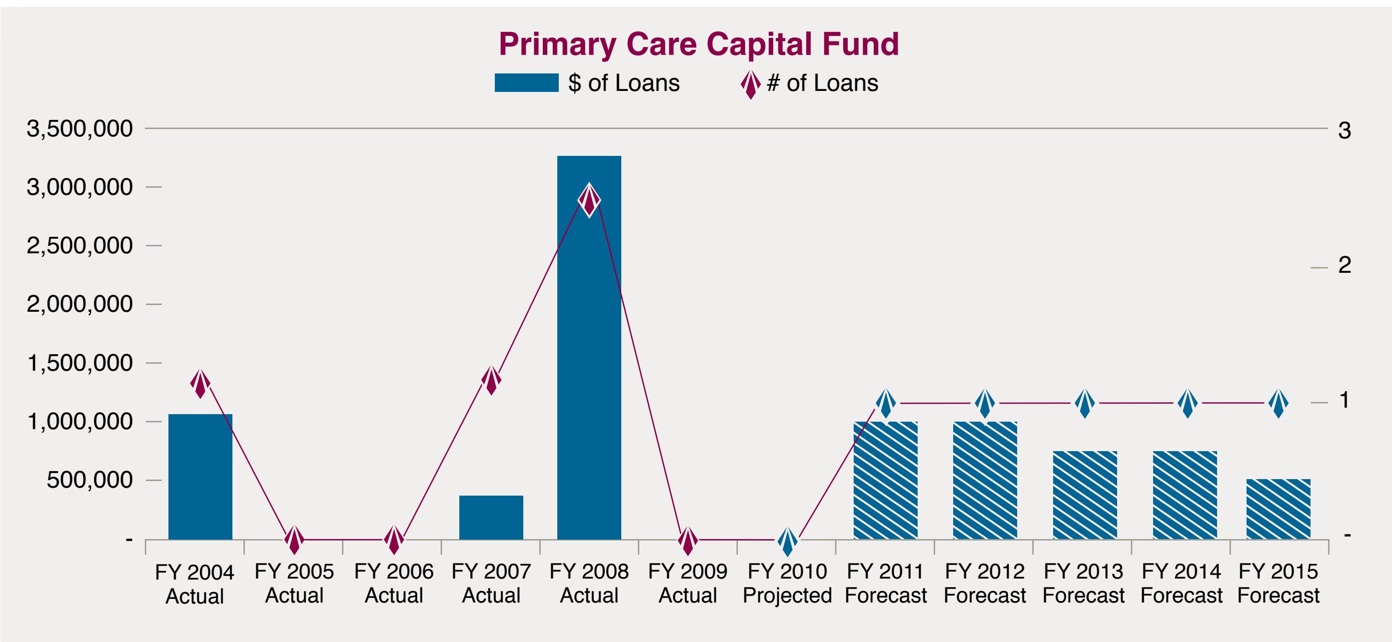
These loans, some of which have been in repayments since 1997, have repaid almost $3 million to the fund. Currently, the Authority has approximately $2 million in available funds in this program and expects that to quickly lend in FY 2011.

PCCF STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
John Brooks, Director of Commercial Lending	992-9638
Faviola Chavez, Program Administrator, Private Lending	992-9700
Celina Sandoval, Sr. Administrative Assistant	992-9642
Rey Romero, General Counsel	992-9667
Richard Garcia, Accountant III	992-9624

OUTSIDE COUNSEL

Brownstein, Hyatt - Loan Counsel



Primary Care Capital Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		$ 0
Interest Income - Loans	128,750		115,000		125,000
Interest Income - Investments, Cash & Equiv	25,000	162,000	25,000		30,000
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ 153,750	$ 162,000	$ 140,000	-13.6%	$ 155,000
EXPENDITURES					
Operational Expenditures	$ 83,500	$ 91,638	$ 115,742	26.3%	$ 120,661
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense	375	675	-		-
Contract for Service Expense	86,605	135,860	87,500		89,000
TOTAL NON-OPERATIONAL EXPENDITURES	$ 86,980	$ 136,535	$ 87,500	-35.9%	$ 89,000
Total Expenditures	$ 170,480	$ 228,173	$ 203,242	-10.9%	$ 209,661
Excess (Deficit) Revenues over Expenditures	$ (16,730)	$ (66,173)	$ (63,242)		$ (54,661)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (16,730)	$ (66,173)	$ (63,242)		$ (54,661)

Reconciliation of Change in Cash	FY 2011 Annual Budget	FY 2012 Annual Budget
Fiscal Year's Beginning Cash Balance	$ 2,250,405	$ 1,323,921
Excess Revenues over Expenditures	(63,242)	(54,661)
Transfers to Other Agencies	-	-
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	63,242	54,661
Net Decrease/(Increase) in Loans Receivable	(800,000)	(850,000)
Net Increase/(Decrease) in Cash	(926,484)	(959,322)
Fiscal Year's Ending Cash Balance	$ 1,323,921	$ 364,599

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Child Care Revolving Loan Fund

Created by the 2005 Legislature and funded by the Governor with $250,000 of federal funds, the Child Care Facility Loan Fund partners the Authority with Children Youth and Families Department (CYFD) to provide low-cost financing to licensed child care providers to fund improvements to their facilities.

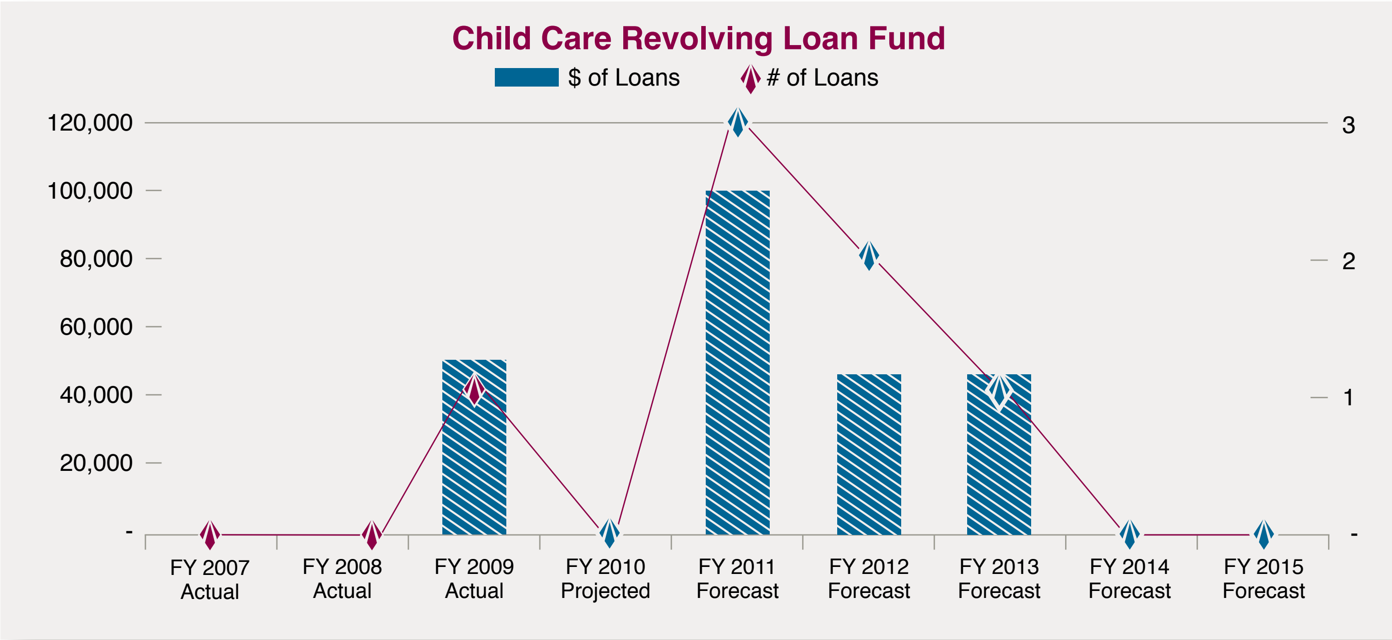
In 2008, the Authority and CFYD stepped up their efforts to make certain child care providers were positioned to take advantage of this critical, low-cost funding. However, recent declines in employment and budget tightening at the state level have impacted the number of clients that are able to undertake loans. To date, the Authority funded a $50,000 loan to Connie's Day Care in Las Cruces for the expansion of this home-based day care center.

CCRLF STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
John Brooks, Director of Commercial Lending	992-9638
Faviola Chavez, Program Administrator	992-9700
Richard Garcia, Accountant III	992-9624
Celina Sandoval, Sr. Administrative Assistant	992-9642
Rey Romero, General Counsel	992-9667

OUTSIDE COUNSEL

Brownstein, Hyatt - Loan Counsel



Child Care Revolving Loan Fund
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		$ 0
Interest Income - Loans	6,500	1,100	6,000		6,500
Interest Income - Investments, Cash & Equiv	225	2,000	250		300
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	6,725	3,100	6,250	101.6%	6,800
EXPENDITURES					
Operational Expenditures	$ 21,480	$ 54,263	$ 14,403	-73.5%	$ 15,015
Non-Operational Expenditures					
Bond/Loan Interest Expense		$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense	821	210	-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 821	$ 210	$ 0	-100.0%	$ 0
Total Expenditures	$ 22,301	$ 54,473	$ 14,403	-73.6%	$ 15,015
Excess (Deficit) Revenues over Expenditures	$ (15,576)	$ (51,373)	$ (8,153)		$ (8,215)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (15,576)	$ (51,373)	$ (8,153)		$ (8,215)

Reconciliation of Change in Cash	FY 2011	FY 2012
Fiscal Year's Beginning Cash Balance	$ 236,750	$ 156,650
Excess Revenues over Expenditures	(8,153)	(8,215)
Transfers to Other Agencies	-	-
Bond Principal Payments	-	-
Increase/(Decrease) in Loan to Programs	13,053	13,215
Net Decrease/(Increase) in Loans Receivable	(85,000)	(32,000)
Net Increase/(Decrease) in Cash	(80,100)	(27,000)
Fiscal Year's Ending Cash Balance	$ 156,650	$ 129,650

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STAND-ALONES

Energy Efficiency and Renewable Energy Bonding Act

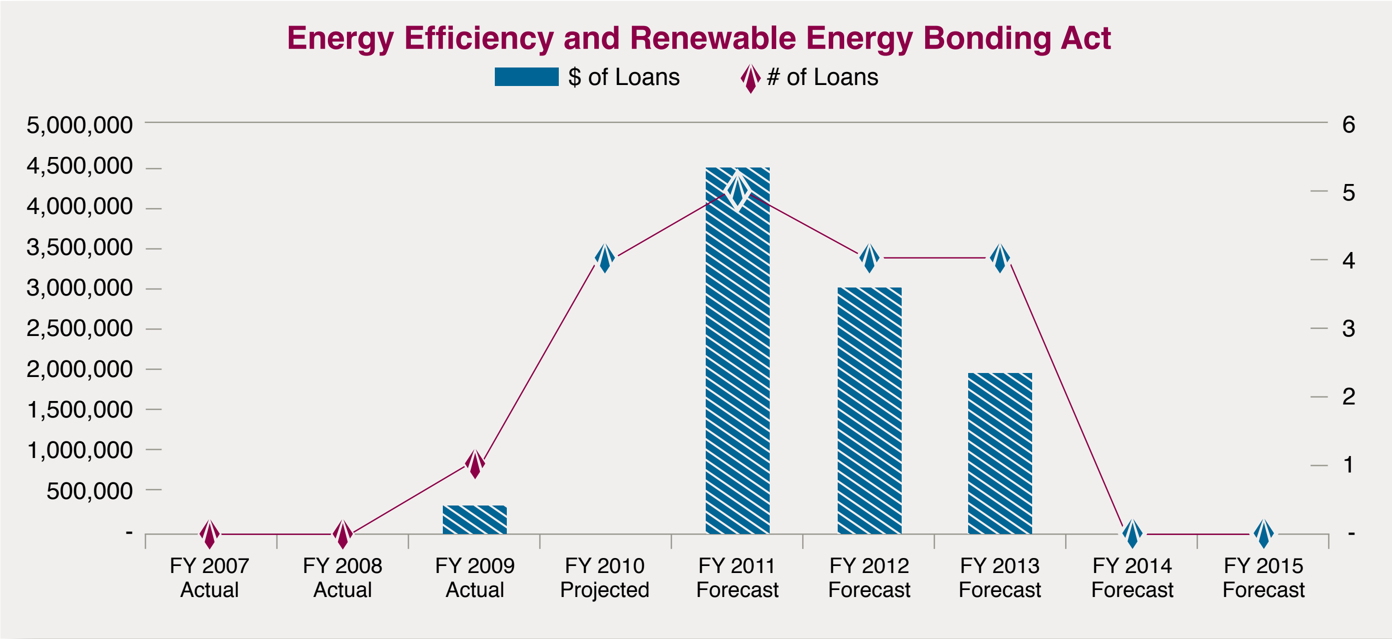
The Energy Efficiency and Renewable Energy Bonding Act of 2005 established an innovative financing mechanism for state agencies, universities, and public schools to fund and implement energy efficiency and renewable energy renovations at existing facilities. The Act authorizes the Authority to issue up to $20 million in bonds, which will be backed by the State's Gross Receipts Tax, to make loans to the state agencies, universities and public schools to fund these energy efficiency measures at their existing facilities. The State has agreed to cover the debt service on the bonds by reducing the appropriate agencies' operating budget by 90% of the estimated costs savings generated from the energy measures implemented. The Authority will issue these bonds and buy them into the PPRF to minimize the issuance costs associated with these bonds. To date, the Authority has issued one bond under this program totaling a little more than $368,000.

ENERGY EFFICIENCY/RENEWABLE ENERGY STAFF SUPPORT

Marquita Russel, Chief of Programs	992-9619
John Brooks, Director of Commercial Lending	992-9638
Faviola Chavez, Program Administrator, Private Lending	992-9700
Celina Sandoval, Sr. Administrative Assistant	992-9642
Rey Romero, General Counsel	992-9667
Richard Garcia, Accountant III	992-9624

OUTSIDE COUNSEL

Brownstein, Hyatt - Loan Counsel



Energy Efficiency & Renewable Energy Bonding Act
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 0	$ 0	$ 0		$ 0
Interest Income - Loans			-		-
Interest Income - Investments, Cash & Equiv			-		-
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ 0	$ 0	$ 0	100.0%	$ 0
EXPENDITURES					
Operational Expenditures	$ 3,175	$ 10,250	$ 16,878	100.0%	$ 17,596
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 0	$ 0	$ 0		$ 0
Bond Issuance Expense			-		-
Contractual Services			-		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense	1,200		-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 1,200	$ 0	$ 0	100.0%	$ 0
Total Expenditures	$ 4,375	$ 10,250	$ 16,878	100.0%	$ 17,596
Excess (Deficit) Revenues over Expenditures	$ (4,375)	$ (10,250)	$ (16,878)		$ (17,596)
Transfer to Other Agencies					
Repayments from Other Programs					
Excess (Deficit) Revenues over Expenditures	$ (4,375)	$ (10,250)	$ (16,878)		$ (17,596)

Reconciliation of Change in Cash	FY 2011 Annual Budget		FY 2012 Annual Budget
Fiscal Year's Beginning Cash Balance	$ 0		$ 0
Excess Revenues over Expenditures	(16,878)		(17,596)
Transfers to Other Agencies	-		-
Bond Principal Payments	-		-
Increase/(Decrease) in Loan to Programs	16,878		17,596
Net Decrease/(Increase) in Loans Receivable	-		-
Net Increase/(Decrease) in Cash	-		-
Fiscal Year's Ending Cash Balance	$ 0		$ 0

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Intergovernmental Receivables

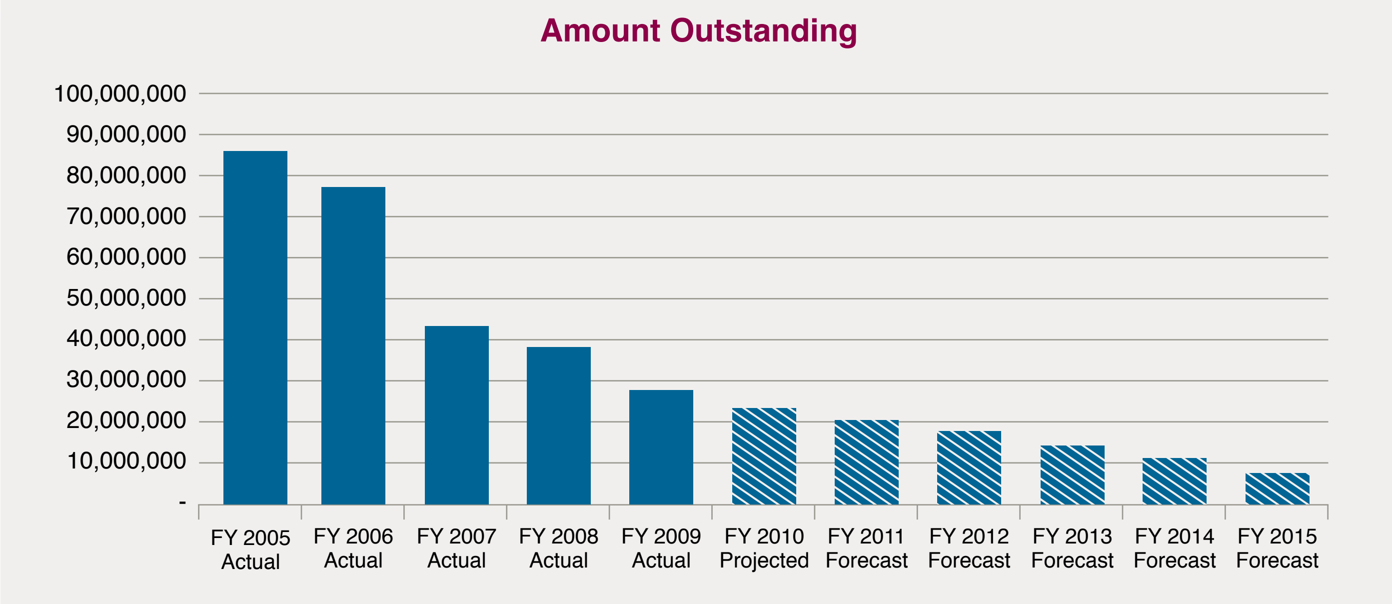
Earlier in its history, the Authority issued bonds for a number of projects outside the PPRF involving governmental entities. For various reasons, these projects were not considered at the time to meet the criteria necessary to qualify for a PPRF loan. The definition of the requirements to qualify as a PPRF project have broadened over time and similar projects today are funded as PPRF loans, not Stand-Alone loans. For each of these loans, the source of repayment of the debt service on the related bonds issued by the Authority is a legislative appropriation. The bonds previously issued and currently outstanding to fund these "intergovernmental receivables" are as follows:

Borrower	Amount Currently Outstanding
UNM Health Sciences	$19,855,000
Workers Compensation Financing Fund	2,315,000
State Capital Improvement Financing Fund	4,775,000

To provide a complete and comprehensive budget for the Authority, the appropriation revenues and debt service payments for these loans are included in the Authority's overall budget. The estimated amounts for fiscal 2010 are presented on the opposite page.

INTERGOVERNMENTAL RECEIVABLES STAFF SUPPORT

John Duff, Chief of Finance	992-9626	Greg Campbell, Controller	992-9614



Intergovernmental Receivables
BUDGET FOR FISCAL YEARS 2011 & 2012

	Projected FY 2010 Actual	FY 2010 Annual Budget	FY 2011 Annual Budget	FY 2011 Over FY 2010 Percentage Change	FY 2012 Annual Budget
REVENUES					
Appropriation Revenues	$ 2,950,000	$ 17,201,000	$ 2,350,000		$ 2,275,000
Interest Income - Loans	1,367,950	20,600	1,201,483		1,042,043
Interest Income - Investments, Cash & Equiv	15,000	145,000	15,000		17,500
Administration Fee Revenue			-		-
Grant Revenue			-		-
Total Revenues	$ 4,332,950	$ 17,366,600	$ 3,566,483	-79.5%	$ 3,334,543
EXPENDITURES					
Operational Expenditures	$ 0	$ 0	$ 0		$ 0
Non-Operational Expenditures					
Bond/Loan Interest Expense	$ 1,367,950	$ 5,712,000	$ 1,201,483		$ 1,042,043
Bond Issuance Expense			-		-
Contractual Services	125,000	175,000	15,000		-
Other Financial Use - Bond Premium			-		-
Grant Expense			-		-
Depreciation Expense			-		-
Contract for Service Expense			-		-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 1,492,950	$ 5,887,000	$ 1,216,483	-79.3%	$ 1,042,043
Total Expenditures	$ 1,492,950	$ 5,887,000	$ 1,216,483	-79.3%	$ 1,042,043
Excess (Deficit) Revenues over Expenditures	$ 2,840,000	$ 11,479,600	$ 2,350,000		$ 2,292,500
Transfer to Other Agencies	3,200,000	4,064,484	2,050,000		2,050,000
Repayments from Other Programs			$ 0		$ 0
Excess (Deficit) Revenues over Expenditures	$ (360,000)	$ 7,415,116	$ 300,000		$ 242,500

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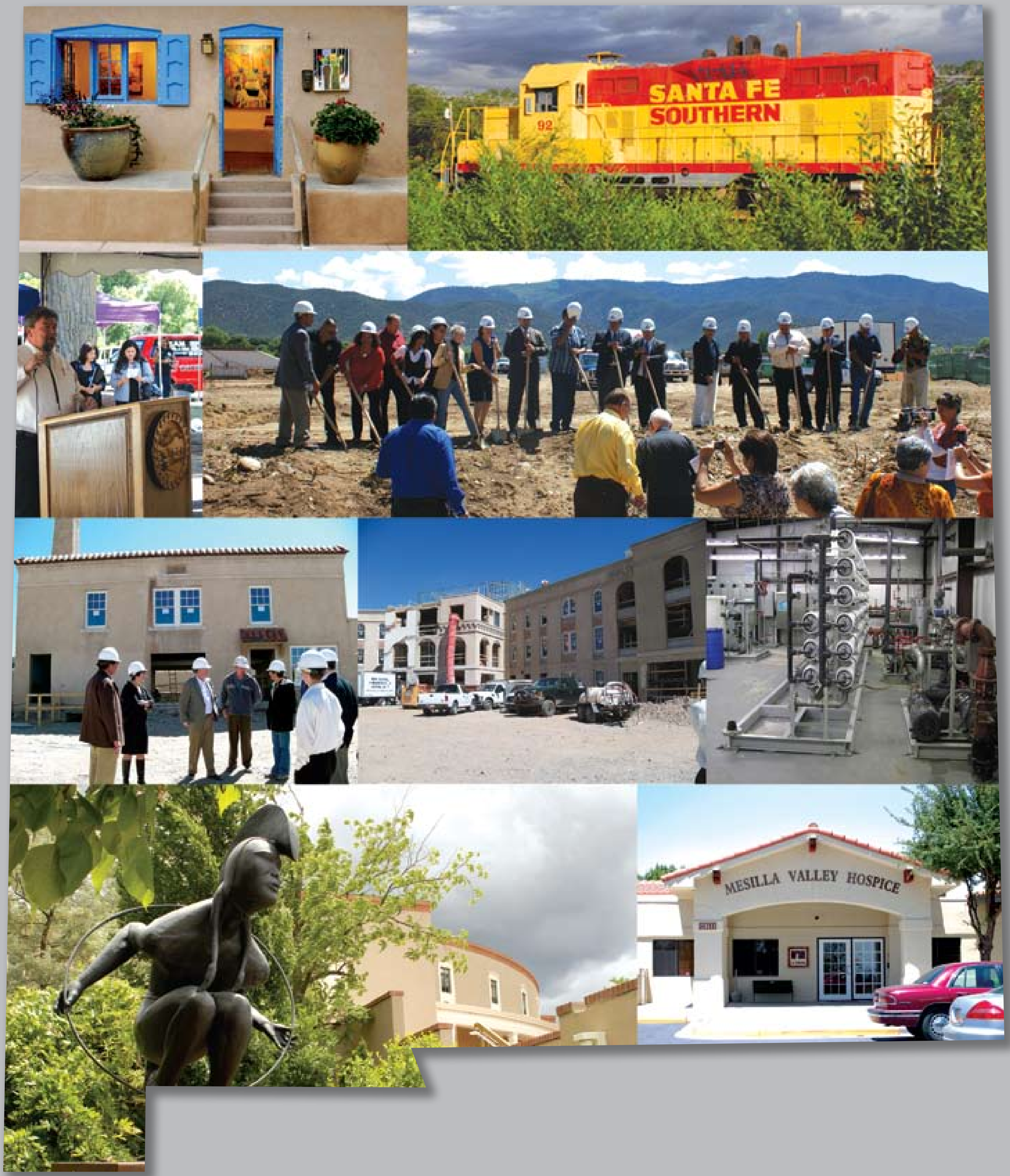

SANTA FE
SOUTHERN
92
MESILLA VALLEY HOSPICE

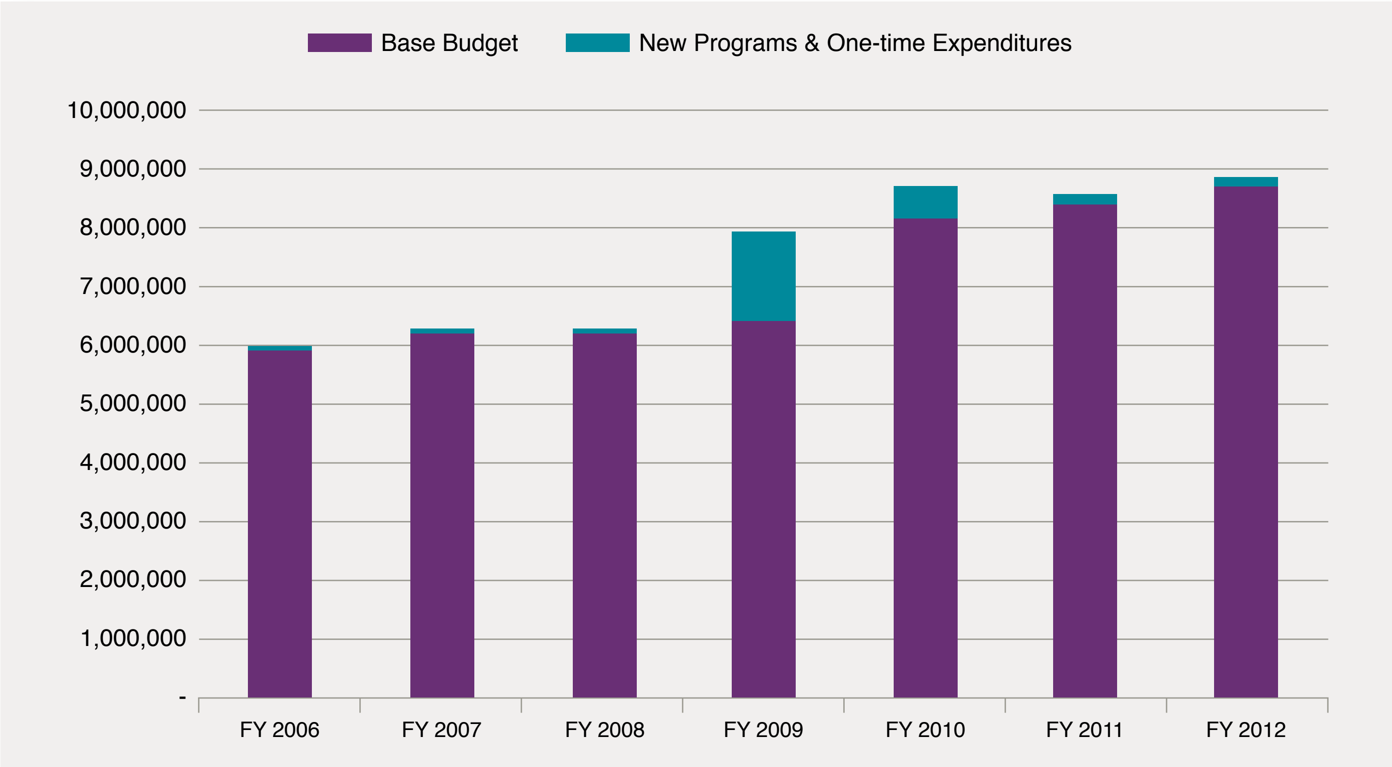
Total Operating Budget

The following page reflects the Authority's operating budget for fiscal years 2011 and 2012. This operating budget outlines the Authority's proposed spending for salaries and benefits as well as travel expenses, operating costs and contractual services which will be necessary to carry out the objectives of the Authority's 16 programs over the next two years.

