

NEW MEXICO FINANCE AUTHORITY
Santa Fe, New Mexico

Financial Statements
June 30, 2010 and 2009

NEW MEXICO FINANCE AUTHORITY

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NEW MEXICO FINANCE AUTHORITY

Official Roster

Year Ended June 30, 2010

Governing Board

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

Chief Executive Officer

William C. Sisneros

Chief Operating Officer

Jerome Trojan

Chief Financial Officer

John Duff



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 Henderson 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.

NEW MEXICO FINANCE AUTHORITY

Management's Discussion and Analysis

Condensed Comparative Financial Statements

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

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

NEW MEXICO FINANCE AUTHORITY

Management's Discussion and Analysis

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

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

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

- The Authority's unrestricted cash grew by \$8.5 million in 2010 primarily due to the receipt of the Governmental Gross Receipts Tax (see discussion on page 4, "the New Mexico Finance Authority"). Restricted cash decreased by \$105.6 million in 2010, primarily due to drawdowns of loans funded in the prior year and \$27.1 million in grant program expenditures of funds appropriated by the legislature in previous years for local road construction projects (the "GRIP II" program).
- Loans receivable increased by \$139.0 million in 2010 primarily as a result of new loans made during the year totaling \$212.2 million less loan payments received of \$73.2 million.
- Bonds payable increased by \$100.8 million in 2010 resulting from the issuance of \$172.3 million of new bonds, principal payments on outstanding bonds of \$70.6 million, and amortization of bond premium of \$0.9 million.
- The Authority's revenues decreased by \$26.5 million in 2010 compared to 2009. The decline was principally due to a \$40.7 million decrease in appropriation revenue amounts from the state legislature, which included the reversion to the state's general fund of \$21 million of revenues appropriated to the Authority in previous years. Other components of revenues increased, including a \$9.1 million increase in interest on loans, a \$5.7 million increase in grant revenues, and a \$957 thousand increase in administrative fee revenue. Interest earnings from investments decreased by \$1.5 million resulting from market conditions in the fixed income markets.
- The Authority's net assets decreased by \$8.8 million in 2010.
- During fiscal year 2010, the Authority invested, net of depreciation, a total of \$273,500 in capital assets. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

- The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2010, the total amount outstanding was \$1.20 billion (excluding the \$1.85 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 6 to the financial statements.
- During the fiscal year, the Authority issued \$172.3 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Authority Programs

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

Public Project Revolving Fund

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

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

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

NEW MEXICO FINANCE AUTHORITY

Management's Discussion and Analysis

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

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

NEW MEXICO FINANCE AUTHORITY

Management's Discussion and Analysis

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

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

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

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

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

Loans receivable:

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

Bond issuance:

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

Net interest income:

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

Recovery of investment loss:

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

Governmental Gross Receipts Tax:

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

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

Other Programs:

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

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
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%

NEW MEXICO FINANCE AUTHORITY

Management's Discussion and Analysis

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

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

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

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

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

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

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

Budgetary Variations, capital and infrastructure assets:

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

Contacting the Authority's Financial Management

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

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

FINANCIAL STATEMENTS

NEW MEXICO FINANCE AUTHORITY

Statements of Net Assets June 30, 2010 and 2009

	2010	As Restated 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 120,385,376	\$ 111,877,869
Restricted cash	268,285,157	373,898,180
Tax revenue receivable	-	2,080,571
Interest receivable	9,798,410	8,248,801
Grant and other receivable	4,371,646	5,910,474
Administrative fees receivable	560,875	405,245
Loans receivable, net of allowance	74,586,190	64,956,975
Intergovernmental receivables	147,842,525	154,793,087
Restricted asset - escrow	821,293	659,798
Other assets	57,442	59,029
Total current assets	<u>626,708,914</u>	<u>722,890,029</u>
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	<u>10,919,313</u>	<u>10,960,349</u>
Total noncurrent assets	<u>1,188,728,852</u>	<u>1,059,809,852</u>
TOTAL ASSETS	<u><u>\$ 1,815,437,766</u></u>	<u><u>\$ 1,782,699,881</u></u>
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	<u>65,371,000</u>	<u>57,878,000</u>
Total current liabilities	<u>261,738,741</u>	<u>313,481,312</u>
NONCURRENT LIABILITIES		
Bonds payable, noncurrent, net	<u>1,168,349,390</u>	<u>1,075,076,148</u>
Total noncurrent liabilities	<u>1,168,349,390</u>	<u>1,075,076,148</u>
Total liabilities	<u>1,430,088,131</u>	<u>1,388,557,460</u>
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	<u>119,823,150</u>	<u>110,604,025</u>
Total net assets	<u>385,349,635</u>	<u>394,142,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,815,437,766</u></u>	<u><u>\$ 1,782,699,881</u></u>