During these hard economic times, the Authority is looking to meet the infrastructure needs of the state while balancing costs to meet those needs. As such, the Authority's proposed operating budget for fiscal year 2011 will be reduced by 2.4% from fiscal 2010 revised budget, while the budgeted number of staff positions will increase from 41 positions to 43. The increase in staff is due to the hiring of a new staff member for the ARRA program as well as a new position to head the newly created Water Department which will oversee all of the Authority's water programs including the Drinking Water program, ARRA program, Water Projects Fund, Local Government Planning Fund, and the newly created Colonias program. The increase in staff cost of 3.8% is more than offset in reductions in the contractual services area which is decreasing by over $400,000 or 11.7%.

The fiscal year 2012 operating budget results in a 2.6% increase over the revised fiscal 2011 budget with a majority of the increase (1.8%) coming as a result of the Authority's biannual salary survey. Should the results of the salary survey produce no changes in the salary structure of the Authority, the operating budget will increase by a modest 0.85%. Over the two year period from fiscal year 2010 thru fiscal year 2012, the Authority's operating budget is expected to result in a net increase of 1.79%.

The following is a graphical illustration of the growth in the Authority's operating budget from fiscal year 2006 through fiscal year 2012. During this time period, the Authority will have provided financial assistance to over 1,100 projects totaling over $1.9 billion.



Consolidated Budgets for Fiscal Years 2011 & 2012

	Revised FYE 2010 Budget	FYE 2010 With Planned Savings	% of Revised Budget	FYE 2011 Budget	% Incr (Decr) fr 2010 Revised Budget	% Incr (Decr) fr 2010 Projected Actual	FYE 2012 Budget	% Incr (Decr) fr 2011 Revised Budget
Personnel services	2,948,245	2,858,245	96.9%	3,026,111	2.6%	5.9%	3,175,895	2.9%
Salary Survey							158,794	100.0%
Employee benefits	1,278,953	1,235,953	96.6%	1,363,797	6.6%	10.3%	1,457,987	5.0%
In-state travel	152,880	109,880	71.9%	130,080	-14.9%	18.4%	131,381	1.0%
Maintenance/Repairs	36,500	31,500	86.3%	34,865	-4.5%	10.7%	34,865	0.0%
Office supplies	52,335	42,335	80.9%	50,258	-4.0%	18.7%	50,258	0.0%
Contractual services	3,309,377	3,016,377	91.1%	2,922,294	-11.7%	-3.1%	2,863,848	-3.6%
Operating costs	953,723	887,723	93.1%	998,602	4.7%	12.5%	1,018,574	2.0%
Out-of state travel	103,050	56,050	54.4%	100,610	-2.4%	79.5%	101,616	1.0%
	8,835,063	**8,238,063**	93.2%	**8,626,617**	**-2.4%**	4.7%	**8,993,218**	**2.6%**
New Programs								
1. Colonias								
Personnel/Benefits								
1 - Financial Advisor				85,000				
2. Conduit Bonds								
Program Expenditures								
Legal Services - Conduit Bonds				50,000			50,000	
3. Accounting Positions								
Personnel/Benefits								
1 - Accountant							75,000	
Total New Programs				135,000			125,000	
Total Operating Budget				**8,761,617**			**9,118,218**	
Capital Expenditures								
Implementation of Client Data Base System (Thompson System)				80,000				
Document Management Software				30,000				
Private Lending Software				5,000				
UPS Battery Replacement							5,000	
Wyse Terminal Purchases							10,000	
Staff Las Cruces Office							15,000	
Furniture & Fixtures				15,000			15,000	
Total Capital Expenditures				130,000			45,000	

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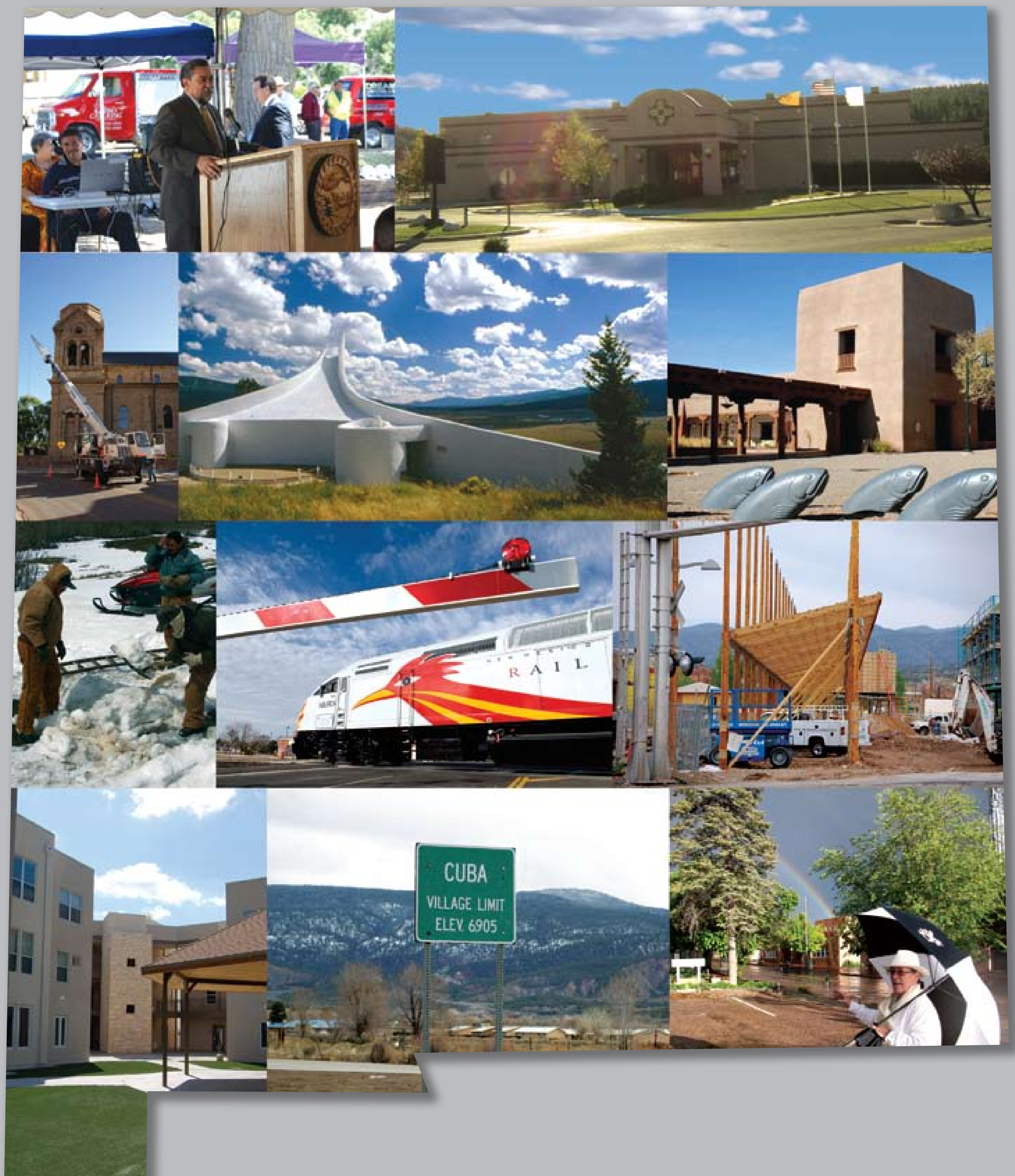
BUDGET DETAIL BY PROGRAM - FISCAL YEAR 2011

	Grand Total	PPRF	GRIP	Local Government Transportation Fund	Local Transportation Infrastructure Fund	Drinking Water Revolving Loan Fund
REVENUES						
Appropriation Revenues	$ 34,320,000	$ 24,770,000	$ 0	$ 7,200,000	$ 0	$ 0
Interest Income - Loans	54,873,983	52,500,000	-	- 0	-	835,000
Interest Income - Investments, Cash & Equiv	1,500,000	1,333,850	3,600	35,000	5,200	26,500
Administration Fee Revenue	7,804,775	3,849,275	1,000,000	- 0	1,000,000	150,000
Grant Revenue	52,380,000	-	- 0	- 0	-	24,380,000
Total Revenues	$ 150,878,758	$ 82,453,125	$ 1,003,600	$ 7,235,000	$ 1,005,200	$ 25,391,500
EXPENDITURES						
Operational Expenditures						
Total Operating Expenses	8,626,617					
Allocated to Programs	- 0	5,167,982	542,937	39,540	19,181	853,316
(See separate schedule for breakdown)						
Subtotal - Operational Expenditures	$ 8,626,617	$ 5,167,982	$ 542,937	$ 39,540	$ 19,181	$ 853,316
New Program Expenditures						
Personnel	85,000	-	-	-	-	-
Contractual Services	50,000	-	-	-	-	-
Allocated to Programs	- 0	85,000	-	-	-	-
Subtotal - New Program Expenditures	**$ 135,000**	**$ 85,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Total Operating Expenditures	**$ 8,761,617**	**$ 5,252,982**	**$ 542,937**	**$ 39,540**	**$ 19,181**	**$ 853,316**
Non-Operational Expenditures						
Bond/Loan interest Expense	$ 57,561,683	$ 56,250,000	$ 0	$ 0	$ 0	$ 0
Bond Issuance Expense	3,400,000	3,250,000	-	-	150,000	-
Contractual Services	340,000	325,000	-	-	-	-
Other Fin use - Bond Premium	- 0	-	-	-	-	-
Grant Expense	71,226,307	17,340	-	33,433,967	2,000,000	9,375,000
Depreciation Expense	- 0	-	-	-	-	-
Contract for Service Expense	99,500	-	-	-	-	-
TOTAL NON-OPERATIONAL EXPENDITURES	$ 132,627,490	$ 59,842,340	$ 0	$ 33,433,967	$ 2,150,000	$ 9,375,000
Total Expenditures	$ 141,389,107	$ 65,095,322	$ 542,937	$ 33,473,507	$ 2,169,181	$ 10,228,316
Excess (Deficit) Revenues over Expenditures	$ 9,489,651	$ 17,357,803	$ 460,663	$ (26,238,507)	$ (1,163,981)	$ 15,163,184
Transfer to Other Agencies	7,550,000	1,500,000	-	-	-	4,000,000
Excess (Deficit) Revenues over Expenditures	$ 1,939,651	$ 15,857,803	$ 460,663	$ (26,238,507)	$ (1,163,981)	$ 11,163,184

BUDGET DETAIL BY PROGRAM - FISCAL YEAR 2011

Water Project Fund	Local Government Planning Fund	Water Wastewater Grant Fund	Behavioral Health Capital Fund	Smart Money	New Markets Tax Credits	Primary Care Capital Fund	Child Care Revolving Loan Fund	Energy Efficiency and Renewable Energy Bonding	Operating Fund	Intergovernmental Receivables
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,350,000
-	-	-	16,500	200,000	-	115,000	6,000	-	-	1,201,483
15,000	600	6,500	2,500	10,000	500	25,000	250	-	20,500	15,000
5,500	-	-	-	-	1,800,000	-	-	-	-	-
28,000,000	-	-	-	-	-	-	-	-	-	-
$ 28,020,500	$ 600	$ 6,500	$ 19,000	$ 210,000	$ 1,800,500	$ 140,000	$ 6,250	$ 0	$ 20,500	$ 3,566,483
									8,626,617	
770,414	107,582	85,000	41,537	254,478	597,627	115,742	14,403	16,878	(8,626,617)	-
$ 770,414	$ 107,582	$ 85,000	$ 41,537	$ 254,478	$ 597,627	$ 115,742	$ 14,403	$ 16,878	$ 0	$ 0
-	-	-	-	-	-	-	-	-	85,000	-
-	-	-	-	-	-	-	-	-	50,000	-
-	-	-	-	50,000	-	-	-	-	(135,000)	-
$ 0	$ 0	$ 0	$ 0	$ 50,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 770,414	$ 107,582	$ 85,000	$ 41,537	$ 304,478	$ 597,627	$ 115,742	$ 14,403	$ 16,878	$ 0	$ 0
$ 0	$ 0	$ 0	$ 110,200	$ 0	$ 0.00	$ 0	$ 0	$ 0	$ 0	$ 1,201,483
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	15,000
-	-	-	-	-	-	-	-	-	-	-
25,500,000	375,000	525,000	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	12,000	-	-	87,500	-	-	-	-
$ 25,500,000	$ 375,000	$ 525,000	$ 122,200	$ 0	$ 0	$ 87,500	$ 0	$ 0	$ 0	$ 1,216,483
$ 26,270,414	$ 482,582	$ 610,000	$ 163,737	$ 304,478	$ 597,627	$ 203,242	$ 14,403	$ 16,878	$ 0	$ 1,216,483
$ 1,750,086	$ (481,982)	$ (603,500)	$ (144,737)	$ (94,478)	$ 1,202,873	$ (63,242)	$ (8,153)	$ (16,878)	$ 20,500	$ 2,350,000
-	-	-	-	-	-	-	-	-	-	2,050,000
$ 1,750,086	$ (481,982)	$ (603,500)	$ (144,737)	$ (94,478)	$ 1,202,873	$ (63,242)	$ (8,153)	$ (16,878)	$ 20,500	$ 300,000


RAIL
CUBA
VILLAGE LIMIT
ELEV 6905

Five Year Projection

The following page shows the Authority's current projection of revenues and expenses for the next five years. It reflects the Authority's continued move to an employee-based operation and reflects the Authority's strong commitment to providing innovative and solution driven financing in serving the citizens of the state of New Mexico.

In the five years leading up to this point, the Authority has seen a tremendous amount of growth. First of all, the Authority's total assets has grown from $970 million to over $1.9 billion, while its net worth has grown from $265 million to almost $400 million. Financial assistance provided by the Authority has topped $2.25 billion for almost 1,500 projects with $1.5 billion of the financing occurring within the last five years. This growth has been a result of the initiative of becoming an employee-based operation in which the Authority has grown in employee count from 30 employees in 2006 to 41 employees in fiscal year 2010 and its annual operating budget has grown from $6.2 million in fiscal year 2006 to $8.8 million in fiscal year 2010.

In looking forward, the Authority will continue its effort to strengthen its position in the market place. Through the development of marketing plans and stronger communications of its programs to both clients and our working partners, over the next five years, the Authority expects to provide financial assistance to another 750 projects totaling over $1.6 billion. To accomplish this, the operating budget is projected to increase 6.3% over its revised fiscal year 2010 budget or approximately $560,000 over the next five years with all of the increase occurring in the personnel and benefits area. Staff positions are expected to increase by five employees during this period with additions to the newly created water department (one employee), the legal department (one employee), the accounting department (two employees) and the human resources department (one employee). The increased staff will lead to reductions in contractual services of approximately $800,000.

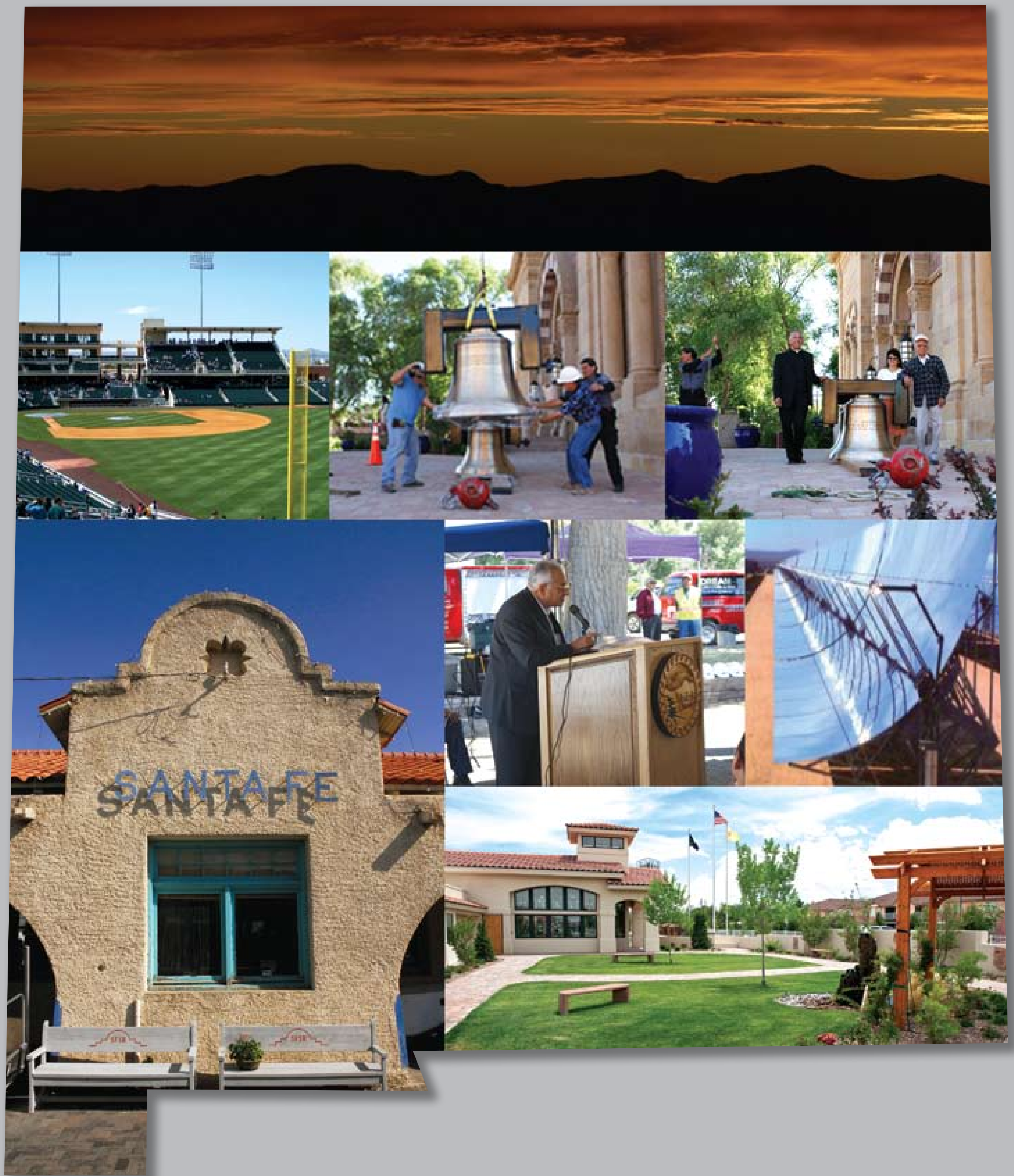
Other initiatives to be undertaken over the next five years include the contracting of an accounting firm to complete internal audit work to further evaluate and enhance the internal controls systems in place to safe guard the Authority's assets, as well the implementation of the Colonias program to provide financial assistance to Colonias located within the state. The Authority also plans to submit another application to secure an allocation of New Markets Tax Credits to continue its mission to further economic development in the state. The future continues to look bright for the Authority and the state of New Mexico.

PROJECTED FIVE YEAR BUDGET (FY 2011-2015)
GRAND TOTAL

	FY 2011 Annual Budget	FY 2012 Annual Budget	FY 2013 Annual Budget	FY 2014 Annual Budget	FY 2015 Annual Budget
REVENUES					
Appropriation Revenues	$ 34,320,000	$ 27,460,000	$ 27,915,000	$ 28,435,000	$ 28,955,000
Interest Income - Loans	54,873,983	55,252,543	56,127,037	57,174,415	58,209,802
Interest Income - Investments, Cash & Equiv	1,500,000	1,750,000	1,875,000	1,950,000	2,000,000
Administration Fee Revenue	7,804,775	5,866,486	5,592,717	5,088,124	4,557,723
Grant Revenue	52,380,000	41,260,000	36,300,000	35,300,000	32,800,000
Total Revenues	$150,878,758	$131,589,029	$127,809,754	$127,947,539	$126,522,525
EXPENDITURES					
Operating Expenditures					
Personnel Services	$ 3,026,111	$ 3,334,689	$ 3,356,171	$ 3,722,098	$ 3,693,202
Employee Benefits	1,363,797	1,457,987	1,568,386	1,686,306	1,788,621
In-State Travel	130,080	131,381	132,695	134,022	135,362
Maintenance & Repairs	34,865	34,865	34,865	34,865	34,865
Office Supplies	50,258	50,258	50,258	50,258	50,258
Contractual Services	2,922,294	2,863,848	2,606,571	2,554,440	2,503,351
Operating Costs	998,602	1,018,574	1,038,946	1,059,724	1,080,919
Out-of State Travel	100,610	101,616	102,632	103,659	104,695
Subtotal - Operating Expenditures	$ 8,626,617	$ 8,993,218	$ 8,890,524	$ 9,345,372	$ 9,391,273
New Program & One-time Expenditures					
Personnel	85,000	75,000	127,500	60,000	75,000
Contractual Services	50,000	50,000	- 0	- 0	- 0
Subtotal - New Program Expenditures	$ 135,000	$ 125,000	$ 127,500	$ 60,000	$ 75,000
Total Operating Expenditures	$ 8,761,617	$ 9,118,218	$ 9,018,024	$ 9,405,372	$ 9,466,273
Non-Operating Expenditures					
Bond/Loan interest Expense	$ 57,561,683	$ 59,000,356	$ 60,450,000	$ 62,000,000	$ 63,125,000
Bond Issuance Expense	3,400,000	4,500,000	3,500,000	3,250,000	3,000,000
Contractual Services	340,000	450,000	350,000	325,000	300,000
Grant Expense	71,226,307	34,561,892	31,500,000	28,000,000	27,500,000
Contract for Service Expense	99,500	104,000	115,000	110,000	108,500
Total Non-Operating Expenditures	$132,627,490	$ 98,616,248	$ 95,915,000	$ 93,685,000	$ 94,033,500
Total Fiscal Year Expenditures	$141,389,107	$107,734,466	$104,933,024	$103,090,372	$103,499,773
Excess Revenues over Expenditures	$ 9,489,651	$ 23,854,563	$ 22,876,730	$ 24,857,167	$ 23,022,752
Capital Outlays					
Furniture and Fixtures	$ 15,000	$ 15,000	$ 15,000	$ 20,000	$ 50,000
Computer Hardware & Software	115,000	30,000	30,000	10,000	15,000
Capital Outlay	$ 130,000	$ 45,000	$ 45,000	$ 30,000	$ 65,000
GRAND TOTAL	**$141,519,107**	**$107,779,466**	**$104,978,024**	**$103,120,372**	**$103,564,773**

The Operating Budget, Five Year Projection, and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements

VIII. Audited Financial Statements



NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2009 and 2008

NEW MEXICO FINANCE AUTHORITY

Table of Contents

NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2009

Governing Board

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

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome Trojan

Chief Financial Officer
John Duff

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the New Mexico Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The basic financial statements as of and for the year ended June 30, 2008 were audited by other auditors, whose report dated September 29, 2008, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Gunderson LLP

Baltimore, Maryland
March 25, 2010

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2009 and financial condition at that date. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

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

Overview of the Financial Statements

These annual financial statements consist of three parts:

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

Management's Discussion and Analysis

Condensed Comparative Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

- During fiscal year 2009, the Authority invested, net of depreciation, a total of \$32,757 in capital assets. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

- The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2009, the total amount outstanding was \$1.13 billion (excluding the \$1.85 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.

- During the fiscal year, the Authority issued \$115.5 million in PPRF debt, primarily to directly fund loans, reimburse the Public Project Revolving Fund ("PPRF") loan fund for loans already made or to advance refund certain earlier bond issues.

Authority Programs

The authority accounts for each bond resolution or activity as a separate program, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund is highlighted due to the significance of the program.

Public Project Revolving Fund

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 789 loans totaling $1.8 billion.

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

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

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

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

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

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

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

Loan volume:

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

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

Loans receivable:

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

Bond issuance:

During fiscal 2009, the PPRF issued 4 series of bonds, with a total par value of $114.3 million.

Net interest income:

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. In its planning and management processes, therefore, the Authority attempts to achieve zero net interest income in the PPRF. 1n 2008, the Authority met this goal, for practical purposes, with net interest income of only $27 thousand. In 2009, net interest income was negative $1.7 million. The loss resulted from the significant decline in interest rates experienced on the PPRF's investments during 2009.

Loss on Investments:

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

Governmental Gross Receipts Tax:

The Governmental Gross Receipts Tax ("GGRT") is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was $21,494,438 in 2009, a $61,947 increase from the $21,431,491 received in 2008. The GGT funds are used:

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

Restatement of previously issued financial statements:

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

Other Programs:

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

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

There are 14 other programs administered by the Authority, some of which are loan programs and some of which are grant programs. Loan and grant activity in these programs in 2009 and 2008 was as follows:

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

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

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

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

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

Budgetary Variations, capital and infrastructure assets:

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

Contacting the Authority's Financial Management

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

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

FINANCIAL STATEMENTS

Statements of Net Assets
June 30, 2009 and 2008

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NATURE OF ORGANIZATION

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

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

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

The Attorney General's Opinion dated December 23, 1992, concludes that the Authority is an agency of the state at least for certain purposes. The Opinion subjects the Authority to the Open Meetings Act and concludes that the rates and basis for reimbursement under the Per Diem and Mileage Act apply to Authority members. The Opinion excludes the Authority from other sections of the Per Diem and Mileage Act, the Procurement Code and DFA vouchering requirements.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- **Basis of Presentation**

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

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

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

Public Project Revolving Fund – Accounts for the proceeds from bonds, the debt service requirements of the bonds, the related loans to public entities and the governmental gross receipts tax (GGRT) which is the primary funding source of this program.

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

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

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

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

- **Basis of Presentation** (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Basis of Accounting and Measurement Focus**

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

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate programs. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific program. All other revenues are recognized when received as they are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

- **Use of Estimates**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Restricted Assets**

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

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

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

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

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

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

- **Accounts Receivable**

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

- **Loans Receivable**

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2009, there were no reserves for loan losses. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are not placed on non-accrual status because they are insured or otherwise guaranteed.

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. At June 30, 2009 and 2008, the allowance for loan losses was $1,687,083 and $1,067,970, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Intergovernmental Receivables**

Intergovernmental receivables consist of amounts due from the state based on legislated appropriation of specified taxes for repayment of certain bonds issued by the Authority on behalf of state entities. The related statute directs the Authority to issue bonds and make proceeds available to specified state entities to fund various projects. The statute appropriates a portion of existing taxes or fees to fund the payment of the related bonds.

- **Capital Assets**

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

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

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

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

- **Compensated Absences**

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Undisbursed Loan Proceeds**

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

- **Debt Service Payable**

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

- **Net Assets**

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

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

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

- **Income Taxes**

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

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

- **Interprogram and Interagency Transactions**

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

- **Reclassifications**

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

- **New Accounting Pronouncements**

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

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

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

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

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

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

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

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

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

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

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

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

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

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer.

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

3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

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

3. LOANS RECEIVABLE (CONTINUED)

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

Totals – Loans Receivable, Net of Allowance

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

4. INTERGOVERNMENTAL RECEIVABLES

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

4. INTERGOVERNMENTAL RECEIVABLES (CONTINUED)

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

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

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

Fiscal year ending June 30:	Principal	Interest	Total
2010	$ 6,950,562	$ 7,497,080	$ 14,447,642
2011	7,031,285	7,190,853	14,222,138
2012	7,065,435	6,875,931	13,941,366
2013	7,191,962	6,550,955	13,742,917
2014	7,420,628	6,191,610	13,612,238
2015 - 2019	37,223,215	25,554,111	62,777,326
2020 - 2024	42,425,000	16,227,813	58,652,813
2025 - 2029	18,780,000	7,193,463	25,973,463
2030 - 2034	14,030,000	3,844,000	17,874,000
2035 - 2036	6,675,000	504,750	7,179,750
Intergovernmental receivables	$ 154,793,087	$ 87,630,564	$ 242,423,651

6. BONDS PAYABLE

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

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

Bonds payable consist of the following at June 30:

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

6. BONDS PAYABLE (CONTINUED)

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

6. BONDS PAYABLE (CONTINUED)

Maturities of bonds payable and interest are as follows:

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

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

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

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

6. BONDS PAYABLE (CONTINUED)

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

7. DEBT SERVICE PAYABLE

Debt service payable represents the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loans payments semi-annually, therefore, any payments received prior to being applied to the loan is held in an account which earns interest and the interest is credited to the entity. These funds are held by the trustee, and in accounts at the State Treasurer's office. The balance of debt service payable was $66,071,327 and $61,634,993 at June 30, 2009 and 2008, respectively.

8. LINE OF CREDIT

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to $75,000,000. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issue. Interest is due monthly on the outstanding balance, and accrues at 65% of U.S. dollar monthly LIBOR plus 90 basis points. The Authority pays a 20 basis point fee on the unused portion of the facility. No balances were outstanding under the line of credit at June 30, 2009 and 2008.

9. OPERATING LEASE COMMITMENT

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are considered to be operating leases. Lease expenditures for the years ended June 30, 2009 and 2008 were $330,506 and $316,000, respectively.

Future minimum lease payments for these leases are as follows:

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

10. RETIREMENT PLANS

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were $417,088 and $361,328 for the years ended June 30, 2009 and 2008, respectively. Substantially all full time employees participate in this plan.

The Authority maintains a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the years ended June 30, 2009 and 2008 were $43,823 and $14,106, respectively.

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

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

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

12. AGENCY TRANSACTIONS

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

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

13. LOSS ON INVESTMENTS

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

The fund is still in the liquidation process and it is not certain how much the Authority will ultimately recover. Based on distributions from the fund received thorough June 30, 2009, a loss of $8.2 million was recorded in the Statement of Revenues, Expenses, and Changes in Net Assets.

14. CONTINGENCIES

Litigation

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

Risk Management

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

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

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

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

15. RELATED PARTY

The Authority has issued bonds or purchased securities for several other state entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the Department of Finance and Administration and the Secretary of the Department of Energy, Minerals and Natural Resources) are members of the Authority's board of directors. To date, these transactions have totaled $171,058,619.

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF 2008 FINANCIAL STATEMENTS

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

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

Based on this determination, the accompanying financial statements, including the previously issued fiscal 2008 statements, have been prepared to reflect all of the Authority's programs as an enterprise fund. The current year presentation is comparable to the entity-wide financial statements as originally issued as of and for the year ended June 30, 2008.

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

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

17. SUBSEQUENT EVENTS

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

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

18. NEW ACCOUNTING PRONOUNCEMENTS

The Authority is in the process of assessing the impact on its financial position or results of operations of implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 54., *Fund Balance Reporting and Governmental Fund Type Definitions*. Both statements will be effective for the Authority in fiscal year 2010. GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

SUPPLEMENTARY SCHEDULES

Combining Statement of Net Assets
June 30, 2009

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

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

Combining Statement of Net Assets
June 30, 2009

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

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

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

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

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

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

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

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

Combining Statement of Cash Flows
Year Ended June 30, 2009

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

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

Combining Statement of Cash Flows
Year Ended June 30, 2009

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

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

SINGLE AUDIT

Schedule of Expenditures of Federal Awards

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

Notes to Schedule of Expenditures of Federal Awards

GENERAL

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

1. BASIS OF ACCOUNTING

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

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

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

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

We have audited the basic financial statements of New Mexico Finance Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

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

Clifton Gunderson LLP

Baltimore, Maryland
March 25, 2010

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of New Mexico Finance Authority (the Authority) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Clifton Gunderson LLP

Baltimore, Maryland
March 25, 2010

Schedule of Findings and Questioned Costs

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?		Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None reported

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

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

Identification of Major Programs

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

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

Auditee qualified as low-risk auditee?	X	Yes		No

II. FINANCIAL STATEMENT FINDINGS

Finding 2009-01 – Material Adjustments

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

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

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

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

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

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

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

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

Finding 2009-2 – Reporting Deadline

Condition
The Authority did not meet the reporting deadline based on the Office of the State Auditor of New Mexico's Audit Rule.

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

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

Cause
Delays in the completion of the audit were a result of change in presentation and prior period adjustments. Although an extension was required, the extended deadline was not met.

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

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

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings required to be reported under findings related to federal awards for the year ended June 30, 2009.

Schedule of Prior Year Findings and Questioned Costs

Finding No. 2008-01 – Missing Documentation

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

Status
This finding was corrected in the current year.

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

NEW MEXICO FINANCE AUTHORITY

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

PREPARATION OF FINANCIAL STATEMENTS

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

Vision ~ Financing your future, believing in New Mexico.

Mission ~ We are dedicated to improving the lives of New Mexicans by planning and financing infrastructure, strengthening the economy through public / private partnerships and setting the standard for superior, diverse, innovative and solution-driven financing.

Values ~ Customer Orientation. Discipline. Great Place to Work. Initiative. Quality. Results Orientation.

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Financing your future, believing in New Mexico.

NEW MEXICO
FINANCE AUTHORITY

2012 Operating Budget and Annual Report

Financing our future, believing in New Mexico

Vision

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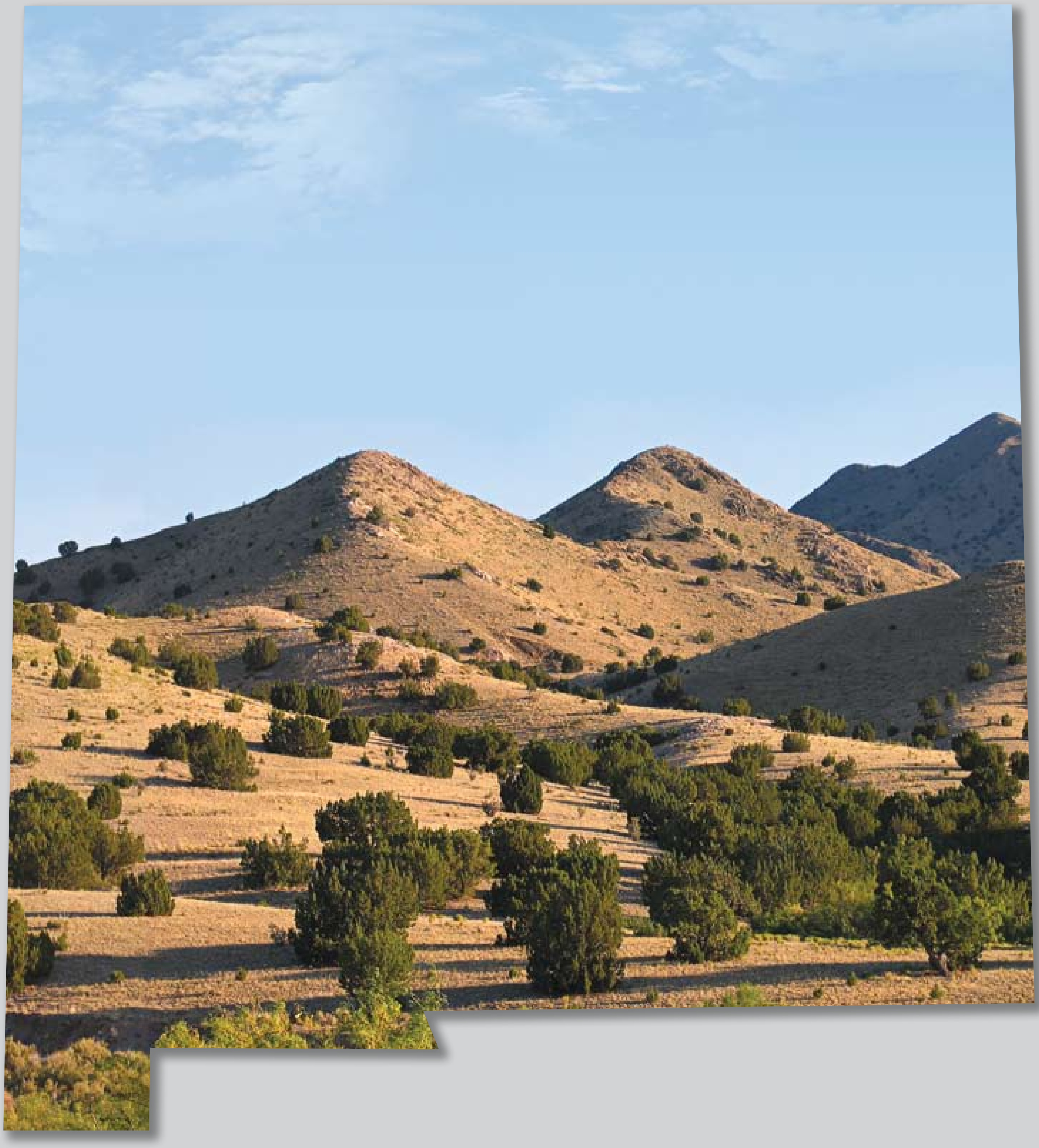


Table of Contents


ROOSEVELT COUNTY FAIRGROUNDS

A message from Richard E. May, CEO

Fiscal Year 2011 was a year of significant progress for the New Mexico Finance Authority ("Finance Authority") as we continued to fulfill our commitment of providing capital improvement planning and affordable financing to rural and urban areas across the state. The year was marked by the following achievements:

1. AAA RATING: In April, the Standard & Poor's rating agency increased its ratings on the Finance Authority's Public Project Revolving Fund ("PPRF") senior lien bonds to "AAA", the agency's highest category. This achievement results from years of effort by our staff and comes as a result of a long-standing goal established by our Board of Directors. The motivation to pursue this rating was to provide the lowest possible borrowing costs for our clients. The new rating has already produced tangible benefits. The all-in total interest rate on our most recent bond issue (as rated by Standard & Poor's) was 2.1%. This exceptionally low rate was passed on to our borrowers. In its rating report, Standard & Poor's indicated that a primary reason for the upgrade was the Finance Authority's establishment of increased cash reserves to enhance the security of PPRF bondholders. Moody's, the other agency that rates our PPRF bonds, reaffirmed its existing rating of Aa1 (its second highest) on our PPRF senior lien bonds, while upgrading its rating on the subordinate lien bonds from Aa3 to Aa2. The Finance Authority will continue to explain the strengths of our PPRF bond program as it is our ultimate goal to also receive Moody's highest rating. New Mexico Governor Susana Martinez said of the Standard & Poor's ratings upgrade:

> "This rating is an important part of putting New Mexico back on solid financial footing and helping our economy turns the corner. We have taken bold steps to balance our budget and create an environment that promotes growth. This is a clear sign that we are moving in the right direction."

2. 2011 BUDGET PERFORMANCE: The Finance Authority staff is proud of the fact that in the current challenging economic environment we have succeeded in managing our expenditures carefully. In fact, we will end Fiscal Year 2011 with actual expenditures totaling approximately 10% less than the budget authorized by our Board for the year. One significant contributor to the savings was a reduction in outside legal fees achieved by our Legal Department as a result of a multi-year project to streamline the extensive legal processes necessary to issue bonds and make public sector loans.

3. DEBT SERVICE SAVINGS FOR NMDOT: The Finance Authority issues bonds on behalf of the New Mexico Department of Transportation ("NMDOT"). To date, approximately $1.35 billion in bonds for new state-wide infrastructure projects have been issued for NMDOT and an additional $1 billion in refunding bonds have been issued to achieve cost savings. The Finance Authority also advises DOT with regard to the management of the outstanding debt.

In August 2010, the Finance Authority identified an opportunity to save NMDOT $26.7 million in future debt service payments by refinancing $470.3 million of its $1.3 billion in outstanding transportation infrastructure fixed rate bonds. In partnering with the NMDOT, the Finance Authority is constantly looking for new and innovative ways to save taxpayer dollars.

4. NEW MARKETS TAX CREDIT AWARD: In 2007, the Finance Authority was awarded, in a highly competitive process, an allocation of New Markets Tax Credits in the amount of $110 million. This was the first time that a New Mexico organization received an allocation of these tax credits. The New Markets Tax Credit is a federal program created to provide incentives to new, expanding or relocating businesses to locate in disadvantaged areas across the country. The Finance Authority was recently the recipient of an additional allocation in the amount of $46 million. We will use the additional allocation as an investment vehicle to support the creation of quality jobs to companies located in, or expanding to, the state's rural, disadvantaged communities, and to projects located in distressed census tracts.

Looking Ahead–2012 and Beyond

1. THE FISCAL 2012 BUDGET: The Finance Authority's fiscal year 2012 budget for operating expenses will be the same, in total, as the fiscal year 2011 budget. This "flat" budget actually reflects management's forecast that total loan and grant volume will increase from an actual total of $198 million for 2011 to $339 million for 2012. In these challenging economic times, I believe we must manage more effectively our operations to achieve the maximum level of efficiency. Accordingly, while amounts will shift somewhat among budget categories, we intend to operate in fiscal year 2012 with no growth in the total expenditures authorized by our Board of Directors from the preceding year. Although fiscal year 2012 will be a year of no change from a budget perspective, we are committed to achieving significant improvement in our programs as outlined in the following comments. Therefore, fiscal year 2012 should be a period of considerable growth for the Finance Authority. The 2012 budget is presented in detail on page 20.

2. A NEW DIRECTION FOR INFRASTRUCTURE FINANCE: Due to continued uncertainty surrounding how the executive and legislative branches of government will fund Local Capital Outlay projects in the near term, the Finance Authority is prepared to assist local governmental entities in meeting their infrastructure needs. Typically, these Local Capital Outlay funds, which have ranged from several hundred million dollars to as much as a billion dollars in the last five years, have been the largest component of state-wide infrastructure funding. However, the uncertainty of future funding may leave the Finance Authority as one of the few remaining sources of funding for infrastructure projects for the State's cities, counties and other governmental entities.

Therefore, this uncertainty has created an exceptional opportunity and a related responsibility for the Finance Authority. In turn, we believe it is incumbent on us to do everything in our power to maximize the Finance Authority's funds available for critical infrastructure needs of our communities. Accordingly, we have begun a three-pronged initiative to address this challenge.

◊ **Solve the "federal funds reversion" problem.** This effort addresses the fact that multiple federal grant programs for infrastructure projects find it impossible to spend the funds allocated to our state and return many millions of dollars to Washington each year. The principal reason that these funds are reverted to the federal treasury is the inability of our communities to afford the local matching funds which are required in almost all of these grant programs. We have begun to work with federal funding agencies to better understand the requirements of their programs (and help them to better understand the Finance Authority's) so that we can modify existing Finance Authority programs or design new ones to allow our communities to match these federal grant funds. Success in this effort will result in tens of millions of dollars in additional funding available to our communities annually.

◊ **Increase PPRF capacity.** The PPRF is our primary infrastructure finance program. The PPRF has an annual capacity to fund approximately $200 million in new loans. The amount, while substantial, is not remotely sufficient to bridge the gap created by the uncertainty within the state's Capital Outlay budget process. We have begun an analysis of our core infrastructure program with the objective of identifying strategies to restructure the program's bonding structure to increase capacity.

◊ **Work with others to develop new approaches.** It appears now is the perfect time to explore new approaches to state infrastructure financing. Thus, we are committed to working with our partners in the executive and legislative branches to identify and implement various innovative ideas, which are responsible and cost-effective, to address the critical infrastructure needs of our communities.

3. ENHANCING OUR SYSTEMS TO SUPPORT THE RAPID GROWTH WE HAVE EXPERIENCED: We have identified several opportunities to increase efficiency and improve management controls and accountability in key areas of our operations. Major opportunities include:

◊ **S.I.L.O. (System to Integrate Loan Operations) Project -** We began this project several months ago to improve the efficiency of our internal controls involving our loan monitoring, processing, and closing activities. We expect to complete the project during the Fiscal Year 2012. The SILO project has two major components:

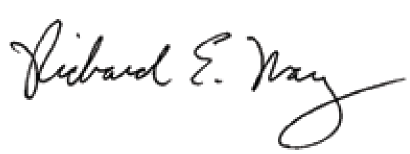
- **Reorganization of a new Loan Operations Department** - Previously, the majority of the procedures necessary to analyze a PPRF loan application were performed by Financial Advisors in our Client Services Department. Consolidating these activities in the Loan Operations Department will free our client services personnel to spend more time in client service and outreach activities. We will also consolidate loan monitoring (surveillance of existing loans) in the new department. This separation of functions is recommended by auditors as a "best practices" approach for financial services organizations.

- **Implementation of software to automate the processing of loan applications** - As our PPRF loan volume has grown substantially in recent years, we have continued to rely on an almost completely manual system for analyzing and processing loan applications. To address this outdated mode of operation, we have recently made a decision to acquire new software, as well as modify existing software, that will permit important improvements in the efficiency and consistency of loan processing.

◊ **Reduced legal costs** - Legal fees are the largest single operating expense for the Finance Authority. Since the creation of the position of General Counsel in 2007, one of the important charges given to our Legal Department was to reduce outside legal fees. We have made considerable progress in this area as we have achieved an annual reduction in outside legal fees amounting to hundreds of thousands of dollars. In Fiscal Year 2012, we will continue to evaluate how the Legal Department can assume more of the services currently outsourced with the ultimate goal of generating additional budgetary savings in the future.

In closing, I would like to comment on the important focus that economic development plays in the future of the Finance Authority. We have, of course, several programs whose goal is explicitly economic development, including New Markets Tax Credits and other programs created by the Statewide Economic Development and Finance Act of 2003 which include bank loan participations, direct lending, loan guarantee programs and conduit bond issuance. We are currently in the application process for $13 million in federal State Small Business Credit Initiative funding which we will use to expand these programs. One aspect of our programs that deserves more recognition as far as economic development impact is concerned is our original flagship program, the PPRF. Although the PPRF is correctly thought of as a revolving infrastructure loan fund, the nearly $2 billion in project financing we have provided has made possible the creation of a large number of jobs. Our $200 million in annual lending creates an estimated 600 permanent jobs each year.

I am honored and pleased to have the opportunity to serve the people of New Mexico as the CEO of the Finance Authority, and I pledge the tireless efforts of all of our Finance Authority staff to help move our great state forward.



Richard E. May
Chief Executive Officer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William Fulginiti, Vice Chair

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NMFA Staff

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Chief Executive Officer

John Duff
Chief Operating Officer

Dora Mae Cde Baca
Chief Administrative Officer

Matthew Jaramillo
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Connie Marquez-Valencia
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Investment Manager

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Chief of Water Resources

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Sr. Program Administrator

Ahza Kilma
Program Administrator

Michael Vonderheide
Sr. Program Administrator

Angela Quintana
WTB Program Administrator

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Controller

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Senior Accountant II

Richard Garcia
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Carolin Rios
Accountant III

Robert Spradley
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Leslie Medina
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Zach Dillenback
Director of Financial Advisory Services

Darlaina Chapman
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Leandro Cordova
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Chris Brown
Program Administrator

INFORMATION SYSTEMS:

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Chief of IT

John Holton
Sr. Systems Administrator

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PROGRAMS:

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Director of Commercial Lending

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Program Administrator Private Lending

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Gloria Castillo
Sr. Administrative Assistant

Celina Sandoval
Sr. Administrative Assistant

Yolanda Valenzuela
Sr. Administrative Assistant

Arnold Nelson
Lead Support Specialist

Mark Dalton
Administrative Assistant I

NMFA Overview

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

The NMFA is governed by a Board of Directors consisting of twelve members, ten of whom are appointed by the Governor. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the state. The Legislative Oversight Committee of the New Mexico State Legislature is empowered to monitor and oversee its operations.

The Authority's primary programs include:

The Public Project Revolving Fund is the NMFA's flagship program and was created in 1994 to assist a wide range of public entities in accessing the capital markets. Over the past several years the fund has evolved from a broad-based financier of state and local government agencies to one that now includes a greater diversity of entities. This diversity has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities. It has also allowed the NMFA to continue to offer a variety of program enhancements to borrowers. Through June 30, 2011, the NMFA will have made more than 1,020 PPRF loans totaling nearly $1.95 billion.

The Drinking Water Revolving Loan Fund ("DWRLF") is operated in partnership with the New Mexico Environment Department ("NMED") to provide low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health. This federal program, managed by the NMFA on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. Since the inception of the Program, the NMFA has issued 56 loans totaling over $109.3 million

Water Project Fund Pursuant to the Water Project Finance Act, the NMFA administers the Water Project Fund and provides administrative support to the 16-member Water Trust Board, which recommends to the Legislature projects to be funded from annual distributions from the Water Trust Fund and 10% of the State's annual senior lien severance tax bonds. Since its inception, the Water Project Fund has provided funding to 177 projects totaling over $170 million with the majority of the funds delivered in the past two years

The Local Government Planning Fund was created by the NMFA to provide up-front capital necessary to study the feasibility of water and wastewater public projects, long term water plans, water conservation plans and economic development plans. To date, the NMFA has funded 76 projects totaling almost $2.0 million for a variety of projects.

New Markets Tax Credits The US Department of Treasury has awarded the NMFA a total of $156 million in New Markets Tax Credit allocations -- $110 million in 2008 and $46 million in 2011. Under this program, the NMFA leverages private capital with funds derived from the sale of tax credits to investors. The incentive to investors is a 39 percent federal income tax credit earned over seven years for every dollar invested in qualified low income and rural community enterprises.

The NMFA has become an economic engine for New Mexico and has proven to be a resourceful and effective manager of state and federal programs.

Public Project Revolving Fund

The PPRF is the NMFA's flagship program and was created in 1994 to assist a wide range of public entities in accessing the capital markets. The advantage is being able to offer all borrowers 'AAA' rates regardless of the borrower's underlying credit. The NMFA's main purpose is to coordinate the planning and financing of state and local public projects, provide long-term planning based on state and local capital needs and to improve cooperation among the executive and legislative branches of state and local governments. These goals are achieved primarily through the PPRF.

Over the past several years the fund has grown in both size and diversity of borrowers. The diversity has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities. It has also allowed the NMFA to continue to offer a variety of program enhancements to borrowers.

The PPRF is funded primarily through the NMFA's share of Government Gross Receipts Tax (GGRT), which provides approximately $23 million per year. The NMFA uses this cash inflow to make loans to borrowers and then replenishes the fund by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities.

In fiscal year 2011, the NMFA was successful in attaining its long-standing goal to achieve a 'AAA' credit rating. This rating was assigned by Standard & Poor's with the NMFA's issuance of its Series 2011A Bonds. The impact of this upgrade is that the NMFA's borrowers will be able to stretch further their limited public dollars for public projects due to lower interest rates.

Through June 30, 2011, the NMFA will have made more than 1,020 PPRF loans totaling nearly $1.95 billion. The majority of this growth has occurred over the past 5 years where the NMFA has issued over 440 loans totaling over $1.08 billion. This growth is due to several factors: 1) the strength of the GGRT, which has grown steadily from $17.9 million in FY 2004 to $23.0 million in FY 2010; 2) the strong credit rating of the PPRF bonds which maintains at AAA and Aa1; and 3) the ability to raise capital through the issuance of PPRF bonds.

ELIGIBILITY

Applicants: Local governments, including tribal bodies and charter schools

Projects: Infrastructure, Building and Capital Equipment projects

Terms: Loans of up to 30 years, based upon the useful life of the project, offered at low, fixed interest rates

Other: Entities with median household incomes equaling 90% or less of the State's median household income are eligible to receive 0% or 3% interest rates for up to $200,000 per entity per fiscal year

Water Programs

DRINKING WATER REVOLVING LOAN FUND

The DWRLF is operated in partnership with the NMED to provide low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health.

This federal program, managed by the NMFA on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. The state is required to match the federal grant by 20%. The primary use of the funding is for zero or 2% loans to drinking water systems to fund vital water quality projects. NMED is allowed, under federal law, to use up to 27% of the funding to meet its duties as defined under the federal Safe Drinking Water Act. The NMFA receives 4% for its management of the program. To date, the NMFA has received $129.4 million in federal Environmental Protection Agency ("EPA") capitalization grants, which has been matched by the NMFA with $19.7 million and by the Legislature with $2 million.

Since the inception of the program, the NMFA has issued 56 loans totaling over $109.3 million. This program has greatly accelerated over the past 5 years in which the NMFA has issued loans amounting to $78.2 million of the $109.3 million closed since the program's inception, including projects funded from special funding provided through the American Recovery and Reinvestment Act of 2009.

ELIGIBILITY

Applicants: Municipal and Community Water Systems

Projects: Water Infrastructure and Equipment

Terms: Loans of up to 30 years are offered at below market, fixed interest rates

Disadvantaged Public Entities: 0% for the first $600,000

Community Water Systems: 2%

Non-Profit Water Systems: 3%

For-Profit Water Systems: 4%

Other: In addition to below-market interest rates, water systems operated by public entities are eligible to receive additional subsidies such as principal forgiveness for certain projects.

WATER PROJECT FUND

Pursuant to the Water Project Finance Act, the NMFA administers the Water Project Fund and provides administrative support to the 16-member Water Trust Board, which recommends to the Legislature projects to be funded from annual distributions from the Water Trust Fund and 10% of the State's annual senior lien severance tax bonds.

Eligible projects reflect the State's comprehensive effort to promote funding for projects that improve water quantity up and down the value chain—from the water source to its use. In November 2007, the Water Trust Board approved comprehensive water project policies that govern the use of the fund and provide for greater accountability. With these policies in place, the Water Trust Board is able to rely on advice from a seven-agency technical team that evaluates applications and reports to the Water Trust Board prior to its recommendations to the Legislature.

Since its inception, the Water Project Fund has provided funding to 177 projects totaling over $170 million with the majority of the funds delivered in the past two years. The NMFA attributes the increase in funding activity to the policies adopted by the Water Trust Board which ensures that funds earmarked for projects are used expeditiously. FY 2010 was a particular strong year for providing funding and the NMFA closed 38 projects totaling over $53.4 million.

ELIGIBILITY

Applicants: State and local governments, including tribal entities and mutual domestic water consumers associations

Projects: Planning and Construction funding for five types of water projects:

- water treatment, conservation or reuse flood prevention
- Endangered Species Act collaborative efforts
- water storage, conveyance and delivery infrastructure improvements
- watershed restoration and management initiatives

Terms: Loan/Grant combinations with the loan component dependent on the repayment ability of the applicant; loans are offered at 0% for terms of up to 20 years

Other: Applicants are required to demonstrate at the time of award the ability to fully expend the funds within 12-18 months

LOCAL GOVERNMENT PLANNING FUND

The Local Government Planning Fund was created by the NMFA to provide up-front capital necessary to study the feasibility of water and wastewater public projects, long term water plans, water conservation plans and economic development plans.

To date, the NMFA has funded 76 projects totaling almost $2.0 million for a variety of projects. Approximately $1 million of funds is available to fund new studies for projects in FY 2012.

ELIGIBILITY

Applicants: Local governments, including tribal entities and mutual domestic water consumers associations

Projects: Preliminary engineering reports, water conservation plans, long-term water plans and economic development plans

Terms: Projects that ultimately receive funds from a source other than the NMFA must repay the grant

Other: Given the significant need in New Mexico for proper planning, the NMFA is exploring opportunities to increase the amount and broaden the use of the fund during FY 2012

Private Lending

PRIMARY CARE CAPITAL FUND

The Primary Care Capital Fund ("PCCF") was created by the 1994 Legislature with an initial appropriation of $5 million to be used as a revolving fund. To date, the NMFA and its partners at the Department of Health ("DOH") have funded 16 loans totaling over $10.1 million. Clinics located in New Mexico communities such as Peñasco, Silver City, Pecos and Anthony have borrowed from the fund to expand their existing medical facilities for mental and dental services in addition to the construction of new facilities. These loans, some of which have been in repayments since 1997, have repaid almost $3 million to the fund. In FY 2011, $2.81 million was transferred to the State's General Fund in support of the State's balanced budget. As a result, the NMFA does not expect to extend any new PCCF loans until sufficient repayment has accumulated in FY 2013.

ELIGIBILITY

Applicants: 501(c)(3) non-profit primary care health providers

Projects: Building and Equipment projects

Terms: Loans of up to 15 years are offered at a fixed interest rate of 3%

Other: Borrowers who provide care to indigent patients at free or reduced prices may be eligible to receive up to 20% of their annual principal and interest payments reduced through a contract-for-services negotiated with DOH.

BEHAVIORAL HEALTH CAPITAL FUND

Tailored after the successful PCCF, this program provides low cost capital to behavioral health clinics in rural and under served areas of the State. Capitalized by the NMFA with $2.5 million, this small loan program provides below-market interest rate loans to non-profit behavioral health care providers. With its partners at the Human Services Department ("HSD"), the NMFA has funded two projects totaling $580,000, including a $100,000 loan to La Familia in Chaparral, New Mexico which closed. Approximately $2 million is available during FY 2012 for additional loans.

ELIGIBILITY

Applicants: 501(c)(3) non-profit behavioral health providers

Projects: Building and Equipment projects

Terms: Loans of up to 15 years are offered at a fixed interest rate of 3%

Other: Borrowers who provide care to indigent patients at free or reduced prices may be eligible to receive up to 20% of their annual principal and interest payments reduced through a Contract-for-Services negotiated with HSD.

STATEWIDE ECONOMIC DEVELOPMENT FINANCE ACT

The Statewide Economic Development Finance Act ("SWEDFA") was enacted into law in 2003 and authorizes the NMFA to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities, including businesses and non-profit corporations, from the Economic Development Revolving Fund. SWEDFA partners the NMFA with the New Mexico Economic Development Department ("NMEDD") in creating and operating finance programs that help stimulate the economy through job creation and business growth, particularly in rural and under served areas of New Mexico. In FY 2011, $1.9 million was transferred from the Economic Development Revolving Fund to the State's General Fund in support of the State's balanced budget. As a result, the Economic Development Revolving Fund has a total capitalization of approximately $5.1 million with approximately $1.6 available to lend in FY 2012.

Additionally, the NMFA and NMEDD applied to the US Department of Treasury in FY 2011 for approximately $13.2 million in federal State Small Business Credit Initiative ("SSBCI") funding made available through the federal Small Business Jobs Act. With this influx of federal funding, the Economic Development Revolving Fund is expected to support new small business lending that will help entrepreneurs expand their businesses and create new jobs through innovative finance programs authorized under SWEDFA and leverage at least $132 million in private investment. Once allocated, the State will have two years to fully obligate the federal funds or the funds will be reverted to the US Treasury for other programs. In anticipation of this federal funding and the limited timing, the Legislature passed and Governor Martinez signed Senate Bill 454 (Sen. Muñoz) which temporarily allows the NMFA to fund projects from the Economic Development Revolving Fund without prior legislative authorization. With the passage of this bill, the NMFA has the ability to meet the timing needs dictated by the federal funds while providing business-friendly loans to expanding New Mexico's businesses.

Loan Participation Programs

SMART MONEY LOAN PARTICIPATION

The Smart Money Loan Participation Program was the first program implemented under SWEDFA. Smart Money creates greater access to capital throughout rural and under served areas of New Mexico by purchasing up to 49% of loans originated, underwritten and serviced by local banks at low, fixed interest rates. Through the Smart Money Initiative, the NMFA has secured partners from more than 30 participating financial institutions operating throughout the state. Currently, the NMFA has three active loan participations for projects located in Raton, Las Vegas and Alamogordo totaling approximately $3.8 million, which has leveraged more than $11 million in private financing from the Smart Partner banks. More importantly, the funding will create at least 175 new jobs for New Mexicans over a five year period. To date, these companies have filled approximately 80% of those jobs.

ELIGIBILITY

Applicants: Businesses and Non-Profit Corporations

Projects: Working Capital, Equipment and Building projects

Terms: Loans of up to 25 years are offered at low, fixed interest rates

Other: The NMFA can purchase up to 49% of a bank's loan dependent on the maturity of the loan, job creation derived from the project and lien position of the participation.

COLLATERAL SUPPORT PARTICIPATION

This new program uses funding provided through the SSBCI and is designed to spur private investment by mitigating bank risk. Through the Collateral Support Participation Program, New Mexico banks can increase their collateral value while lowering the businesses' debt service. This program differs from Smart Money because it focuses on buying shorter term, smaller loan participations that are subordinate to the banks.

ELIGIBILITY:

Applicants: Businesses and Non-Profit Corporations

Projects: Working Capital, Equipment and Building projects

Terms: Loans of up to 15 years are offered at low, fixed interest rates

Other: The NMFA can purchase between 10-49% of a bank's loan dependent on the maturity of the loan, job creation derived from the project and lien position of the participation.

CONDUIT BONDS

Through this program, the NMFA can help for-profit and not-for-profit businesses, particularly in rural and under served areas of New Mexico, access the national bond market and take advantage of federal programs that can lower their interest rates through the issuance of tax-exempt bonds.

ELIGIBILITY:

Applicants: Small manufacturers and 501(c)(3) non-profit corporations

Projects: Building and Equipment projects

Terms: Terms of up to 30 years offered at either fixed or variable interest rates

Other: The NMFA is able to issue bonds for projects when requested by the local government where the project is located.

NEW MARKETS TAX CREDITS

In 2007, the NMFA formed a subsidiary for-profit company called Finance New Mexico LLC, to pursue an allocation of federal tax credits available under the New Markets Tax Credit (NMTC) program. The US Department of Treasury has awarded Finance New Mexico a total of $156 million in NMTC allocations -- $110 million in 2008 and $46 million in 2011.

The purpose of the NMTC is perfectly aligned with the goals of the SWEDFA, which is to provide private businesses in rural or low-income communities across the State with greater access to capital. Under this program, Finance New Mexico leverages private capital with funds derived from the sale of tax credit to investors. The incentive to investors is a 39 percent federal income tax credit earned over seven years for every dollar invested in a qualified low income community enterprise. The benefit to New Mexico businesses is very low-cost capital, with flexible lending criteria and the potential to convert portions of NMTC loans to equity.

ELIGIBILITY:

Applicants: Businesses and Non-Profit Organization

Projects: Working Capital, Equipment and Building projects

Terms: 7-year loans at below-market rate loans

Other: The amount of NMTC loans that may convert to equity is based upon performance measures set for each project

Other Programs

DEPARTMENT OF TRANSPORTATION BONDS

In 2003, the State Legislature authorized the issuance of $1.6 billion in bonds to fund 40 statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership ("GRIP"). GRIP's enabling legislation named the NMFA as the agent for the NMDOT and authorized the NMFA to issue $1.6 billion in bonds to finance the projects.

In 2008, House Bill 2 increased the original GRIP funding by slightly more than $53 million to address the inflationary impact of construction materials, for which the NMDOT has had cost increases of more than 30%. $435 million in bonds remain to be issued under the original 2003 authorization.

LOCAL GOVERNMENT TRANSPORTATION FUND

The NMFA administers the Local Government Transportation Fund, known as GRIP II. This fund was created by the 2007 Special Legislature to provide funding for 116 local government transportation projects totaling more than $180 million as well as engineering and design services incurred by NMDOT for the projects funded from the Fund. The funding for this program is made up of a $25 million appropriation from the General Fund and up to $150 million in proceeds realized from the issuance of severance tax bonds. Through June 30, 2011, the Fund has received a total $101.7 million in funding which has resulted in 81 projects being certified by NMDOT to proceed with over $82 million having been expended to date. It is expected that all the certified projects will be completed by June 2012.

LOCAL TRANSPORTATION INFRASTRUCTURE FUND

Created by the 2005 Legislature HB 979, the Local Transportation Infrastructure Fund Act is a fund targeted specifically at local government road and transportation projects. The purpose of the fund is to provide local governments not eligible for Federal funding, whose needs have not been met by the existing Local Government Road Fund, with grants and low-cost financial assistance for transportation projects.

The NMFA provides the funding for this program through the dedication of up to 50% of the fees paid to the NMFA by NMDOT for managing the GRIP bonds. Projects are recommended to the NMFA through a prioritization list supplied by the NMDOT. To date, the Fund has only been utilized to provide the matching funds required under the GRIP II legislation. Through June 2011, the NMDOT has recommended and the NMFA has approved funding for 20 projects totaling over $4.2 million of which $3.2 million has been expended to date.

ELIGIBILITY:

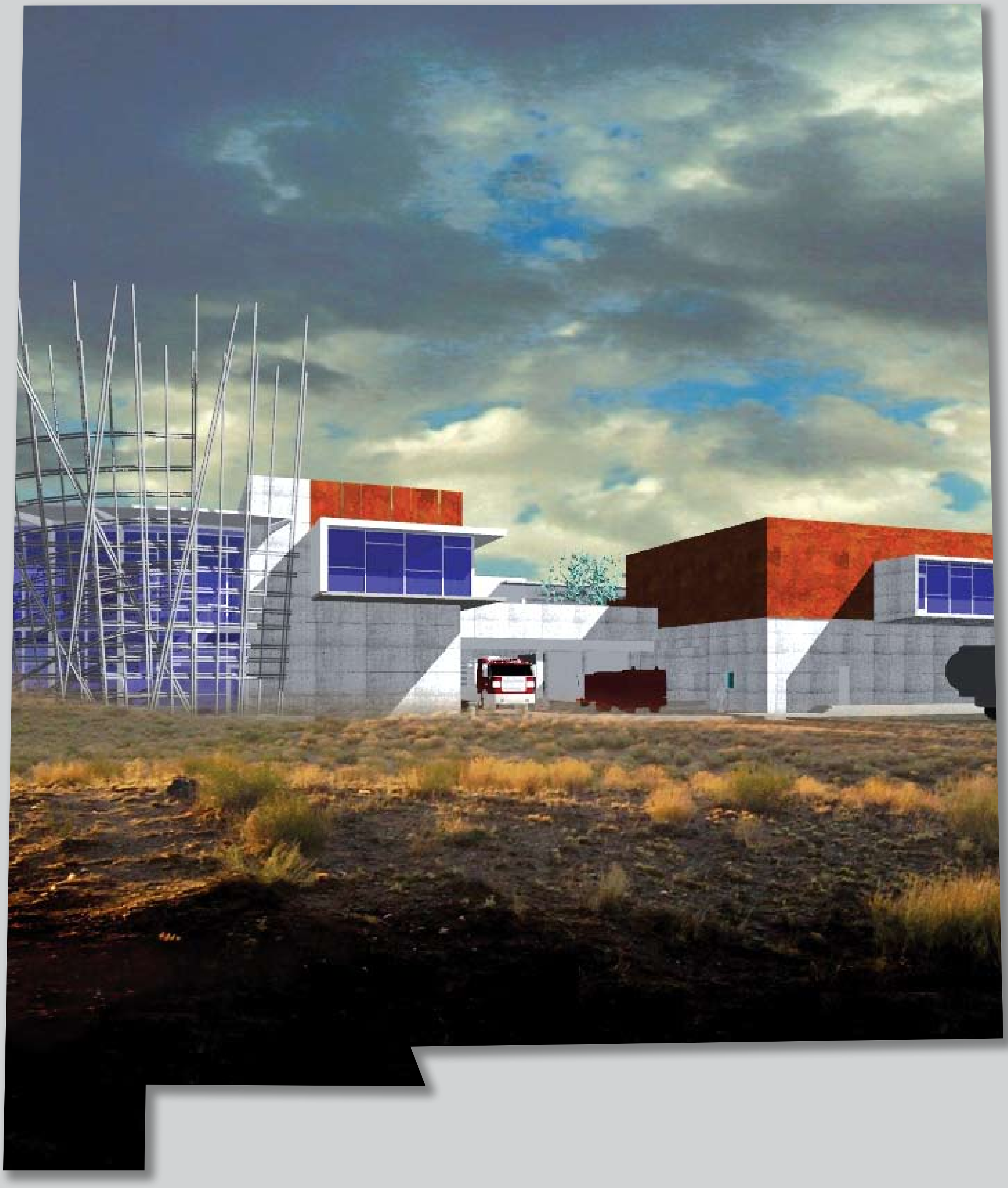
Applicants: local governments, including tribes

Projects: Infrastructure, Building and Capital Equipment projects

Terms: Loans of up to 30 years, based upon the useful life of the project, offered at low, fixed interest rates; Grants of up to 25% of the total cost of the Local Transportation Project with a maximum grant not to exceed $500,000.

OTHER PROGRAMS "STAND-ALONE" BONDS

Earlier in its history, the NMFA, pursuant to legislation, issued bonds for a number of projects for other state agencies or departments. These bonds were issued outside the PPRF, and were called "Stand-Alone" bonds. The proceeds of these bonds were used, generally, to fund the construction of buildings. For various reasons, these projects were not considered at the time to meet the criteria necessary to qualify for a PPRF loan. Over time, the requirements to qualify as a PPRF project have become less restrictive, and similar projects today are funded as PPRF loans, not as non-PPRF Stand-Alone bonds. For each of the Stand-Alone bonds, the source of repayment of the debt is a revenue pledge authorized through a legislative appropriation. The bonds previously issued have a current principal balance of $20,290,000 and will mature in April 2019.



Consolidated Budgets for Fiscal Years 2012 & 2013

		FYE 2011 Annual Budget		Projected FYE 2011 Actual
REVENUES				
Appropriation revenues	$	34,320,000	$	34,620,357
Interest income on loans		54,873,983		53,807,209
Interest income on investments		1,500,000		535,600
Administration fee revenue		7,804,775		6,668,681
Grant revenue		52,380,000		45,000,000
Total Revenues	**$**	**150,878,758**	**$**	**140,631,847**
EXPENSES				
Operating Expenses				
Personnel services	$	3,086,111	$	2,950,500
Employee benefits		1,388,797		1,245,600
In-state travel		130,080		85,300
Maintenance & repairs		34,865		26,200
Office supplies		50,258		27,000
Professional services		2,972,294		2,950,000
Operating costs		998,602		889,400
Out-of-state travel		100,610		51,800
Total - Operating Expenses	**$**	**8,761,617**	**$**	**8,225,800**
Non-Operating Expenses				
Bond interest expense	$	57,561,683	$	59,121,000
Bond issuance expense		3,400,000		1,665,000
Professional services		340,000		441,000
Grant expense		71,226,307		48,450,000
Depreciation expense		-		29,850
Contract for service expense		99,500		101,500
Total Non-Operating Expenses	**$**	**132,627,490**	**$**	**109,808,350**
Total Expenses	**$**	**141,389,107**	**$**	**118,034,150**
Excess (Deficit) revenues over expenses	$	9,489,651	$	22,597,697
Transfer to other agencies		7,550,000		4,150,000
Excess (Deficit) revenues over expenses	$	1,939,651	$	18,447,697

Capital Investments				
Furniture and Fixtures		15,000		-
Computer Hardware & Software		115,000		5,000
Total capital investments	**$**	**130,000**	**$**	**5,000**

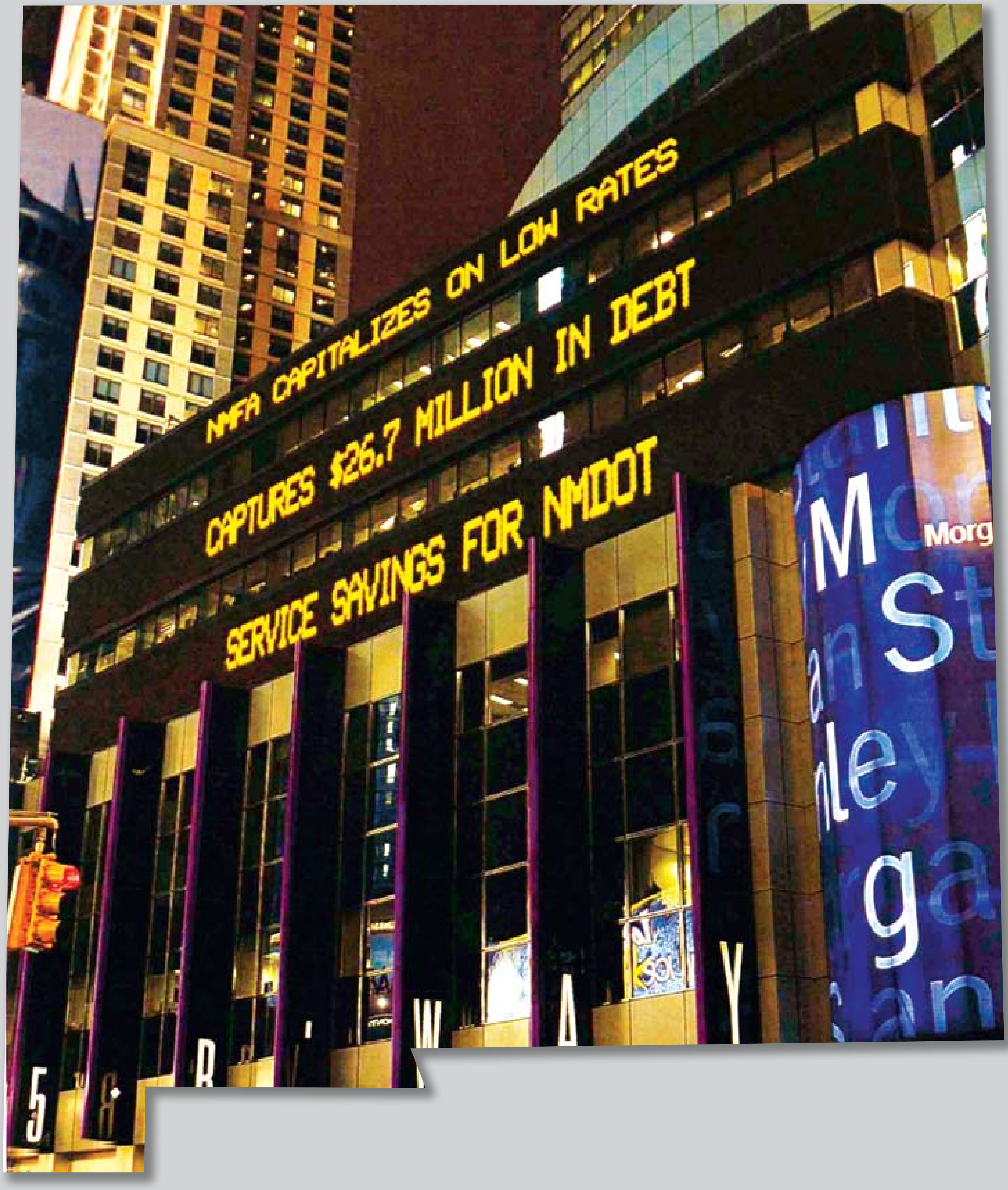
The Operating Budget, Five Year Projection, and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements.

% of Actual vs. Budget for FYE 2011		FYE 2012 Annual Budget	% Incr (Decr) from FYE 2011 Budget		FY 2013 Annual Budget	% Incr (Decr) from FYE 2011 Budget
	$	28,820,000		$	29,210,000	
		51,710,000			53,113,000	
		750,000			1,150,000	
		6,828,700			5,816,000	
		35,880,000			35,740,000	
93.2%	$	123,988,700	-17.8%	$	125,029,000	0.8%
95.6%	$	3,295,414	6.8%	$	3,478,000	5.5%
89.7%		1,619,919	16.6%		1,743,000	7.6%
65.6%		118,479	-8.9%		120,000	1.3%
75.1%		33,945	-2.6%		34,000	0.2%
53.7%		29,400	-41.5%		29,000	-1.4%
99.2%		2,673,121	-10.1%		2,420,000	-9.5%
89.1%		905,593	-9.3%		924,000	2.0%
51.5%		85,746	-14.8%		86,000	0.3%
93.9%	$	8,761,617	0.0%	$	8,834,000	0.8%
	$	57,145,356		$	58,300,000	
		2,000,000			1,850,000	
		1,000,000			950,000	
		48,200,000			30,000,000	
		118,000			185,000	
		88,000			75,000	
82.8%	$	108,551,356	-18.2%	$	91,360,000	-15.8%
83.5%	$	117,312,973	-17.0%	$	100,194,000	-14.6%
	$	6,675,727		$	24,835,000	
		6,300,000			5,950,000	
	$	375,727		$	18,885,000	
		-			125,000	
		350,000			50,000	
	$	**350,000**		$	**175,000**	

Budget Detail by Program - Fiscal Year 2012

	Grand Total	PPRF	GRIP	Local Government Transportation Fund	Local Transportation Infrastructure Fund	Drinking Water Revolving Loan Fund
REVENUES						
Appropriation revenues	$ 28,820,000	$ 24,670,000	$ 0	$ 0	$ 0	$ 0
Interest income on loans	51,710,000	49,500,902	-	- 0	-	895,000
Interest income on investments	750,000	608,000	5,000	- 0	-	55,000
Administration fee revenue	6,828,700	3,547,000	900,000	- 0	900,000	125,000
Grant revenue	35,880,000	-	- 0	- 0	-	6,380,000
Total Revenues	$ 123,988,700	$ 78,325,902	$ 905,000	$ 0	$ 900,000	$ 7,455,000
EXPENDITURES						
Operating Expenses						
Personnel services	3,295,414	1,917,158	277,518	7,462	2,947	218,548
Employee benefits	1,619,919	941,879	133,739	3,822	1,520	108,636
In-state travel	118,479	75,674	7,013	91	9	4,935
Maintenance & Repairs	33,945	23,761	679	340	- 0	339
Office supplies	29,400	16,715	2,909	59	37	2,281
Professional services	2,673,121	1,941,671	246,512	7,080	5,360	132,120
Operating costs	905,593	587,950	38,122	7,096	252	18,684
Out-of-state travel	85,746	40,574	13,572	93	53	6,040
Total - Operating Expenses	**$ 8,761,617**	**$ 5,545,382**	**$ 720,064**	**$ 26,043**	**$ 10,178**	**$ 491,583**
Non-Operating Expenses						
Bond interest expense	$ 57,145,356	$ 56,000,000	$ 0	$ 0	$ 0	$ 0
Bond issuance expense	2,000,000	2,000,000	-	-	-	-
Professional services	1,000,000	1,000,000	-	-	-	-
Grant expense	48,200,000	-	-	18,750,000	750,000	-
Depreciation expense	118,000	70,000	6,000	-	-	18,000
Contract for service expense	88,000	-	-	-	-	-
Total Non-Operating Expenses	$ 108,551,356	$ 59,070,000	$ 6,000	$ 18,750,000	$ 750,000	$ 18,000
Total Expenses	$ 117,312,973	$ 64,615,382	$ 726,064	$ 18,776,043	$ 760,178	$ 509,583
Excess (Deficit) revenues over	$ 6,675,727	$ 13,710,520	$ 178,936	$ (18,776,043)	$ 139,822	$ 6,945,417
Transfer to other agencies	6,300,000	1,500,000	-	-	-	2,000,000
Excess (Deficit) revenues over	$ 375,727	$ 12,210,520	$ 178,936	$ (18,776,043)	$ 139,822	$ 4,945,417

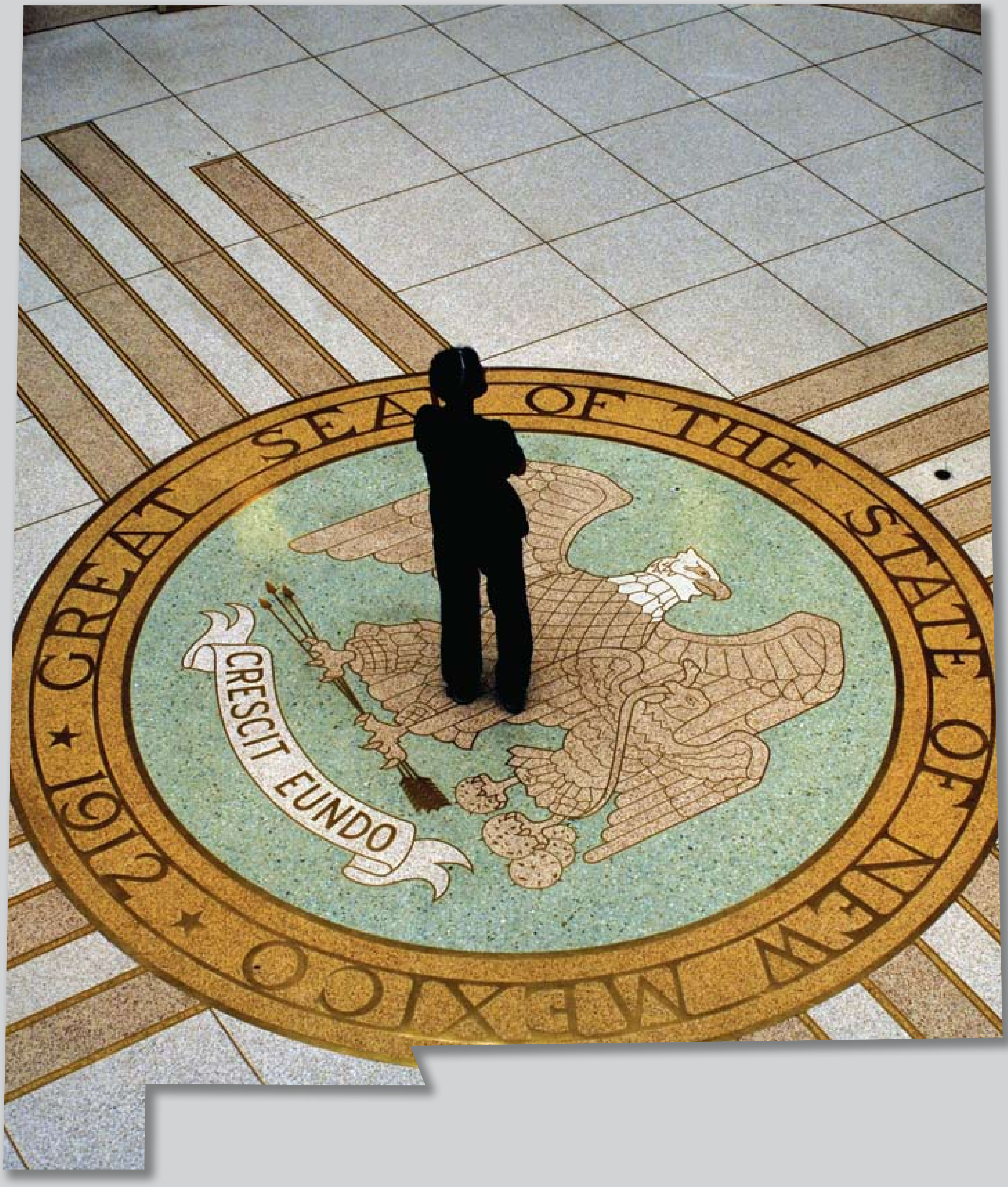
	Water Project Fund	Local Government Planning Fund	Behavioral Health Capital Fund	Economic Development	New Markets Tax Credits	Primary Care Capital Fund	Child Care Revolving Loan Fund	Intergovernmental Receivables
	$ 0	$ 0	$ 1,050,000	$ 0	$ 0	$ 0	$ 0	$ 3,100,000
	-	-	14,000	150,000	-	107,000	1,055	1,042,043
	25,000	-	1,500	500	-	-	-	55,000
	36,000	-	700	-	1,320,000	-	-	-
	29,500,000	-	-	-	-	-	-	-
	$ 29,561,000	$ 0	$ 1,066,200	$ 150,500	$ 1,320,000	$ 107,000	$ 1,055	$ 4,197,043
	373,107	23,172	11,842	203,146	253,737	5,894	883	
	181,989	11,624	5,974	100,576	126,664	3,040	456	
	12,502	864	370	8,313	8,688	17	3	
	4,074	339	340	679	3,394	- 0	- 0	
	3,244	204	86	1,703	2,077	74	11	
	189,266	12,440	2,329	35,390	88,625	10,720	1,608	
	106,538	8,378	7,731	37,225	93,036	505	76	
	11,662	332	248	6,367	6,683	106	16	
	$ 882,382	**$ 57,353**	**$ 28,920**	**$ 393,399**	**$ 582,904**	**$ 20,356**	**$ 3,053**	**$ 0**
	$ 0	$ 0	$ 103,313	$ 0	$ 0.00	$ 0	$ 0	$ 1,042,043
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	28,000,000	700,000	-	-	-	-	-	-
	12,000	-	-	6,000	6,000	-	-	-
	-	-	8,000	-	-	80,000	-	-
	$ 28,012,000	$ 700,000	$ 111,313	$ 6,000	$ 6,000	$ 80,000	$ 0	$ 1,042,043
	$ 28,894,382	$ 757,353	$ 140,233	$ 399,399	$ 588,904	$ 100,356	$ 3,053	$ 1,042,043
	$ 666,618	$ (757,353)	$ 925,967	$ (248,899)	$ 731,096	$ 6,644	$ (1,998)	$ 3,155,000
	-	-	-	-	-	-	-	2,800,000
	$ 666,618	$ (757,353)	$ 925,967	$ (248,899)	$ 731,096	$ 6,644	$ (1,998)	$ 355,000


NMFA CAPITALIZES ON LOW RATES
CAPTURES $26.7 MILLION IN DEBT
SERVICE SAVINGS FOR NMDOT
Morgan Stanley

Five Year Projection

	FYE 2012 Annual Budget	FYE 2013 Annual Budget	FYE 2014 Annual Budget	FYE 2015 Annual Budget	FYE 2016 Annual Budget
REVENUES					
Appropriation revenues	$ 28,820,000	$ 29,210,000	$ 29,595,000	$ 29,990,000	$ 30,385,000
Interest income on loans	51,710,000	53,113,000	54,200,000	55,725,000	57,508,000
Interest income on investments	750,000	1,150,000	1,250,000	1,500,000	2,000,000
Administration fee revenue	6,828,700	5,816,000	5,041,000	4,328,000	4,325,000
Grant revenue	35,880,000	35,740,000	35,740,000	37,240,000	37,240,000
Total Revenues	$ 123,988,700	$ 125,029,000	$ 125,826,000	$ 128,783,000	$ 131,458,000
EXPENSES					
Operating Expenses					
Personnel services	$ 3,295,414	$ 3,478,000	$ 3,583,000	$ 3,690,000	$ 3,801,000
Employee benefits	1,619,919	1,743,000	1,830,000	1,922,000	2,018,000
In-state travel	118,479	120,000	121,000	122,000	123,000
Maintenance & repairs	33,945	34,000	34,000	35,000	35,000
Office supplies	29,400	29,000	29,000	28,000	28,000
Professional services	2,673,121	2,420,000	2,371,000	2,324,000	2,278,000
Operating costs	905,593	924,000	942,000	961,000	980,000
Out-of state travel	85,746	86,000	88,000	88,000	89,000
Total Operating Expenses	$ 8,761,617	$ 8,834,000	$ 8,998,000	$ 9,170,000	$ 9,352,000
Non-Operating Expenses					
Bond interest expense	$ 57,500,356	$ 58,300,000	$ 60,450,000	$ 62,000,000	$ 63,125,000
Bond issuance expense	2,000,000	1,850,000	3,500,000	3,250,000	3,000,000
Professional Services	1,000,000	950,000	350,000	325,000	300,000
Grant expense	48,200,000	30,000,000	31,500,000	32,000,000	31,500,000
Depreciation expense	118,000	185,000	155,000	135,000	125,000
Contract for service expense	88,000	75,000	115,000	110,000	108,000
Total Non-Operating Expenses	$ 108,906,356	$ 91,360,000	$ 96,070,000	$ 97,820,000	$ 98,158,000
Total Fiscal Year Expenses	$ 117,667,973	$ 100,194,000	$ 105,068,000	$ 106,990,000	$ 107,510,000
Excess revenues over expenditures	$ 6,320,727	$ 24,835,000	$ 20,758,000	$ 21,793,000	$ 23,948,000
Transfer to other agencies	6,300,000	5,950,000	5,500,000	5,500,000	5,500,000
Excess revenues over expenditures	$ 20,727	$ 18,885,000	$ 15,258,000	$ 16,293,000	$ 18,448,000
Capital Outlays					
Furniture and fixtures	$ 0	$ 125,000	$ 25,000	$ 25,000	$ 25,000
Computer hardware & software	350,000	50,000	25,000	-	-
Total capital outlay	$ 350,000	$ 175,000	$ 50,000	$ 25,000	$ 25,000

The Operating Budget, Five Year Projection, and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ materially from the forecasts contained in the forward-looking statements


GREAT SEAL OF THE STATE OF NEW MEXICO
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NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2010 and 2009

NEW MEXICO FINANCE AUTHORITY

Table of Contents

NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2010

Governing Board

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

Chief Executive Officer
William C. Sisneros

Chief Operating Officer
Jerome Trojan

Chief Financial Officer
John Duff

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

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

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

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

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

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

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

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

Clifton Gunderson LLP

Baltimore, Maryland
February 18, 2011

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

The New Mexico Finance Authority

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

Overview of the Financial Statements

These annual financial statements consist of three parts:

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

Condensed Comparative Financial Statements

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

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents:					
Unrestricted	$ 120,385,376	$ 111,877,869	$ 8,507,507	7.6%	$ 88,756,143
Restricted	268,285,157	373,898,180	(105,613,023)	(28.2%)	411,190,481
Loans receivable, net of allowance	1,252,122,229	1,113,608,650	138,513,579	12.4%	1,041,033,758
Intergovernmental receivables	147,842,525	154,793,087	(6,950,562)	(4.5%)	161,605,000
Other accounts receivable	14,730,931	16,645,091	(1,914,160)	(11.5%)	24,348,425
Capital assets	273,500	197,828	75,672	38.3%	377,984
Other assets	11,798,048	11,679,176	118,872	1.0%	12,125,477
Total assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**1.8%**	**$ 1,739,437,268**
Liabilities					
Bonds payable, net	$ 1,233,720,390	$ 1,132,954,148	$ 100,766,242	8.9%	$ 1,084,937,292
Undisbursed loan proceeds	116,283,533	182,920,935	(66,637,402)	(36.4%)	197,721,699
Borrowers' reserve deposits	72,521,339	66,071,327	6,450,012	9.8%	61,634,993
Accounts payable	2,787,600	1,556,821	1,230,779	79.1%	1,579,139
Other liabilities	4,775,269	5,054,229	(278,960)	(5.5%)	5,034,419
Total liabilities	**1,430,088,131**	**1,388,557,460**	**41,530,671**	**3.0%**	**1,350,907,542**
Net assets					
Invested in capital assets	273,500	197,828	75,672	38.3%	377,984
Restricted for debt service	8,996,558	8,962,319	34,239	0.4%	9,921,093
Restricted for program funds	256,256,427	274,378,249	(18,121,822)	(6.6%)	289,676,812
Unrestricted	119,823,150	110,604,025	9,219,125	8.3%	88,553,837
Total net assets	**385,349,635**	**394,142,421**	**(8,792,786)**	**(2.2%)**	**388,529,726**
Total liabilities and net assets	**$ 1,815,437,766**	**$ 1,782,699,881**	**$ 32,737,885**	**1.8%**	**$ 1,739,437,268**

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

	FY 2010	As Restated FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Appropriation revenue	$ 11,722,377	$ 52,379,731	$ (40,657,354)	(77.6%)	$ 136,293,957
Grant revenue	42,184,646	36,494,181	5,690,465	15.6%	27,209,672
Administrative fees	8,621,728	7,670,438	951,290	12.4%	5,730,102
Interest on loans	56,663,765	47,590,234	9,073,531	19.1%	41,142,152
Interest on investments	1,343,523	2,890,591	(1,547,068)	(53.5%)	10,927,088
Operating revenue	**120,536,039**	**147,025,175**	**(26,489,136)**	**(18.0%)**	**221,302,971**
Grant expense	60,106,858	59,785,212	321,646	0.5%	26,380,010
Bond issuance costs	1,840,185	1,604,245	235,940	14.7%	637,662
Professional services	4,727,242	3,642,941	1,084,301	29.8%	3,965,930
Salaries and benefits	3,808,883	3,860,505	(51,622)	(1.3%)	3,202,869
Interest expense	55,622,227	49,418,130	6,204,097	12.6%	45,548,181
Other expense	1,911,215	2,208,819	(297,604)	(13.5%)	1,951,989
Expenses	**128,016,610**	**120,519,852**	**7,496,758**	**6.2%**	**81,686,641**
Operating income	(7,480,571)	26,505,323	(33,985,894)	(128.2%)	139,616,330
Gain (loss) on investments	6,758,315	(8,205,430)	14,963,745	(182.4%)	-
Income (loss) before transfers	**(722,256)**	**18,299,893**	**(19,022,149)**	**(103.9%)**	**139,616,330**
Transfers to other agencies	(8,070,530)	(12,687,198)	4,616,668	(36.4%)	37,328,353
Increase (decrease) in net assets	**(8,792,786)**	**5,612,695**	**(14,405,481)**	**(256.7%)**	**102,287,977**
Net assets, beginning of year (restated)	**394,142,421**	**388,529,726**	**5,612,695**	**1.4%**	**286,241,749**
Net assets, end of year	**$ 385,349,635**	**$ 394,142,421**	**$ (8,792,786)**	**(2.2%)**	**$ 388,529,726**

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

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

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

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

- The Authority's revenues decreased by $26.5 million in 2010 compared to 2009. The decline was principally due to a $40.7 million decrease in appropriation revenue amounts from the state legislature, which included the reversion to the state's general fund of $21 million of revenues appropriated to the Authority in previous years. Other components of revenues increased, including a $9.1 million increase in interest on loans, a $5.7 million increase in grant revenues, and a $951 thousand increase in administrative fee revenue. Interest earnings from investments decreased by $1.5 million resulting from market conditions in the fixed income markets.

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

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

Long-Term Debt

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

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

Authority Programs

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

Public Project Revolving Fund

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

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

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

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

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Cash and cash equivalents	$ 104,334,458	$ 99,584,576	$ 4,749,882	4.8%	$ 78,584,787
Restricted	194,585,959	252,786,821	(58,200,862)	(23.0%)	260,492,357
Accounts receivable	15,355,772	16,111,757	(755,985)	(4.7%)	21,930,398
Loans receivable, net of allowance	1,175,365,082	1,050,541,321	124,823,761	11.9%	1,000,026,726
Intergovernmental receivables	124,242,525	127,848,087	(3,605,562)	(2.8%)	122,760,000
Capital assets	273,500	-	273,500	100.0%	-
Other assets	11,080,562	10,992,276	88,286	0.8%	11,095,194
Total assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**4.3%**	**$ 1,494,889,462**
Accounts payable and accrued liabilities	$ 5,511,698	$ 4,678,201	$ 833,497	17.8%	$ 4,586,196
Undisbursed loan proceeds	115,755,854	181,136,484	(65,380,630)	(36.1%)	196,132,082
Borrowers' debt service and reserve deposits	72,262,720	65,813,605	6,449,115	9.8%	61,027,236
Bonds payable, net	1,206,727,970	1,102,203,109	104,524,861	9.5%	1,041,962,633
Total liabilities	**1,400,258,242**	**1,353,831,399**	**46,426,843**	**3.4%**	**1,303,708,147**
Net assets					
Invested in capital assets	273,500	118,026	155,474	131.7%	188,451
Restricted for program funds	121,455,776	105,344,348	16,111,428	15.3%	113,209,182
Unrestricted	103,250,340	98,571,065	4,679,275	4.7%	77,783,682
Total net assets	**224,979,616**	**204,033,439**	**20,946,177**	10.3%	**191,181,315**
Total liabilities and net assets	**$ 1,625,237,858**	**$ 1,557,864,838**	**$ 67,373,020**	**4.3%**	**$ 1,494,889,462**

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

	FY 2010	FY 2009	Net Increase / (Decrease)	Percentage Increase / (Decrease)	FY 2008
Interest income					
Loans	$ 53,236,068	$ 45,103,592	$ 8,132,476	18.0%	$ 38,683,071
Investments	1,147,112	1,118,311	28,801	2.6%	4,978,951
Total interest income	**54,383,180**	**46,221,903**	**8,161,277**	**17.7%**	**43,662,022**
Interest expense					
Bonds	53,958,236	47,591,765	6,366,471	13.4%	42,290,093
Short-term borrowing	124,353	60,833	63,520	104.4%	944,596
Total interest expense	**54,082,589**	**47,652,598**	**6,429,991**	**13.5%**	**43,234,689**
Net interest income (expense)	300,591	(1,430,695)	1,731,286	(121.0%)	427,333
Less provision for loan losses	445,867	299,113	146,754	49.1%	400,123
Net interest income (expense) after provision for loan losses	**(145,276)**	**(1,729,808)**	**1,584,532**	**(91.6%)**	**27,210**
Loan administration fees	4,212,544	4,689,716	(477,172)	(10.2%)	2,786,246
Appropriation revenues	24,314,901	25,645,568	(1,330,667)	(5.2%)	27,341,776
Total noninterest income	**28,527,445**	**30,335,284**	**(1,807,839)**	**(6.0%)**	**30,128,022**
Salaries and benefits	2,169,436	2,215,043	(45,607)	(2.1%)	1,907,427
Professional services	2,423,424	2,020,995	402,429	19.9%	2,953,662
Bond issuance costs	1,752,742	1,190,439	562,303	47.2%	515,580
(Gain) loss on investments	(3,089,576)	3,729,142	(6,818,718)	(182.8%)	-
Other	846,618	869,286	(22,668)	(2.6%)	824,638
Total noninterest expense	**4,102,644**	**10,024,905**	**(5,922,261)**	**(59.1%)**	**6,201,307**
Excess of revenue over expenses	**24,279,525**	**18,580,571**	**5,698,954**	**30.7%**	**23,953,925**
Transfers from (to) other funds or agencies	**(3,333,345)**	**(5,728,447)**	**2,395,102**	**(41.8%)**	**(31,175,038)**
Increase (decrease) in fund net assets	**20,946,180**	**12,852,124**	**8,094,056**	**63.0%**	**(7,221,113)**
Net assets, beginning of year	**204,033,436**	**191,181,312**	**12,852,124**	**6.7%**	**198,402,425**
Net assets, end of year	**$ 224,979,616**	**$ 204,033,436**	**$ 20,946,180**	**10.3%**	**$ 191,181,312**

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

Loan volume:

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

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

Loans receivable:

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

Bond issuance:

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

Net interest income:

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2010, the PPRF had net interest expense of \$145 thousand, an improvement from \$1.7 million in 2009.

Recovery of investment loss:

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

Governmental Gross Receipts Tax:

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

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

Other Programs:

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

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

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

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

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

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

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

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

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

Budgetary Variations, capital and infrastructure assets:

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

Contacting the Authority's Financial Management

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

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

FINANCIAL STATEMENTS

NEW MEXICO FINANCE AUTHORITY

Statements of Net Assets
June 30, 2010 and 2009

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

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

NEW MEXICO FINANCE AUTHORITY

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

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

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

NEW MEXICO FINANCE AUTHORITY

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

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

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

NEW MEXICO FINANCE AUTHORITY

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

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

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

NATURE OF ORGANIZATION

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- **Basis of Presentation**

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

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

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

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

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

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

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

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Basis of Presentation** (continued)

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- **Agency Funds**

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

- **Basis of Accounting and Measurement Focus**

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

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

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- **Use of Estimates**

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

- **Restricted Assets**

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

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

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

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

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

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

- **Accounts Receivable**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans Receivable**

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

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

- **Intergovernmental Receivables**

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

- **Capital Assets**

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

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

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

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

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

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

- **Debt Service Payable**

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

- **Net Assets**

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Income Taxes**

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

- **Interprogram and Interagency Transactions**

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

- **Reclassifications**

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

- **New Accounting Pronouncements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

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

3. LOANS RECEIVABLE (CONTINUED)

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

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

Totals – Loans Receivable, Net of Allowance

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

4. INTERGOVERNMENTAL RECEIVABLES

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

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

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

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

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

5. CAPITAL ASSETS

A summary of changes in capital assets follows:

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

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

6. BONDS PAYABLE

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

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

6. BONDS PAYABLE (CONTINUED)

Bonds payable consist of the following at June 30:

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

6. BONDS PAYABLE (CONTINUED)

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

Maturities of bonds payable and interest are as follows:

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

6. BONDS PAYABLE (CONTINUED)

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

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

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

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

7. DEBT SERVICE PAYABLE

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

8. LINE OF CREDIT

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

9. OPERATING LEASE COMMITMENT

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

Future minimum lease payments for these leases are as follows:

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

10. RETIREMENT PLANS

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

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

11. COMPENSATED ABSENCES

The following changes occurred in the compensated absences liabilities:

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

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

12. AGENCY TRANSACTIONS

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

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

13. LOSS ON INVESTMENTS

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

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

14. CONTINGENCIES

Litigation

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

Loan Prepayment and Bond Call Provisions

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

Risk Management

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

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

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

14. CONTINGENCIES (CONTINUED)

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

Obligating Events

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

15. RELATED PARTY

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

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF 2008 FINANCIAL STATEMENTS

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

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

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

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

17. SUBSEQUENT EVENTS

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

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

18. NEW ACCOUNTING PRONOUNCEMENTS

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

SUPPLEMENTARY SCHEDULES

NEW MEXICO FINANCE AUTHORITY

Combining Statement of Net Assets
June 30, 2010

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

NEW MEXICO FINANCE AUTHORITY

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

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

NEW MEXICO FINANCE AUTHORITY

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

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

NEW MEXICO FINANCE AUTHORITY

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

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

NEW MEXICO FINANCE AUTHORITY

Combining Statement of Cash Flows
June 30, 2010

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

NEW MEXICO FINANCE AUTHORITY

Combining Statement of Cash Flows (Continued)
June 30, 2010

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

NEW MEXICO FINANCE AUTHORITY

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

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

NEW MEXICO FINANCE AUTHORITY

Supplemental Schedule of Pledged Collateral
Year Ended June 30, 2010

	Wells Fargo (Santa Fe)	Total
Repurchase agreements		
Wells Fargo NMFA accounts	$ 35,424,841	$ 35,424,841
Total amount of deposits	35,424,841	35,424,841
FDIC coverage	(250,000)	(250,000)
Total uninsured public funds	35,174,841	35,174,841
Collateral requirement per State Law 6-10-17 NMSA 1978 (50%)	17,587,420	17,587,420
Pledges and securities		
MBS Pool - Fannie Mae, Matures 03/01/2036 Held at Bishops Gate Residential Mortgage CUSIP 31408HBY0, Rate 6.0%	708,390	708,390
MBS Pool - Fannie Mae, Matures 02/01/2038 Held at Citi Mortgage CUSIP 31412SSK2, Rate 5.0%	7,222,196	7,222,196
US Treasure Note, Matures 05/01/2036 Held at Suntrust Mortgage CUSIP 31409T5B0, Rate 6.5%	7,214,045	7,214,045
MBS Pool - Fannie May, Matures 11/01/2035 Held at NSBC Corp Mortgage CUSIP 31145YA41, Rate 6.0%	7,184,267	7,184,267
MBS Poot - Fannie Mae, matures 05/01/2036 Held at Flagstar Bank CUSIP 31408GWR4, Rate 6.0%	7,179,002	7,179,002
MBS Pool - Fannie Mae, matures 07/01/2036 Held at Amtrust Bank CUSIP 31410CW99, Rate 6.0%	3,747,324	3,747,324
Total Collateral	$ 33,255,225	$ 33,255,225

SINGLE AUDIT

NEW MEXICO FINANCE AUTHORITY

Schedule of Expenditures of Federal Awards

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

NEW MEXICO FINANCE AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

GENERAL

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

1. BASIS OF ACCOUNTING

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

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

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

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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

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

Internal Control Over Financial Reporting

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

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

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

Member of HLB International

Compliance and Other Matters

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

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

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

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

Clifton Gunderson LLP

Baltimore, Maryland
February 18, 2011

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

We have audited the financial statements of business-type activities of the Authority as of and for the year ended June 20, 2010, and have issued our report dated February 18, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Clifton Gunderson LLP

Baltimore, Maryland
February 18, 2011

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

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

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

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

Finding 2010-1 – Reporting Deadline

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

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

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

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

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

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

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

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

Finding 2009-01 – Material Adjustments

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

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

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

Status
This finding was corrected in the current year.

Finding 2009-2 – Reporting Deadline

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

Status
See current year finding 2010-1.

NEW MEXICO FINANCE AUTHORITY

Exit Conference

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

NEW MEXICO FINANCE AUTHORITY

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

NEW MEXICO
FINANCE**AUTHORITY**

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www.nmfa.net

Financing our future, believing in New Mexico

NEW MEXICO FINANCE AUTHORITY

Fiscal Year 2012

Annual Report

Financing Your Future, Believing in New Mexico

TABLE OF CONTENTS

I. Introduction

Financing Your Future, Believing in New Mexico

Message from Nann M.Winter, Chair

Past NMFA Board Chairmen have remarked on the strength of NMFA policies, the quality of its programs, and the integrity and energy of NMFA employees. Indeed, NMFA has been characterized as a vital economic engine for New Mexico ... an organization based on fiscal integrity and sound public policy. Fundamentally, NMFA has not changed. However, this year the task of the NMFA Board is somewhat altered, but the end result should be the same. My assignment and the mission of our Board in 2013 is to restore NMFA's trademark Public Project Revolving Fund (PPRF) to historic funding levels and strengthen the policies that made NMFA a respected and necessary financial services provider.

In July 2012 the NMFA announced that its fiscal year ended June 30, 2011 audit was misrepresented as complete. Rating agency and market reaction was immediate. NMFA was placed on CreditWatch and available lines of credit were withdrawn. But the response from Governor Susana Martinez and this Board was just as immediate.

By August 2012, Governor Martinez had appointed a new Chairman, a forensic and independent investigation was launched under the supervision of State Auditor Balderas ably assisted by PricewaterhouseCoopers LLP; a new Board Audit Committee with public accountancy expertise was empanelled, and a well-recognized financial auditor was retained to complete the 2011 and 2012 audits. Additionally, the Board realigned the Executive Committee, retained a highly qualified and respected interim Chief Executive Officer, and hired an exceptionally qualified Chief Financial Officer.

Other investigations by the New Mexico Securities Division, the State Legislature and Federal entities, each with the full cooperation and assistance of the NMFA are also underway. A completed 2011 audit and forensic findings are imminent; a completed 2012 audit is expected in March 2013.

Throughout this process, NMFA has continued to serve New Mexicans via its hallmark PPRF program, albeit at reduced levels. A protocol for continued distribution of PPRF funds was developed as an interim measure until lines of credit are restored. Most recently, the Quemado Lake Volunteer Fire Department was approved and funded for needed equipment. The Socorro Consolidated School District was approved and funded for its building needs. Luna County and the Towns of Mesilla and Hurley all received funding this cycle. Other Legislatively authorized programs also continue to fund. It is anticipated that these types of projects will continue to move forward until lines of credit return ... hopefully as soon as first quarter 2013.

NMFA's continued funding and immediate response to adversity are testaments to the strength of this agency. But, there is no doubt a new NMFA will emerge from the anticipated findings, recommendations and likely dozens of legislative proposals headed this way. My job and the job of this Board is to embrace each of these findings and recommendations with the goal of re-focusing NMFA on its core mission ... stimulating the State's economy and the continued extension of low cost financial services for all New Mexicans.

Nann M. Winter, Chair
New Mexico Finance Authority

II. General Information

Hotel Parq Central

NEW MEXICO FINANCE AUTHORITY

BOARD MEMBERS

Nann Winter, *Chair*
Partner
Stelzner, Winter, Warburton, Flores, Sanchez & Dawes, PA

Paul Gutierrez, *Vice Chair*
Executive Director
New Mexico Association of Counties

William Fulginiti, *Secretary*
Executive Director
New Mexico Municipal League

Thomas Clifford, *Treasurer*
Cabinet Secretary
New Mexico Department of Finance & Administration

Blake Curtis, *Member*
Chief Executive Officer
Curtis & Curtis, Inc.

David Martin, *Member*
Cabinet Secretary
New Mexico Environment Department

Jon Barela, *Member*
Cabinet Secretary Designate
New Mexico Economic Development Department

John Bemis, *Member*
Cabinet Secretary
New Mexico Energy, Minerals & Natural Resources Department

Lonnie Marquez, *Member*
Vice President for Administration & Finance
New Mexico Institute of Mining & Technology

Terry White, *Member*
Chief Executive Officer
Sunwest Trust Inc.

Jerry L. Jones, *Member*
Chief Executive Officer
Stolar Research Corporation

NEW MEXICO FINANCE AUTHORITY

NMFA STAFF

Interim Chief Executive Officer
John Gasparich

Chief Administrative Officer
Dora Mae Cde Baca

Executive Assistant/Records Mgr.
Connie Marquez-Valencia

Director of IT
John Holton

Systems Analyst
Mona Killian

Administrative Support Specialist II
Mark Dalton

Administrative Support Specialist I
Helen Poston

General Counsel
Dan Opperman

Assistant General
Counsel Mark Chaiken

Chief Financial Officer
Donna Trujillo

Controller
Robert Brannon

Director of Loan Operations
Leslie Medina

Chief of Programs
Marquita D. Russel

Director of Commercial Lending
John Brooks

Sr. Administrative Assistant
Celina Sandoval

Commercial Credit Analyst
Leandro Cordova

Chief Lending Officer
Zach Dillenback

Sr. Lending Officer
Darlaina Chapman

Lending Officer
E.J. Peinado

Lending Officer
Adam Johnson

Sr. Administrative Assistant
Gloria Castillo

Senior Accountant II
Robert Spradley

Senior Accountant II
Lorraine Valdez

Senior Accountant I
Richard Garcia

Chief Financial Strategist
Michael Zavelle

Investment Manager
Mark Lovato

Director of Business Development
Rick Martinez

Director of Water Resources
Jana Amacher

Sr. Program Administrator/ WTB
Angela Quintana

Sr. Program Administrator/DW
Ryan Helton

Sr. Program Administrator/DW
Todd Johansen

Sr. Administrative Assistant
Yolanda Valenzuela

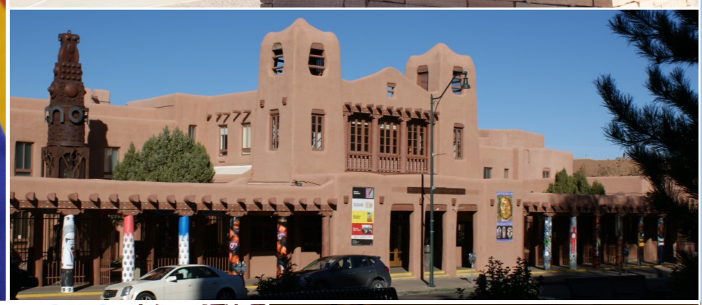
Accountant III
Joanne Johnson

Accountant III
Lisa Marquez

Accountant I
Haron Woods

III. NMFA Overview

Governor Susana Martinez
State of New Mexico



Overview

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

The NMFA is governed by an eleven member Board of Directors. The NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the state. The Legislative Oversight Committee of the New Mexico State Legislature is empowered to monitor and oversee its operations.

The Authority's primary programs include:

The Public Project Revolving Fund ("PPRF") is the NMFA's flagship program and was created in 1994 to assist a wide range of public entities in accessing the capital markets. The fund has grown to become a broad-based financier of state and local government agencies that provides funding for a diversity of projects each year. This diversity has helped the PPRF secure higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities. It has also allowed the NMFA to continue to offer a variety of program enhancements to borrowers. In fiscal 2012, the PPRF loaned approximately $310 million to New Mexico public entities. Through June 30, 2012, the NMFA has made more than 1106 PPRF loans totaling nearly $2.2 billion.

The Drinking Water Revolving Loan Fund ("DWRLF") is operated in partnership with the New Mexico Environment Department ("NMED") to provide low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health. This federal program, managed by the NMFA on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. Since the inception of the Program, the NMFA has made 46 loans totaling over $111 million.

Water Project Fund-Pursuant to the Water Project Finance Act, the NMFA administers the Water Project Fund and provides administrative support to the 16-member Water Trust Board, which recommends to the Legislature projects to be funded from annual distributions from the Water Trust Fund and 10% of the State's annual senior lien severance tax bonds. Since its inception, the Water Project Fund has provided funding to to 214 projects totaling more than $220 million with the majority of the funds delivered in the past three years.

The Local Government Planning Fund was created by the New Mexico Legislature to provide up-front capital necessary to study the feasibility of water and wastewater public projects, long term water plans, water conservation plans and economic development plans. To date, the NMFA has funded 83 projects totaling almost $2.2 million for a variety of projects.

New Markets Tax Credits-The US Department of Treasury has awarded the NMFA a total of $156 million in New Markets Tax Credit allocation --$110 million in 2008 and $46 million in 2011. Under this program, the NMFA leverages private capital with funds derived from the sale of tax credits to investors and lends these dollars to businesses located in qualified low-income communities. The incentive to investors is a 39 percent federal income tax credit earned over seven years for every dollar invested in qualified low income and rural community enterprises.

The NMFA has become an economic engine for New Mexico and has proven to be a resourceful and effective manager of state and federal programs.

FY Year Created in Law	Program Name	Total Project Funding Provided (6/30/2012)	Total Projects Funded (6/30/2012)	Enabling Act	Statute	Sponsor
1992	Public Project Revolving Fund	$ 2,228,775,572	1,106	New Mexico Finance Authority Act	6-21-6.0	Sen. Eddie Lopez (SB 172)
1994	Primary Care Capital Fund	$ 10,729,659	17	Primary Care Capital Funding Act	24-1C-4	Rep. Olguin (HB 702)
1997	Drinking Water Revolving Loan Fund	$ 94,761,714	39	Drinking Water State Revolving Fund Act	6-21A-4	Rep. Gary King (HB 592)
1999	Water and Wastewater Grant Fund	$ 60,072,102	159	New Mexico Finance Authority Act	6-21-6.3	Sen. Linda Lopez (SB 662)
2001	Water Project Fund	$ 220,598,375	214	Water Project Finance Act	72-4A-9	Rep. Stell (HB 534)
2002	Local Government Planning Fund	$ 2,224,769	83	New Mexico Finance Authority Act	6-21-6.4	Sen. Campos (SB 40)
2003	Economic Development Revolving Fund (Smart Money)	$ 3,778,688	3	Statewide Economic Development Finance Act	6-25-1	Sen. Aragon (SB 943)
2003	Child Care Revolving Loan Fund	$ 50,000	1	Child Care Facility Loan Act	24-24-4.0	Sen. Linda Lopez (SB 358)
2004	Acequia Project Fund	$ -	0	Water Project Finance Act	72-4A-9.1	Sen. Cisneros (SB 87)
2004	Behavioral Health Capital Fund	$ 580,000	2	Behavioral Health Capital Funding Act	6-26-4	Sen. Papen (SB 284)
2005	Energy Efficiency & Renewable Energy Bonding Act	$ 1,152,354	3	New Mexico Finance Authority Act	6-21D-5	Rep. Stewart (HB 32)
2005	Local Transportation Infrastructure Fund	$ 4,243,035	20	New Mexico Finance Authority Act	6-21-6.8	Rep. Silva (HB 979)
2006	New Markets Tax Credit	$ 109,346,000	8	Statewide Economic Development Finance Act	6-25-6.1	Rep. Lundstrom (HB 277)
2007	Local Government Transportation Fund	$ 101,607,747	88	New Mexico Finance Authority Act	6-21-6.12	Rep. Silva (HB 2)
2009	DWRLF (American Recovery & Reinvestment Act)	$ 16,697,182	17	Drinking Water State Revolving Fund Act	6-21A-4	N/A - used authority granted under DWRLF
2010	Colonias Infrastructure Project Fund	$ -	0	Colonias Infrastructure Finance Act	6-30-1.0	Sen. Papen (SB 279)
2011	Collateral Support Participation Program	$ 2,256,000	2	Statewide Economic Development Finance Act	6-25-13	N/A - Authority granted under SWEDFA
	Total Projects Funded	**$ 2,856,873,197**	**1,762**			

IV. NMFA Programs and Activity

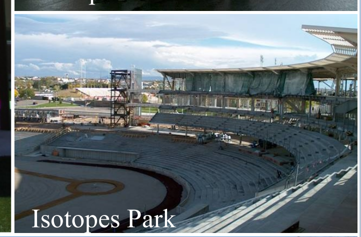
LCDF Women's Health Center

Angel Fire


NM Junior College


Eddy County Court House


Gallup Fire


Isotopes Park


Kewa Pueblo Safety Complex


Santa Fe Community Convention Center

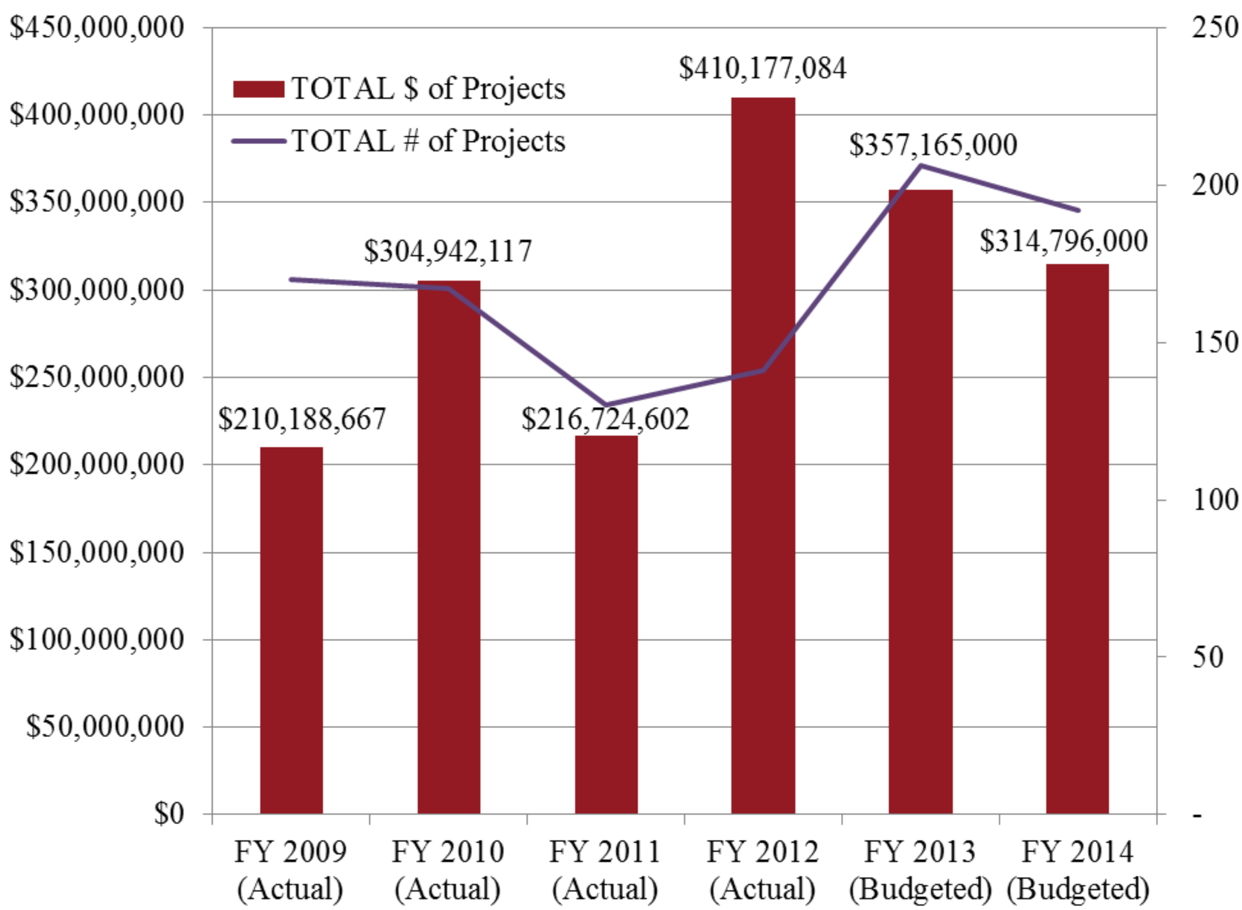
Overview of Programs and Activity

The mission of the Finance Authority is to help New Mexico's communities. The Finance Authority meets its mission by providing access to capital through mission-based funding in three primary areas:

Infrastructure and Capital Equipment – With its first loan in 1994, the Finance Authority became synonymous with low-cost funding for critical infrastructure and capital equipment. The Finance Authority currently operates five programs in this area: the Public Project Revolving Fund, the Local Government Planning Fund, the Colonias Infrastructure Project Fund, the Local Transportation Infrastructure Fund and the Local Government Transportation Fund.

Water – Beginning in the late 1990's, the Legislature made the Finance Authority a key part of the State's efforts to improve the quality and quantity of drinking water by establishing the Drinking Water State Revolving Fund. This role was strengthened in 2001, when the Legislature named the Finance Authority as administrator of the Water Trust Board, making water funding the Finance Authority's second largest area of program activity.

Community Facilities and Economic Development – In 1994, the Legislature made the Finance Authority a community facilities lender with the establishment of the Primary Care Capital Fund. In 2003, the Legislature began its efforts to put New Mexico on par with its neighboring states in the economic development finance arena with creation of the Statewide Economic Development Finance Act. Currently, the Finance Authority offers six programs in this area.



Infrastructure and Capital Equipment

The rapid success of the Public Project Revolving Fund provided the basis for the Legislature to expand the Authority's offerings to include vital planning dollars through the Local Government Planning Fund (funded from transfers of Governmental Gross Receipts Taxes), road projects through the Local Transportation Infrastructure Fund (funded from half of the transportation debt management fee), the Local Government Transportation Fund (funded from Severance Tax Bond proceeds), and infrastructure and planning projects through the Colonias Infrastructure Fund (funded from Severance Tax Bond proceeds).

Public Project Revolving Fund

The Public Project Revolving Fund ("PPRF") is the New Mexico Finance Authority's flagship program and was created in 1992 to assist a wide range of public entities in accessing the capital markets. The advantage is being able to offer all borrowers 'AAA' rates regardless of the borrower's underlying credit. The Finance Authority's main purpose is to coordinate the planning and financing of state and local public projects, provide long-term planning based on state and local capital needs and to improve cooperation among the executive and legislative branches of state and local governments. These goals are achieved primarily through the PPRF.

Pubic Project Revolving Fund Eligibility:

Applicants: Local governments, including tribal bodies and charter schools

Projects: Infrastructure, Building and Capital Equipment projects

Terms: Loans of up to 30 years, based upon the useful life of the project, offered at low, fixed interest rates

Other: Entities with median household incomes equaling 90% or less of the State's median household income are eligible to receive 0% or 3% interest rates for up to $200,000 per entity per fiscal year

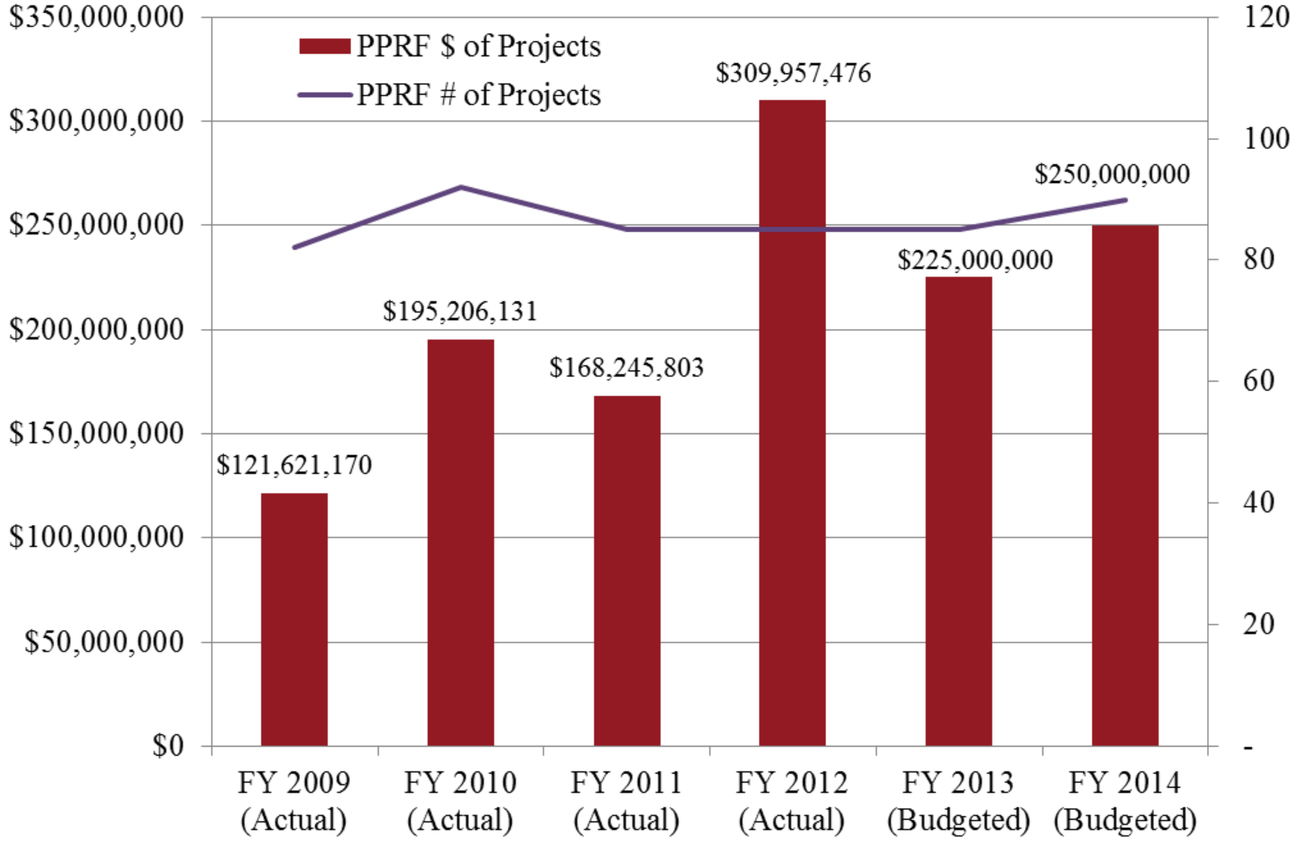
The PPRF is funded primarily through the Finance Authority's share of Government Gross Receipts Tax (GGRT), which in fiscal year 2012 collected approximately $26.2 million per year. The Finance Authority's uses this cash inflow to make loans to borrowers and then replenishes the Fund by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities.

From the Finance Authority's inception in 1992 until 2000, its first eight years of existence, fewer than 50 loans were made in the PPRF -- approximately two-thirds the number of loans currently made annually. Even though the Finance Authority had made loans to well rated credits – such as the City of Las Cruces and the City of Santa Fe - Standard & Poor's would not provide an investment grade rating for the program due to the limited diversity of the pool.

Since that time, the Fund has grown in both size and diversity of borrowers. The diversity has helped the PPRF attain higher bond ratings, lower costs of issuance to all borrowers, and give below-market interest rate loans to disadvantaged entities. By 2007, seven years after its first rating from Standard and Poor's, the PPRF had enjoyed five upgrades to a 'AA+' and by 2011 had achieved the prestigious 'AAA' rating while still serving the smallest of credits in the New Mexico marketplace.

The impact of this upgrade is that the Finance Authority is able to provide value to a greater number of borrowers who are able to stretch further their limited public dollars for public projects due to lower interest rates. For fiscal year 2012, the PPRF saw a 90% increase over the prior three-year average of activity. Through June 30, 2012, the Finance Authority has made more than 1,100 PPRF loans totaling nearly $2.23 billion.

Public Project Revolving Fund (1992)



Local Government Planning Fund

The Local Government Planning Fund was created by the Finance Authority to provide up-front capital necessary to study the feasibility of water and wastewater public projects, long term water plans, water conservation plans and economic development plans.

The 2012 Legislature amended the Local Government Planning Fund statute to broaden the types of planning that can be funded and eliminated the requirement to repay the fund. As a result, the Finance Authority expects that this will be a record year for meaningful planning of a diverse set of projects.

To date, the Finance Authority has funded 83 projects totaling more than $2.2 million for a variety of projects. Approximately $2.5 million of funds is available to fund new studies for projects in FY 2013.

Local Government Planning Fund Eligibility:

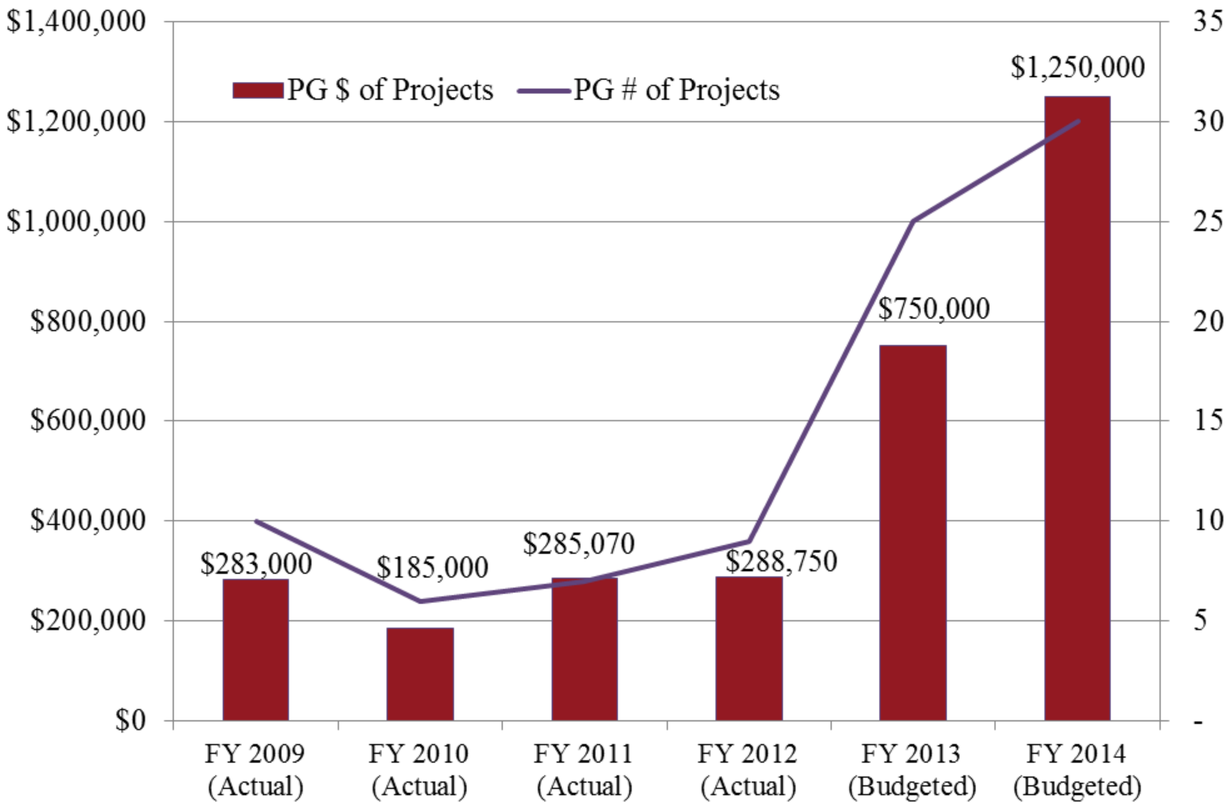
Applicants: Local governments, including tribal entities and mutual domestic water consumers associations

Projects Preliminary engineering reports, environmental information documents, water conservation plans, long-term water plans, energy efficiency audits and economic development plans

Terms: Grant eligibility is determined by project type and the median household income of the qualified entity

Other: Prioritization of funding is determined by Board policy

Local Government Planning Fund (2002)



Colonias Infrastructure Project Fund

In 2010, the Legislature adopted the Colonias Infrastructure Act to help 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 purpose of the Act is to ensure adequate financial resources for infrastructure development for Colonia recognized communities, provide for the planning and development of infrastructure in an efficient and cost-effective manner, and develop infrastructure projects to improve quality of life and encourage economic development.

In FY 2012, the Finance Authority assisted the 12-member Colonias Infrastructure Board with the start-up of the program, including the establishment of Board By-Laws, Rules and Regulations, Policies and Funding Criteria. Working with an inter-agency technical team, the Finance Authority reviewed approximately 70 applications and assisted the Colonias Infrastructure Board in selecting its first projects under the program. Working with its federal funding partners, the Colonias Infrastructure Board was able to leverage $13.2 million in Severance Tax Bond

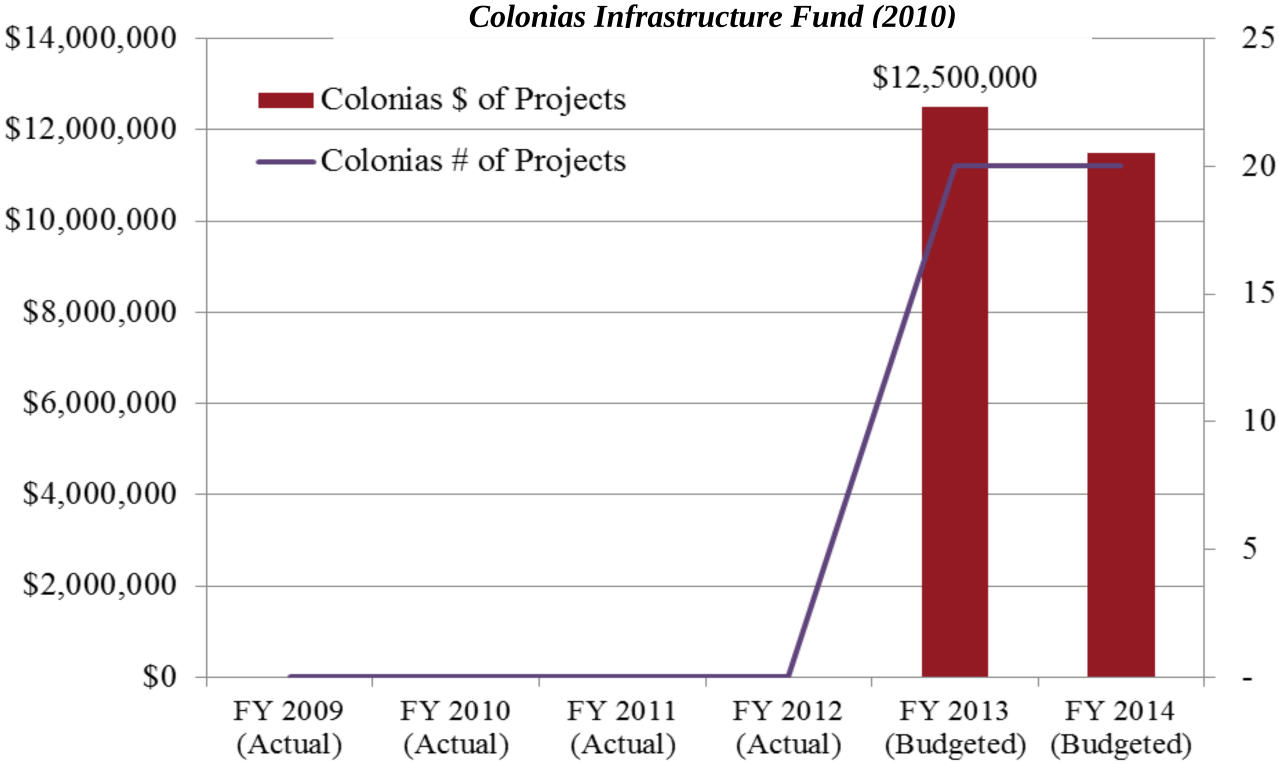
Colonias Infrastructure Project Fund Eligibility:

Applicants: Local governments, including Counties, Cities and mutual domestic water consumers associations

Projects Preliminary engineering reports, plans and specifications, and construction

Terms: In FY 2012, funds are delivered as 90% grant, 10% loan. The loans are structured with terms of up to 20 years at 0% interest

Other: Qualified entities must be able to demonstrate adequate capacity to construct and operate the project over the long-term proceeds with more than $6 million in various federal sources to fund 49 projects, approximately two-thirds of the applications received during this first year of operations.



Local Transportation Infrastructure Fund

Created by the 2005 Legislature, the Local Transportation Infrastructure Fund provides grants to transportation projects that are not eligible for Federal funding and whose needs have not been met by the existing Local Government Road Fund.

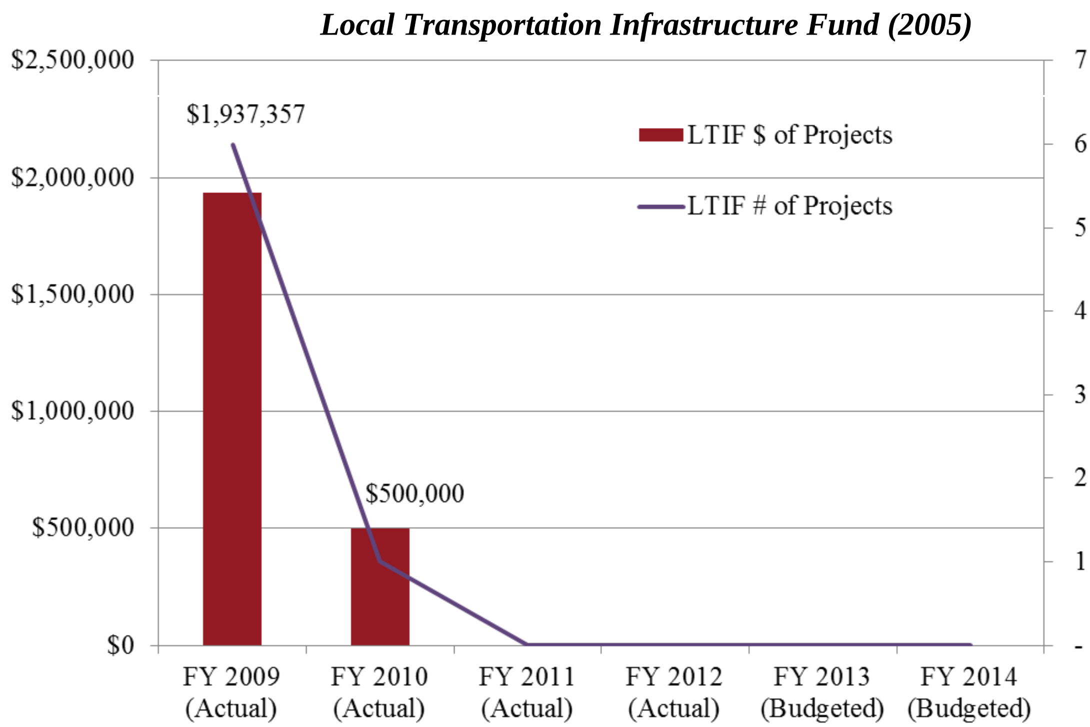
The Finance Authority provides the funding for this program through the dedication of up to 50% of the fees paid to the Authority by New Mexico Department of Transportation (NMDOT) for managing the its bonds. Projects are recommended to the Finance Authority through a prioritization list supplied annually by the NMTDOT. To date, the Fund has only been utilized to provide the matching funds required under the Local Government Transportation Fund legislation. Through June 2012, the NMDOT has recommended and the Authority has approved funding for 20 projects totaling more than $4.2 million

Local Transportation Infrastructure Fund Eligibility:

Applicants: Local governments, including tribes

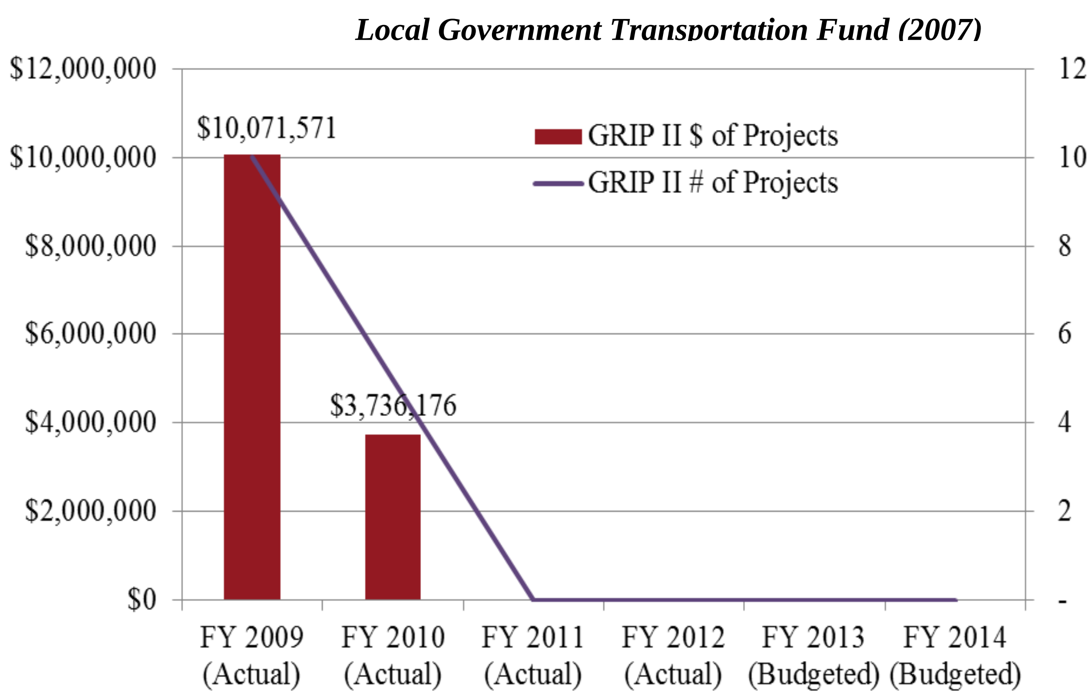
Projects : Design and Construction of roads

Terms: Loans of up to 30 years, based upon the useful life of the project, offered at low, fixed interest rates; Grants of up to 25% of the total cost of the Local Transportation Project with a maximum grant not to exceed $500,000.



Local Government Transportation Fund

The Finance Authority administers the Local Government Transportation Fund which was created by the 2007 Special Legislature to provide funding for 116 local government transportation projects totaling more than $180 million as well as engineering and design services incurred by NMDOT for the projects funded from the Fund. The funding for this program is made up of a $25 million appropriation from the General Fund and up to $150 million in proceeds realized from the issuance of Severance Tax Bonds. Through June 30, 2012, the Fund has received a total $101.7 million in funding which has resulted in 88 projects being certified by NMDOT to proceed. It is expected that all the certified projects will be completed by June 2012.



WATER PROGRAMS

Drinking Water Revolving Loan Fund

The Drinking Water Revolving Loan Fund ("DWRLF") is operated in partnership with the New Mexico Environment Department ("NMED") to provide low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and the public health.

This federal program, managed by the Finance Authority on behalf of the State of New Mexico, is funded through a federal capitalization grant of approximately $8 million annually. The state is required to match the federal grant by 20 percent. The primary use of the funding is for zero or two-percent loans to drinking water systems to fund vital water quality projects. NMED is allowed, under federal law, to use up to 27 percent of the funding to meet its duties as defined under the federal Safe Drinking Water Act. The Finance Authority receives 4 percent for its management of the program. To date, the Finance Authority has received $136.8 million in federal Environmental Protection Agency ("EPA") capitalization grants, which has been matched by the Finance Authority with $22.4 million and by the Legislature with $2 million.

In FY 2009, in addition to its regular capitalization grant, the State received a one-time capitalization grant as part of the American Recovery and Reinvestment Act of 2009 which provided the Finance Authority with approximately twice the amount of funding typically received. This influx of dollars has provided the Finance Authority with the ability to temporarily provide additional subsidy to qualified public projects undertaking vital drinking water projects.

This new structure was made available as part of FY 2012 and is expected to continue through FY 2013. As a result, the Finance Authority is expecting unprecedented demand for the program.

Since the inception of the program, the Finance Authority has issued 56 loans totaling nearly $111.5 million, with approximately 70% of the loans being made in the last five years, including projects funded through the American Recovery and Reinvestment Act of 2009.

Drinking Water Revolving Loan Fund Eligibility:

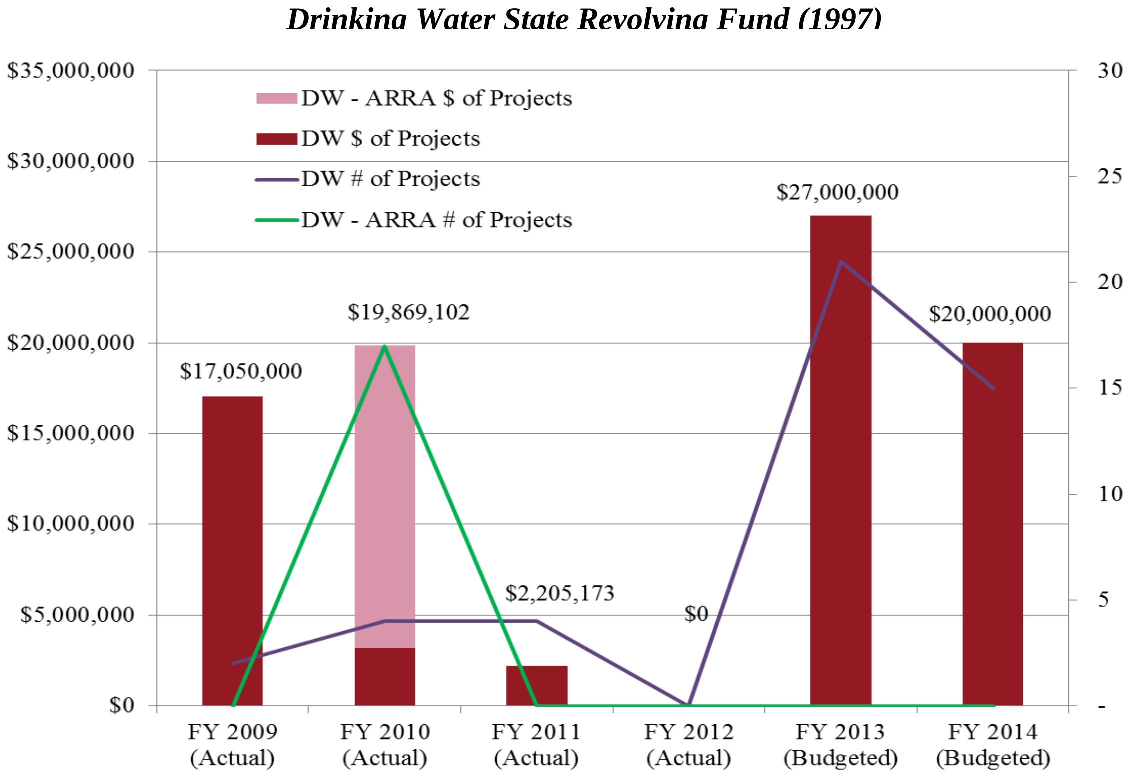
Applicants: Municipal and Community Water Systems

Projects Water Infrastructure and Equipment

Terms: Loans of up to 30 years are offered at below market, fixed interest rates

- Disadvantaged Public Entities: 0% for the first $600,000
- Community Water Systems: 2%
- Non-Profit Water Systems: 3%

Other: In addition to below-market interest rates, water systems operated by public entities are eligible to receive additional subsidies such as principal forgiveness for certain projects.



Water Project Fund

Pursuant to the Water Project Finance Act, the Finance Authority administers the Water Project Fund and provides administrative support to the 16-member Water Trust Board, which recommends to the Legislature projects to be funded from annual distributions from the Water Trust Fund and 10% of the annual senior lien Severance Tax Bonds.

Eligible projects reflect the State's comprehensive effort to promote funding for projects that improve water quantity up and down the value chain—from the water source to its use. In November 2007, the Water Trust Board approved comprehensive water project policies that govern the use of the Fund and provide for greater accountability. With these policies in place, the Water Trust Board is able to rely on advice from a seven-agency technical team that evaluates applications and reports to the Board prior to its recommendations to the Legislature.

With a reliable, annual revenue stream to fund new applications and a transparent set of policies that guide applicants, the Water Trust Board has become an increasingly sought-after source of funding for a variety of water projects statewide.

Water Project Fund Eligibility:

Applicants: State and local governments, including tribal entities and mutual domestic water consumers associations

Projects: Planning and Construction funding for five types of water projects:

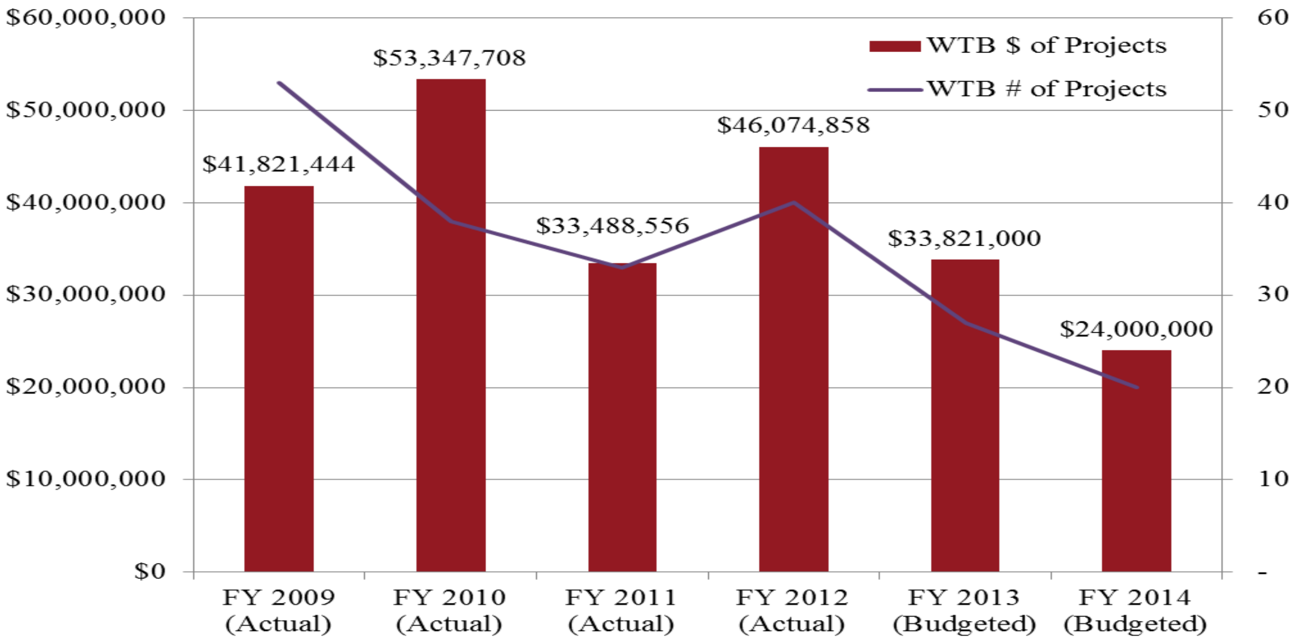
- water treatment, conservation or reuse
- flood prevention
- Endangered Species Act collaborative efforts
- water storage, conveyance and delivery infrastructure improvements
- watershed restoration and management initiatives

Terms: Loan/Grant combinations with the loan component dependent on the repayment ability of the applicant; loans are offered at 0% interest for terms of up to 20 years

Other: Applicants are required to demonstrate at the time of award the ability to fully expend the funds within 12-18 months

Since its inception, the Water Project Fund has provided funding to 214 projects totaling more than $220 million with the majority of the funds delivered in the past three years. The Finance Authority attributes the increase in funding activity to the policies adopted by the Board which ensure that funds earmarked for projects are used expeditiously. Over the past three years, the Finance Authority has increased the closing and spending pace of the Water Trust Board projects, averaging 37 closings per year for an average yearly closing of $44.3 million. FY 2012 was ahead of this average, closing 40 projects for a total of $46 million.

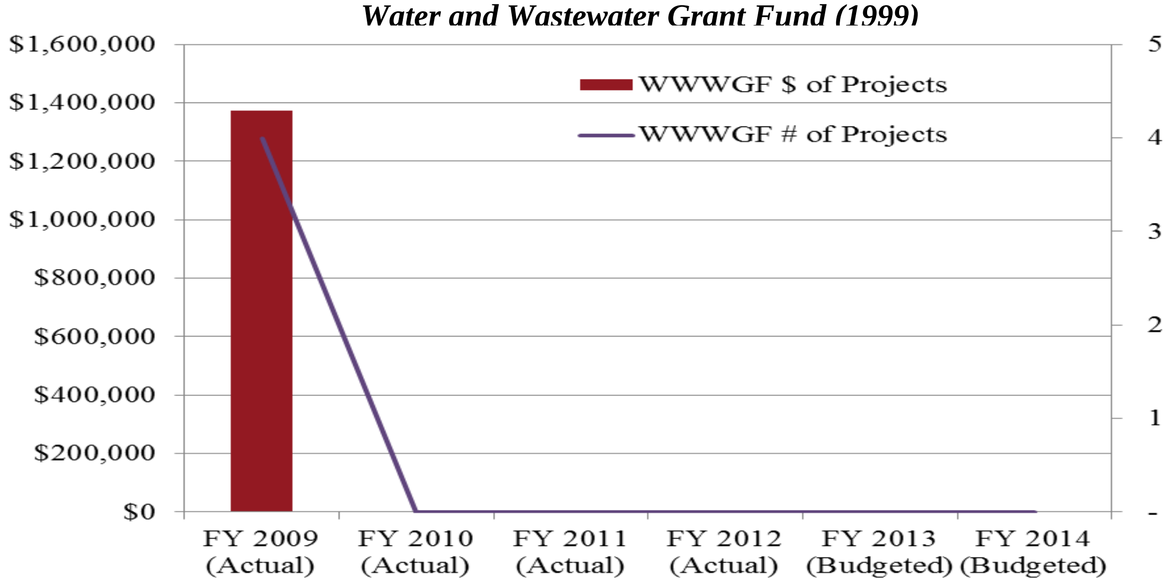
Water Trust Board (2001)



The Water and Wastewater Grant

The Water and Wastewater Grant Fund was established by the 1999 Legislature to provide grants to legislatively authorized grant recipients. The Fund received its last appropriation in 2002 and the program funds were fully expended in FY 2009. Absent another appropriation, which is not expected, this program is being administratively shut down for FY 2013.

Water and Wastewater Grant Fund (1999)



Community Facility and Economic Development Programs (Private Lending Programs)

Primary Care Capital Fund

The Primary Care Capital Fund ("PCCF") was created by the 1994 Legislature with an initial appropriation of $5 million to be used as a revolving fund. To date, the Finance Authority and its partners at the Department of Health ("DOH") have funded 17 loans totaling more than $10.7 million. Clinics located in New Mexico communities such as Peñasco, Silver City, Pecos and Anthony have borrowed from the fund to acquire, construct or expand their existing medical and dental facilities. These loans, some of which have been in repayments since 1997, have repaid more than $5 million to the fund. In FY 2011, $2.81 million was transferred to the State's General Fund in support of the State's balanced budget, leaving the Finance Authority to lend only the amounts repaid in any given year. The Finance Authority used the repayments in FY 2012 to make a $600,000 loan to the Hidalgo Medical Services to expand its medical practice in Silver City. The Finance Authority does not expect to extend any new PCCF loans until sufficient repayment has accumulated in FY 2014.

Primary Care Capital Fund Eligibility:

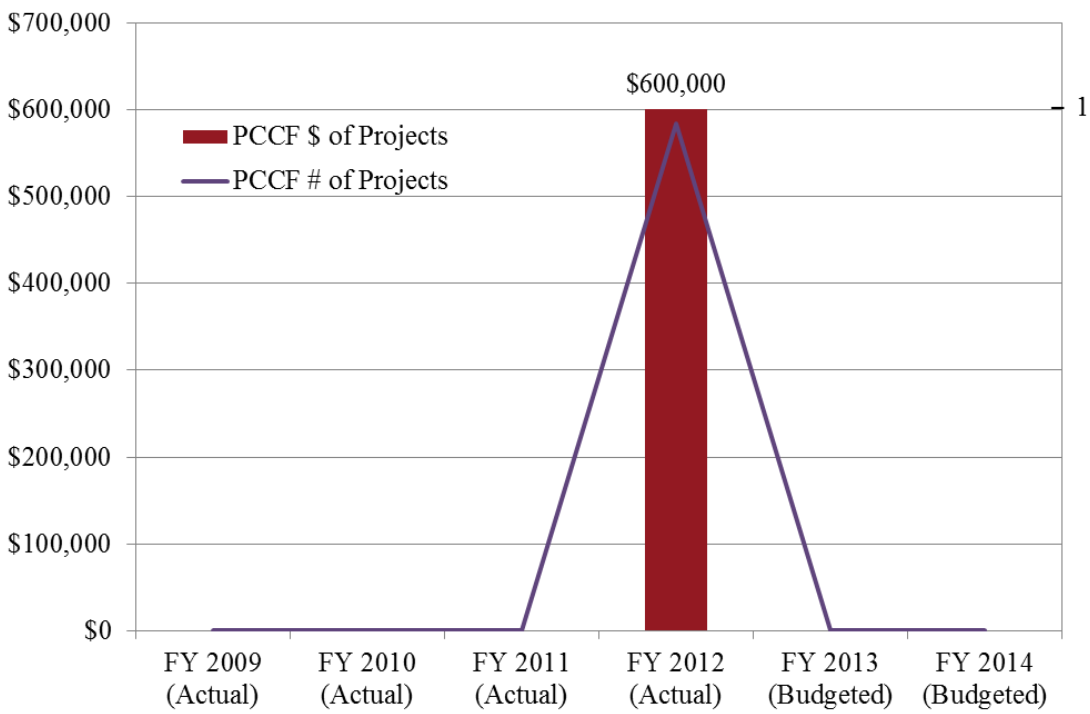
Applicants: 501(c)(3) non-profit primary care health providers

Projects Building and capital equipment acquisitions

Terms: Loans of up to 15 years are offered at a fixed interest rate of 3%

Other: Borrowers who provide care to indigent patients at free or reduced prices may be eligible to receive up to 20% of their annual principal and interest payments reduced through a contract-for-services negotiated with DOH.

Primary Care Capital Fund (1994)



Behavioral Health Capital Fund

Tailored after the successful Primary Care Capital Fund, this program provides low cost capital to behavioral health clinics in rural and underserved areas of the state. Capitalized by the Finance Authority with $2.5 million, this small loan program provides below-market interest rate loans to non-profit behavioral health care providers. With its partners at the Department of Human Services ("HSD"), the Finance Authority has funded two projects totaling $580,000, including a $100,000 loan to *La Familia* in Chaparral, New Mexico which closed, and has approved a $500,000 loan to *Tri County Community Services* in Taos. Approximately $1.5 million is available during FY 2013 and FY 2014 for additional loans.

Behavioral Health Capital Fund Eligibility:

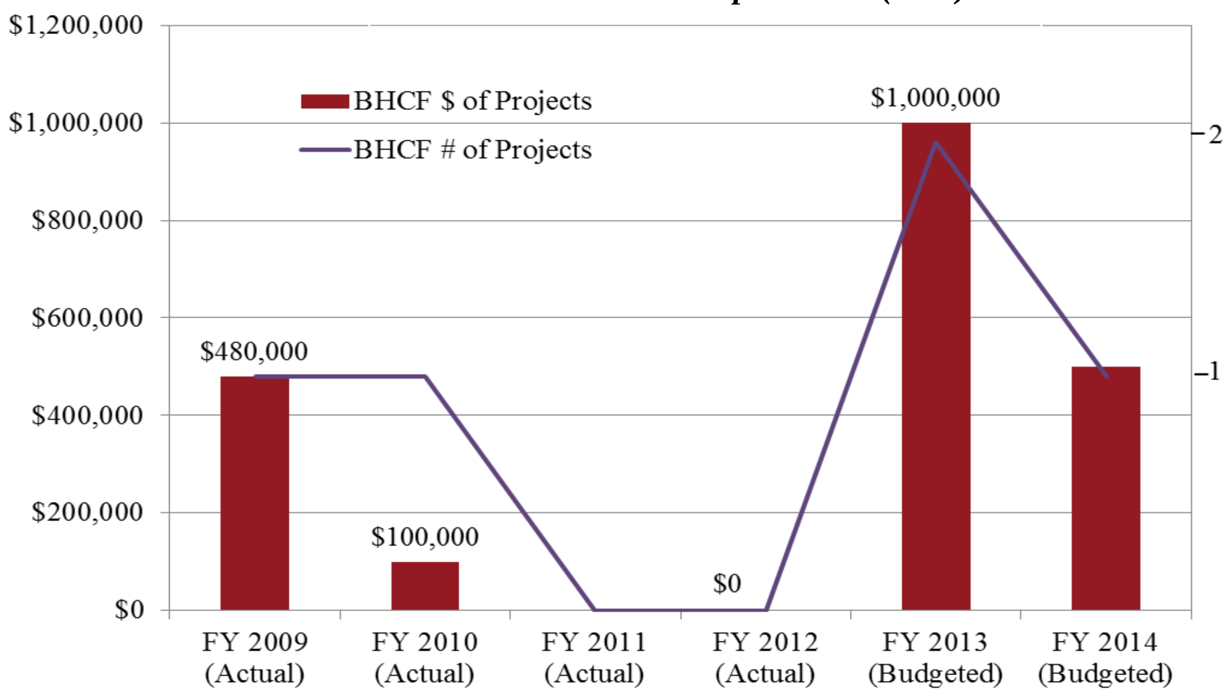
Applicants: 501(c)(3) non-profit behavioral care health providers

Projects Building and capital equipment acquisitions

Terms: Loans of up to 15 years are offered at a fixed interest rate of 3%

Other: Borrowers who provide care to indigent patients at free or reduced prices may be eligible to receive up to 20% of their annual principal and interest payments reduced through a contract-for-services negotiated with HSD.

Behavioral Health Capital Fund (2004)



Statewide Economic Development Finance Act

The Statewide Economic Development Finance Act ("SWEDFA") was enacted into law in 2003 and authorizes the Finance Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private entities, including businesses and non-profit corporations, from the Economic Development Revolving Fund. SWEDFA partners the Finance Authority with the New Mexico Economic Development Department ("NMEDD") in creating and operating finance programs that help stimulate the economy through job creation and business growth, particularly in rural and underserved areas of New Mexico. In FY 2011, $1.9 million was transferred from the Economic Development Revolving Fund to the State's General Fund in support of the State's balanced budget. As a result, the Economic Development Revolving Fund has a total state capitalization of approximately $5.1 million with approximately $600,000 available to lend in FY 2013.

In FY 2012, the Finance Authority and NMEDD received from the US Department of Treasury approximately $13.2 million in federal State Small Business Credit Initiative ("SSBCI") funding made available through the federal Small Business Jobs Act of 2010. The Finance Authority and NMEDD have used these funds to create the Collateral Support Participation program, which works through banks to support new small business lending and help entrepreneurs expand their businesses, thereby creating and retaining jobs for New Mexicans. Through the Collateral Support Participation program, the Finance Authority will leverage at least $132 million in private investment through December 2016. The Finance Authority and NMEDD have until October 2013 to fully obligate the federal funds or the funds will be reverted to the US Treasury for other programs. In anticipation of this federal funding and the limited timing to deliver the funds, the 2011 Legislature passed and Governor Martinez signed Senate Bill 454 (sponsored by Sen. Muñoz) which temporarily allows the Finance Authority to fund projects from the Economic Development Revolving Fund without prior legislative authorization. With the passage of this bill, the Finance Authority has the ability to meet the timing needs dictated by the federal funds while providing business-friendly loans to expanding New Mexico's businesses.

Smart Money Loan Participation

The Smart Money Loan Participation Program was the first program implemented under SWEDFA. Smart Money creates greater access to capital throughout rural and underserved areas of New Mexico by allowing the Finance Authority to purchase up to 49% of loans originated, underwritten and serviced by local banks at low, fixed interest rates. In FY 2012, the Finance Authority approved the purchase of a loan participation with Century Bank to help fund the renovation of a building on Las Cruces' Main Street. The former furniture store will be renovated as used as a new charter school that provides education to students who are not native English speakers. The curriculum is offered in day and night courses so that adults who had not been able to graduate from high school are able to get a high school education.

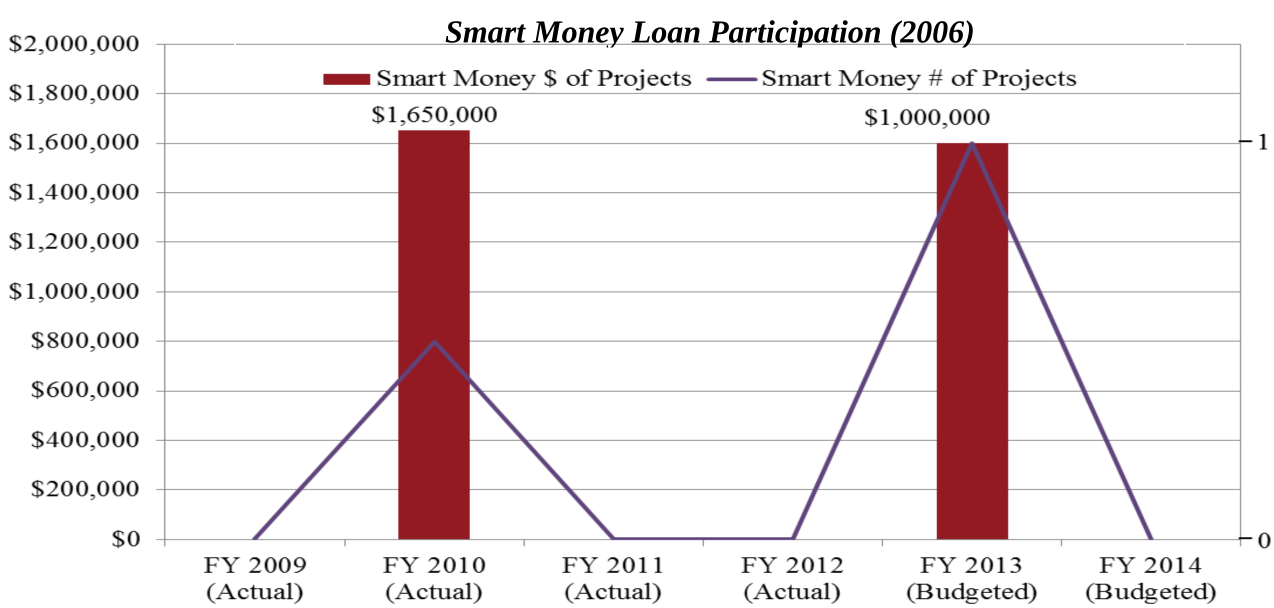
Smart Money Loan Participation Program Eligibility:

Applicants: Businesses and Non-Profit Corporations

Projects Working Capital, Equipment and Building projects

Terms: Loans of up to 25 years are offered at low, fixed interest rates

Other: The Finance Authority can purchase up to 49% of a bank's loan dependent on the maturity of the loan, job creation derived from the project and lien position of the participation



Collateral Support Participation Program

This new program uses funding provided through the SSBCI and is designed to spur private investment by mitigating bank risk. Through the Collateral Support Participation program, New Mexico banks can increase their collateral value while lowering the businesses' debt service. This program differs from Smart Money because it focuses on buying shorter term, smaller loan participations that may be subordinate to the bank financing.

Collateral Support Participation Program Eligibility:

Applicants: Businesses and Non-Profit Corporations

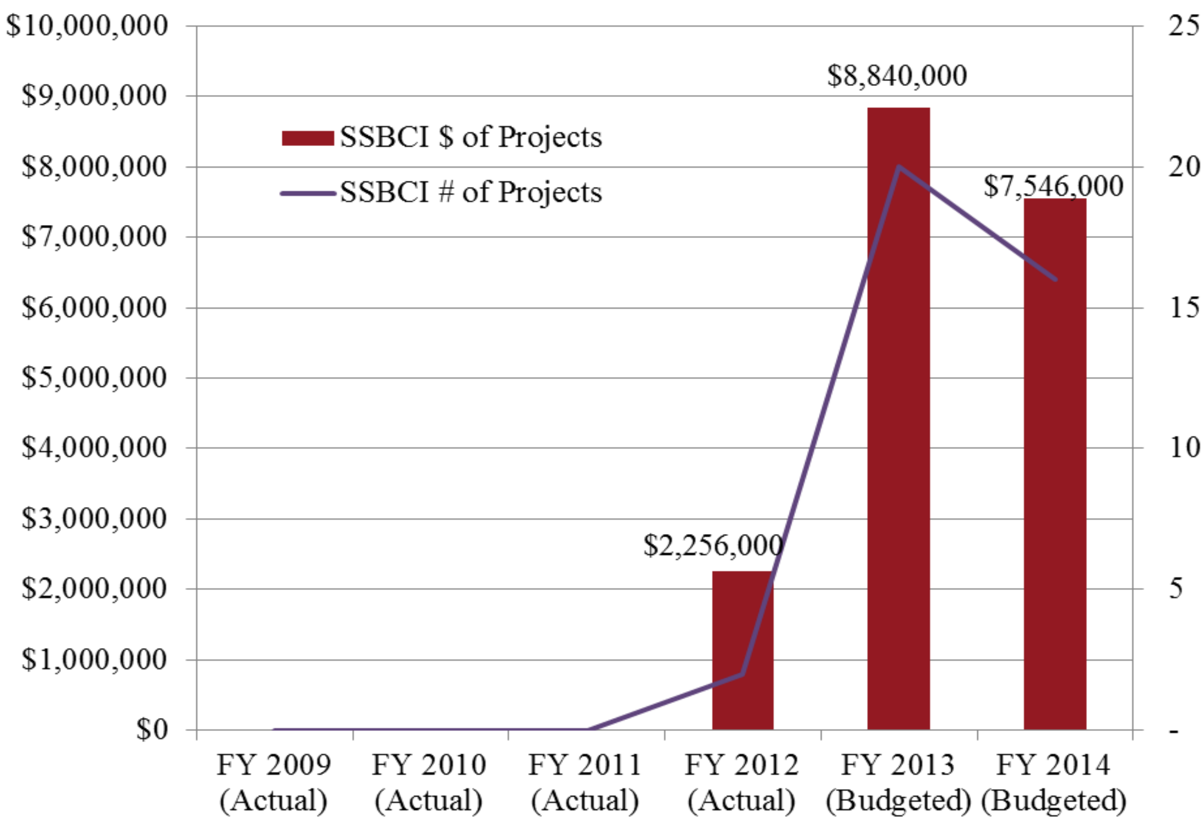
Projects Working Capital, Equipment and Building projects

Terms: Loans of up to 25 years are offered at low, fixed interest rates

Other: The Finance Authority can purchase up to 40% of a bank's loan dependent on the term of the loan, location of the project and lien position offered to the Finance Authority

In FY 2012, the Finance Authority established policies for this new program and held a series of workshops across the State to inform businesses, bankers and economic developers of the new funding available. The first two projects under this program closed in FY 2012, totaling approximately $2.25 million. The funds, combined with bank funding, will be used to expand the Rio Grande Medical Group in Las Cruces and to expand the operations of Santa Fe-based Bicycle Technologies International. These two projects were at a stand-still because the banks were unable to move forward without a partner who could mitigate their collateral risk. The Finance Authority was able to quickly review and approve the transactions and construction has begun on these two projects, creating countless construction jobs and more than 60 permanent, full time jobs. The Finance Authority expects many more of these projects over the next several years as the SSBCI money is invested and reinvested in New Mexico's small businesses.

Collateral Support Participation (2011)



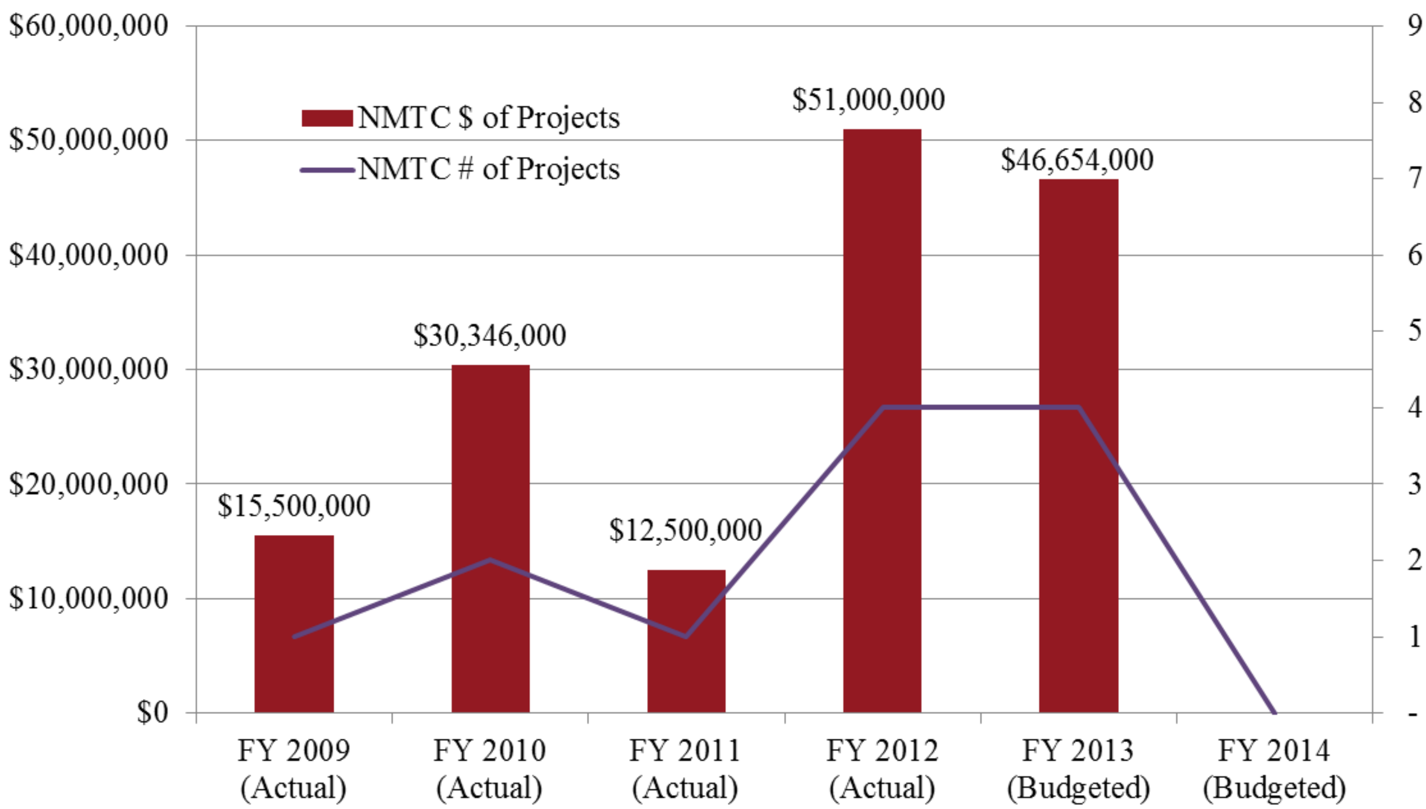
New Markets Tax Credits

In 2007, the Finance Authority formed a subsidiary for-profit company called Finance New Mexico, LLC, to pursue an allocation of federal tax credits available under the New Markets Tax Credit (NMTC) program. The US Department of Treasury has awarded Finance New Mexico a total of $156 million in NMTC allocations -- $110 million in 2008 and $46 million in 2011.

The purpose of the NMTC is perfectly aligned with the goals of the SWEDFA, which is to provide private businesses in rural or low-income communities across the State with greater access to capital. Under this program, Finance New Mexico leverages private capital with funds derived from the sale of tax credit to investors and lends these dollars to businesses at very favorable terms. The incentive to investors is a 39 percent federal income tax credit earned over seven years for every dollar invested in a qualified low income community enterprise. The benefit to New Mexico businesses is very low-cost capital, with flexible lending criteria and the potential to convert portions of NMTC loans to equity.

After years of educating banks and businesses about New Markets Tax Credits, the Finance Authority is poised to fully obligate all credits by the end of fiscal year 2013 after a record year of activity in FY 2012. This deployment of credit will position the Finance Authority for additional allocation once it becomes available at the federal level.

New Markets Tax Credit (2007)



Conduit Economic development Bonds

Through this program, the Finance Authority can help for-profit and not-for-profit businesses, particularly in rural and underserved areas of New Mexico, access the national bond market and take advantage of federal programs that can lower their interest rates through the issuance of tax-exempt bonds.

Conduit Economic Development Bond Program Eligibility:

Applicants: Small manufacturers and 501(c)(3) non-profit corporations

Projects Building and Equipment projects

Terms: Terms of up to 30 years offered at either fixed or variable interest rates

Other: The Finance Authority is able to issue bonds for projects when requested by the local government where the project is located.

OTHER PROGRAMS

Department of Transportation Bonds

In 2003, the State Legislature authorized the issuance of $1.585 billion in bonds to fund approximately 40 statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership ("GRIP"). GRIP's enabling legislation named the Authority as the agent for the New Mexico Department of Transportation (NMDOT) and authorized the Authority to issue $1.585 billion in bonds to finance the projects.

In 2008, House Bill 2 increased the original GRIP funding by slightly more than $53 million to address the inflationary impact of construction materials, for which the NMDOT has had cost increases of more than 30%. $435 million in bond authority remains to be issued under the original 2003 authorization.

Other Programs: "Stand-Alone" Bonds

Earlier in its history, the Authority, pursuant to legislation, issued bonds for a number of projects for other state agencies or departments. These bonds were issued outside the PPRF, and were called "Stand-Alone" bonds. The proceeds of these bonds were used to fund the construction of buildings. For various reasons, these projects were not considered at the time to meet the criteria necessary to qualify for a PPRF loan. Over time, the requirements to qualify as a PPRF project have become less restrictive, and similar projects today are funded as PPRF loans, not as non-PPRF Stand-Alone bonds. For each of the Stand-Alone bonds, the source of repayment of the debt is a revenue pledge authorized through a legislative appropriation. The bonds previously issued have a current principal balance of $17,075,000 and will mature in April 2019.

V. Total Operating Budget

BUDGET DETAIL BY PROGRAM -
FISCAL YEAR 2013

	Grand Total	PPRF	GRIP (Inc GRIP II and Local Road Fund)	Drinking Water Revolving Loan Fund	Water Project Fund	Colonias Infrastructure Fund	Local Government Planning Fund	New Markets Tax Credits	State Small Business Credit Initiative	Economic Development	Behavioral Health Capital Fund	Primary Care Capital Fund	Child Care Revolving Loan Fund	Intergovernmental Receivables
REVENUES														
Appropriation revenues	$ 40,462,000	$ 26,750,000	$ -	$ -	$ -	$ -	$ 1,000,000	$ -	8,823,000	$ -	$ 1,089,000	$ -	$ -	$ 2,800,000
Interest income on loans	54,427,750	52,250,000	-	1,050,000	-	-	-	-	77,000	100,000	20,000	126,000	750	804,000
Interest income on investments	917,000	700,000	25,000	125,000	50,000	-	-	-	10,000	2,000	-	-	-	5,000
Administration fee revenue	4,831,000	3,036,000	628,000	175,000	51,000	-	-	940,000	-	-	1,000	-	-	-
Grant revenue	41,900,000	-	-	10,900,000	27,500,000	3,500,000	-	-	-	-	-	-	-	-
Total Revenues	$ 142,537,750	$ 82,736,000	$ 653,000	$ 12,250,000	$ 27,601,000	$ 3,500,000	$ 1,000,000	$ 940,000	$ 8,910,000	$ 102,000	$ 1,110,000	$ 126,000	$ 750	$ 3,609,000
EXPENDITURES														
Operating Expenses														
Personnel services	3,422,172	1,551,210	208,309	393,567	284,042	188,938	154,202	233,846	195,828	179,401	27,570	3,301	1,958	
Employee benefits	1,467,041	662,896	76,630	164,348	118,105	91,462	66,166	102,300	90,686	78,838	12,505	2,112	993	
In-state travel	134,056	49,737	6,361	8,128	10,274	12,263	8,280	14,476	11,926	9,378	1,361	1,872	-	
Maintenance & Repairs	26,400	8,448	1,320	3,960	2,046	2,640	1,320	2,640	924	2,640	132	198	132	
Office supplies	34,350	10,992	1,718	5,153	2,662	3,435	1,717	3,435	1,202	3,435	172	257	172	
Professional services	2,435,013	1,107,591	280,531	402,102	106,309	229,951	26,751	123,001	44,018	108,501	3,991	1,700	567	
Operating costs	974,213	365,460	50,003	121,609	69,038	70,533	44,825	105,723	50,918	83,299	5,874	4,159	2,772	
Out-of-state travel	75,200	29,986	3,114	9,418	6,453	2,517	2,839	12,562	3,912	4,294	-	105	-	
Total - Operating Expenses	**$ 8,568,445**	**$ 3,786,320**	**$ 627,986**	**$ 1,108,285**	**$ 598,929**	**$ 601,739**	**$ 306,100**	**$ 597,983**	**$ 399,414**	**$ 469,786**	**$ 51,605**	**$ 13,704**	**$ 6,594**	**$ -**
Non-Operating Expenses														
Bond interest expense	$ 55,901,500	$ 55,001,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 96,500	$ -	$ -	$ 804,000
Bond issuance expense	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	34,300,000	-	9,000,000	2,300,000	18,900,000	3,500,000	600,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
Total Non-Operating Expenses	$ 91,846,500	$ 56,501,000	$ 9,000,000	$ 2,300,000	$ 18,900,000	$ 3,500,000	$ 600,000	$ -	$ -	$ -	$ 106,500	$ 135,000	$ -	$ 804,000
Total Expenses	$ 100,414,945	$ 60,287,320	$ 9,627,986	$ 3,408,285	$ 19,498,929	$ 4,101,739	$ 906,100	$ 597,983	$ 399,414	$ 469,786	$ 158,105	$ 148,704	$ 6,594	$ 804,000
Excess (Deficit) revenues over expenses	$ 42,122,805	$ 22,448,680	$ (8,974,986)	$ 8,841,715	$ 8,102,071	$ (601,739)	$ 93,900	$ 342,017	$ 8,510,586	$ (367,786)	$ 951,895	$ (22,704)	$ (5,844)	$ 2,805,000
Transfer to other agencies	8,905,000	500,000	-	2,500,000	3,100,000	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) revenues over expenses	$ 33,217,805	$ 21,948,680	$ (8,974,986)	$ 6,341,715	$ 5,002,071	$ (601,739)	$ 93,900	$ 342,017	$ 8,510,586	$ (367,786)	$ 951,895	$ (22,704)	$ (5,844)	$ -
Activity - New Financings														
Number of Projects	206	85		21	27	20	25	4	20	2	2			
$ amount of financings	357,165,000	225,000,000		27,000,000	33,821,000	12,500,000	750,000	46,654,000	8,840,000	1,600,000	1,000,000			
Activity - Loans Outstanding														
Number of Loans	970	726		50	135			12	15	5	3	15	1	8
$ amount of loans outstanding	1,666,425,000	1,400,000,000		75,000,000	25,000,000			125,000,000	7,500,000	3,400,000	1,500,000	4,000,000	25,000	25,000,000
Activity - Project Funds Managed														
Number of Projects	273	85	$ 13	15	105	15	40							
$ amount of Project Funds managed	208,200,000	75,000,000	7,200,000	18,000,000	98,000,000	9,000,000	1,000,000							

NEW MEXICO FINANCE AUTHORITY

REVENUE AND EXPENSE BUDGET BY PROGRAM

FISCAL YEAR ENDED JUNE 30, 2013

	Total	PPRF	GRIP (Inc GRIP II and Local Road Fund)	Drinking Water Revolving Loan Fund	Water Project Fund	Colonias Infrastructure Fund	Local Government Planning Fund	New Markets Tax Credits	State Small Business Credit Initiative	Economic Development	Behavioral Health Capital Fund	Primary Care Capital Fund	Child Care Revolving Loan Fund	Inter- govt. Receivables
REVENUES														
Appropriation revenues	$ 40,462,000	$ 26,750,000	$ -	$ -	$ -	$ -	$ 1,000,000	$ -	$ 8,823,000	$ -	$ 1,089,000	$ -	$ -	$ 2,800,000
Interest income on loans	54,427,750	52,250,000	-	1,050,000	-	-	-	-	77,000	100,000	20,000	126,000	750	804,000
Interest income on investments	917,000	700,000	25,000	125,000	50,000	-	-	-	10,000	2,000	-	-	-	5,000
Administration fee revenue	4,831,000	3,036,000	628,000	175,000	51,000	-	-	940,000	-	-	1,000	-	-	-
Grant revenue	41,900,000	-	-	10,900,000	27,500,000	3,500,000	-	-	-	-	-	-	-	-
Total Revenues	**142,537,750**	**82,736,000**	**653,000**	**12,250,000**	**27,601,000**	**3,500,000**	**1,000,000**	**940,000**	**8,910,000**	**102,000**	**1,110,000**	**126,000**	**750**	**3,609,000**
EXPENDITURES														
Operating Expenses														
Personnel services	3,422,172	1,551,210	208,309	393,567	284,042	188,938	154,202	233,846	195,828	179,401	27,570	3,301	1,958	-
Employee benefits	1,467,041	662,896	76,630	164,348	118,105	91,462	66,166	102,300	90,686	78,838	12,505	2,112	993	-
In-state travel	134,056	49,737	6,361	8,128	10,274	12,263	8,280	14,476	11,926	9,378	1,361	1,872	-	-
Maintenance & Repairs	26,400	8,448	1,320	3,960	2,046	2,640	1,320	2,640	924	2,640	132	198	132	-
Office supplies	34,350	10,992	1,718	5,153	2,662	3,435	1,717	3,435	1,202	3,435	172	257	172	-
Professional services	2,435,013	1,107,591	280,531	402,102	106,309	229,951	26,751	123,001	44,018	108,501	3,991	1,700	567	-
Operating costs	974,213	365,460	50,003	121,609	69,038	70,533	44,825	105,723	50,918	83,299	5,874	4,159	2,772	-
Out-of-state travel	75,200	29,986	3,114	9,418	6,453	2,517	2,839	12,562	3,912	4,294	-	105	-	-
Total Operating Expenses	**8,568,445**	**3,786,320**	**627,986**	**1,108,285**	**598,929**	**601,739**	**306,100**	**597,983**	**399,414**	**469,786**	**51,605**	**13,704**	**6,594**	**-**
Non-Operating Expenses														
Bond interest expense	55,901,500	55,001,000	-	-	-	-	-	-	-	-	96,500	-	-	804,000
Bond issuance expense	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-
Grant expense	34,300,000	-	9,000,000	2,300,000	18,900,000	3,500,000	600,000	-	-	-	-	-	-	-
Contract for service expense	145,000	-	-	-	-	-	-	-	-	-	10,000	135,000	-	-
Total Non-Operating Expenses	**91,846,500**	**56,501,000**	**9,000,000**	**2,300,000**	**18,900,000**	**3,500,000**	**600,000**	**-**	**-**	**-**	**106,500**	**135,000**	**-**	**804,000**
Total Expenses	**100,414,945**	**60,287,320**	**9,627,986**	**3,408,285**	**19,498,929**	**4,101,739**	**906,100**	**597,983**	**399,414**	**469,786**	**158,105**	**148,704**	**6,594**	**804,000**
Excess (Deficit) revenues over expenses	42,122,805	22,448,680	(8,974,986)	8,841,715	8,102,071	(601,739)	93,900	342,017	8,510,586	(367,786)	951,895	(22,704)	(5,844)	2,805,000
Transfers to other agencies	8,905,000	500,000	-	2,500,000	3,100,000	-	-	-	-	-	-	-	-	2,805,000
Excess (Deficit) of revenues over expenses	**$ 33,217,805**	**$ 21,948,680**	**$ (8,974,986)**	**$ 6,341,715**	**$ 5,002,071**	**$ (601,739)**	**$ 93,900**	**$ 342,017**	**$ 8,510,586**	**$ (367,786)**	**$ 951,895**	**$ (22,704)**	**$ (5,844)**	**$ -**
Activity - New Financings														
Number of Projects	203	85		21	27	20	25	3	20		2			
$ Amount	341,065,000	225,000,000		27,000,000	33,821,000	13,200,000	750,000	31,654,000	8,640,000		1,000,000			
Activity - Loans Outstanding														
Number of Loans	970	726		50	135			12	15	5	3	15	1	8
$ Amount	1,666,425,000	1,400,000,000		75,000,000	25,000,000			125,000,000	7,500,000	3,400,000	1,500,000	4,000,000	25,000	25,000,000
Activity - Project Funds Managed														
Number of Projects	273	85	13	15	105	15	40							
$ Amount	208,900,000	75,000,000	7,200,000	18,000,000	98,000,000	9,700,000	1,000,000							

New Mexico Finance Authority
Cash Flow Budget by Program
Fiscal Year Ending June 30, 2013

	Total	PPRF	GRIP (Including GRIP II and LTIF)	Drinking Water SRLF	Water Projects Fund	Colonias Infrastructure Fund	Local Government Planning Fund	New Markets Tax Credit	State Small Business Credit Initiative	Economic Development	Behavioral Health Care Capital Fund	Primary Care Capital Fund	Childcare Revolving Loan Fund	Intergovern-mental Loans
Cashflows from financing activities:														
Cash inflows from operating activities:														
Proceeds from Bond Issuances	$ 200,000,000	$ 200,000,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment Funds Received - NMTC	30,704,000	-	-	-	-	-	-	30,704,000	-	-	-	-	-	-
Loan principal repayments	100,349,800	92,000,000	-	3,600,000	550,000	-	-	-	0	25,000	63,000	439,000	4,800	3,668,000
Loan Interest repayments pledged to bond payments	52,155,000	51,250,000	-	-	-	-	-	-	-	-	-	101,000	-	804,000
Grant revenue														
- Severance Tax Bonds	27,000,000	-	-	-	23,500,000	3,500,000	-	-	-	-	-	-	-	-
- Water Trust Fund	4,000,000	-	-	-	4,000,000	-	-	-	-	-	-	-	-	-
- Federal Funds	10,420,000	-	-	10,420,000	-	-	-	-	-	-	-	-	-	-
Appropriation Revenue														
- GGRT	26,500,000	26,500,000	-	-	-	-	-	-	-	-	-	-	-	-
- Cigarette Tax	3,889,000	-	-	-	-	-	-	-	-	-	1,089,000	-	-	2,800,000
- State Small Business Credit Initiative	8,558,000	-	-	-	-	-	-	-	8,558,000	-	-	-	-	-
- Other	1,250,000	250,000	-	-	-	-	1,000,000	-	-	-	-	-	-	-
Total cash inflows from financing activities:	**464,825,800**	**370,000,000**	**-**	**14,020,000**	**28,050,000**	**3,500,000**	**1,000,000**	**30,704,000**	**8,558,000**	**25,000**	**1,152,000**	**540,000**	**4,800**	**7,272,000**
Outflows from financing activities:														
Bond Principal Repayments	(82,208,000)	(78,415,000)	-	-	-	-	-	-	-		(125,000)	-	-	(3,668,000)
Bond Interest Repayments	(55,901,500)	(55,001,000)	-	-	-	-	-	-	-	-	(96,500)	-	-	(804,000)
Costs of Issuance Expenses	(1,500,000)	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation from PPRF for other programs	(3,000,000)	(3,000,000)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to reserve funds	(6,625,000)	(6,625,000)	-	-	-	-	-	-	-	-	-	-	-	-
Deposits to revolving fund	(540,000)	-	-	-	-	-	-	-	-	-	-	(540,000)	-	-
Projects funded as grants	(34,300,000)	-	(9,000,000)	(2,300,000)	(18,900,000)	(3,500,000)	(600,000)	-	-	-	-	-	-	-
Loans Funded	(278,677,000)	(225,000,000)	-	(7,915,000)	(5,500,000)	-	-	(30,704,000)	(8,558,000)	-	(1,000,000)	-	-	-
Payments to Other Agencies	(8,905,000)	(500,000)	-	(2,500,000)	(3,100,000)	-	-	-	-	-	-	-	-	(2,805,000)
Total cash outflows from financing activities	**(471,656,500)**	**(370,041,000)**	**(9,000,000)**	**(12,715,000)**	**(27,500,000)**	**(3,500,000)**	**(600,000)**	**(30,704,000)**	**(8,558,000)**	**-**	**(1,221,500)**	**(540,000)**	**-**	**(7,277,000)**
Net cash inflows (outflows) from financing activities	**(6,830,700)**	**(41,000)**	**(9,000,000)**	**1,305,000**	**550,000**	**-**	**400,000**	**-**	**-**	**25,000**	**(69,500)**	**-**	**4,800**	**(5,000)**
Cashflows from operating activities:														
Cash inflows from operating activity:														
Interest included in repayments of equity loans	2,244,750	1,000,000	-	1,050,000	-	-	-	-	77,000	100,000	17,000	-	750	-
Loan principal repayments	500,000				500,000									
Interest on investments	917,000	700,000	25,000	125,000	50,000	-	-	-	10,000	2,000	-	-	-	5,000
Administrative.processing fees	4,831,000	3,036,000	628,000	175,000	51,000	-	-	940,000	-	-	1,000	-	-	-
Appropriation revenue	265,000	-	-		-	-	-	-	265,000	-	-	-	-	-
Grant revenue	-													-
- Federal funds	480,000	-	-	480,000	-	-	-	-	-	-	-	-	-	-
Total cash inflows from operating activities	**9,237,750**	**4,736,000**	**653,000**	**1,830,000**	**601,000**	**-**	**-**	**940,000**	**352,000**	**102,000**	**18,000**	**-**	**750**	**5,000**
Cash outflows from operating activity:														
Salary and benefits	**(4,889,213)**	**(2,214,106)**	**(284,939)**	**(557,915)**	**(402,147)**	**(280,400)**	**(220,368)**	**(336,146)**	**(286,514)**	**(258,239)**	**(40,075)**	**(5,413)**	**(2,951)**	**-**
Operating expenses	**(3,679,232)**	**(1,572,214)**	**(343,047)**	**(550,370)**	**(196,782)**	**(321,339)**	**(85,732)**	**(261,837)**	**(112,900)**	**(211,547)**	**(11,530)**	**(8,291)**	**(3,643)**	**-**
Total cash outflows from operating activities	**(8,568,445)**	**(3,786,320)**	**(627,986)**	**(1,108,285)**	**(598,929)**	**(601,739)**	**(306,100)**	**(597,983)**	**(399,414)**	**(469,786)**	**(51,605)**	**(13,704)**	**(6,594)**	**-**
Net cash inflows/(outflows) from operating activities	**669,305**	**949,680**	**25,014**	**721,715**	**2,071**	**(601,739)**	**(306,100)**	**342,017**	**(47,414)**	**(367,786)**	**(33,605)**	**(13,704)**	**(5,844)**	**5,000**
Net Inflow (Outflow) of Cash	**(6,161,395)**	**908,680**	**(8,974,986)**	**2,026,715**	**552,071**	**(601,739)**	**93,900**	**342,017**	**(47,414)**	**(342,786)**	**(103,105)**	**(13,704)**	**(1,044)**	**-**
Beginning Cash Restricted for Program Use	**78,645,413**	**18,572,875**	**11,351,124**	**22,196,767**	**15,359,758**	**(176,910)**	**38,982**	**1,511,050**	**4,309,886**	**1,659,844**	**3,834,279**	**(23,262)**	**11,020**	**-**
Ending Cash Restricted for Program Use	**$ 72,484,018**	**$ 19,481,555**	**$ 2,376,138**	**$ 24,223,482**	**$ 15,911,829**	**$ (778,649)**	**$ 132,882**	**$ 1,853,067**	**$ 4,262,472**	**$ 1,317,058**	**$ 3,731,174**	**$ (36,966)**	**$ 9,976**	**$ -**

ANNUAL BUDGETS

FISCAL YEARS ENDED JUNE 30

	2013 Approved Budget	2014 Projected Budget	2015 Projected Budget	2016 Projected Budget	2017 Projected Budget
REVENUES					
Appropriation revenues	$ 40,462,000	$ 31,295,000	$ 31,964,000	$ 32,634,000	$ 33,304,000
Interest income on loans	54,427,750	56,349,000	58,500,000	60,743,000	63,112,000
Interest income on investments	917,000	1,000,000	1,250,000	1,450,000	1,700,000
Administration fee revenue	4,831,000	4,336,000	4,553,000	4,651,000	4,802,000
Grant revenue	41,900,000	46,587,000	50,179,000	41,275,000	42,373,000
Total Revenues	**142,537,750**	**139,567,000**	**146,446,000**	**140,753,000**	**145,291,000**
EXPENSES					
Operating Expenses					
Personnel services	$ 3,422,172	$ 3,593,000	$ 3,755,000	$ 3,999,000	$ 4,199,000
Employee benefits	1,467,041	1,540,000	1,609,000	1,714,000	1,800,000
Employee travel	209,256	220,000	245,000	250,000	250,000
Professional services	2,435,013	2,225,000	2,000,000	1,850,000	1,750,000
Operating costs	1,034,963	1,035,000	1,045,000	1,000,000	1,025,000
Total Operating Expenses	**8,568,445**	**8,613,000**	**8,654,000**	**8,813,000**	**9,024,000**
Non-Operating Expenses					
Bond interest expense	55,901,500	58,000,000	60,500,000	63,000,000	65,000,000
Bond issuance expense	1,500,000	1,650,000	1,750,000	1,750,000	1,900,000
Grant expense	34,445,000	30,750,000	27,000,000	28,000,000	27,750,000
Total Non-Operating Expenses	**91,846,500**	**90,400,000**	**89,250,000**	**92,750,000**	**94,650,000**
Total Fiscal Year Expenses	**100,414,945**	**99,013,000**	**97,904,000**	**101,563,000**	**103,674,000**
Excess revenues over expenditures	42,122,805	40,554,000	48,542,000	39,190,000	41,617,000
Transfer to other agencies	8,905,000	7,100,000	7,000,000	6,900,000	6,750,000
Excess revenues over expenditures	**$ 33,217,805**	**$ 33,454,000**	**$ 41,542,000**	**$ 32,290,000**	**$ 34,867,000**
		Capital Investments			
Furniture and fixtures	$ -	$ 25,000	$ 25,000	$ 125,000	$ 25,000
Computer hardware & software	50,000	200,000	25,000	25,000	-
Total capital investments	**$ 50,000**	**$ 225,000**	**$ 50,000**	**$ 150,000**	**$ 25,000**

These Budgets and certain other portions of this report contain forward-looking statements that are based on management expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual future results, therefore, may differ may differ materially from the forecasts contained in the forward-looking statements.