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

	<u>2010</u>	<u>As Restated 2009</u>
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	<u>1,343,523</u>	<u>2,890,591</u>
Total operating revenues	<u>120,536,039</u>	<u>147,025,175</u>
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	<u>55,622,227</u>	<u>49,418,130</u>
Total operating expenses	<u>127,818,782</u>	<u>120,306,939</u>
Operating income (loss) before depreciation	(7,282,743)	26,718,236
Depreciation	<u>197,828</u>	<u>212,913</u>
Total operating income (loss)	(7,480,571)	26,505,323
NON-OPERATING REVENUES (EXPENSES)		
Gain (loss) on investments	<u>6,758,315</u>	<u>(8,205,430)</u>
Income (loss) before transfers	(722,256)	18,299,893
TRANSFERS		
Transfers to other state agencies	<u>(8,070,530)</u>	<u>(12,687,198)</u>
CHANGE IN NET ASSETS	(8,792,786)	5,612,695
TOTAL NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	<u>394,142,421</u>	<u>388,529,726</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 385,349,635</u>	<u>\$ 394,142,421</u>

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	<u>(4,800,844)</u>	<u>34,972,294</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid for services	(8,070,533)	(12,687,198)
Cash provided (used) by funds held for others	<u>(66,900,796)</u>	<u>(14,800,764)</u>
Net cash used in noncapital financing activities	<u>(74,971,329)</u>	<u>(27,487,962)</u>
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	<u>(273,500)</u>	<u>(32,758)</u>
Net cash used in capital financing activities	<u>(17,333,346)</u>	<u>(21,654,904)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(97,105,519)</u>	<u>(14,170,572)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>485,776,052</u>	<u>499,946,624</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 388,670,533</u></u>	<u><u>\$ 485,776,052</u></u>
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	<u>2,398,245</u>	<u>2,681,698</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ (4,800,844)</u></u>	<u><u>\$ 34,972,294</u></u>

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	<u>42,204,406</u>

TOTAL ASSETS	<u>\$ 99,126,905</u>
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LIABILITIES

Accounts payable	\$ 1,585,452
Debt service payable	49,575,286
Funds held for the NM Department of Transportation	<u>47,966,167</u>

TOTAL LIABILITIES	<u>\$ 99,126,905</u>
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The accompanying notes are an integral part of the financial statements.

NATURE OF ORGANIZATION

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- **Basis of Presentation**

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Basis of Presentation** (continued)

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- **Agency Funds**

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

- **Basis of Accounting and Measurement Focus**

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- **Use of Estimates**

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

- **Restricted Assets**

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

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

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

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

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

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

- **Accounts Receivable**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans Receivable**

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

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

- **Intergovernmental Receivables**

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

- **Capital Assets**

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Compensated Absences**

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

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

- **Undisbursed Loan Proceeds**

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

- **Debt Service Payable**

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

- **Net Assets**

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

Investment in capital assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted assets are liquid assets that have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Income Taxes**

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

- **Interprogram and Interagency Transactions**

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

- **Reclassifications**

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

- **New Accounting Pronouncements**

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

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

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

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

	<u>2010</u>	<u>2009</u>
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	<u>-</u>	<u>1,255,507</u>
Total	<u>\$388,670,533</u>	<u>\$485,776,049</u>

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

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

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

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

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

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

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

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

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

3. LOANS RECEIVABLE

Loans receivable balances consist of the following at June 30:

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

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

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 Administration	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
	<u>862,703</u>	<u>273,500</u>	<u>-</u>	<u>1,136,203</u>
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)
	<u>(664,875)</u>	<u>(197,828)</u>	<u>-</u>	<u>(862,703)</u>
Net total	<u>\$ 197,828</u>	<u>\$ 75,672</u>	<u>\$ -</u>	<u>\$ 273,500</u>

	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
	<u>829,946</u>	<u>32,757</u>	<u>-</u>	<u>862,703</u>
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)
	<u>(451,962)</u>	<u>(212,913)</u>	<u>-</u>	<u>(664,875)</u>
Net total	<u>\$ 377,984</u>	<u>\$ (180,156)</u>	<u>\$ -</u>	<u>\$ 197,828</u>

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.

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

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	-
			<u>818,718,000</u>	<u>698,991,000</u>
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
			<u>352,015,000</u>	<u>366,355,000</u>
Subtotals – PPRF Bonds			<u>1,170,733,000</u>	<u>1,065,346</u>

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

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			<u>197,000</u>	<u>349,000</u>
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	<u>2,000,000</u>	<u>2,125,000</u>
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			<u>(1,620,826)</u>	<u>(1,728,238)</u>
Total bonds payable, net			1,233,720,390	1,132,954,148
Less: Current portion of bonds payable			<u>(65,371,000)</u>	<u>(57,878,000)</u>
Noncurrent portion of bonds payable			<u>\$ 1,168,349,390</u>	<u>\$ 1,075,076,148</u>

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	<u>20,085,000</u>	<u>1,853,953</u>	<u>21,938,953</u>
	1,196,530,000	<u>\$ 598,275,976</u>	<u>\$ 1,794,805,976</u>
Add: Unamortized premium	38,811,216		
Less: Deferred charge on refunding	<u>(1,620,826)</u>		
Bonds payable, net	<u>\$ 1,233,720,390</u>		

NEW MEXICO FINANCE AUTHORITY

Notes to Financial Statements

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	<u>(1,728,238)</u>	<u>-</u>	<u>107,412</u>	<u>(1,620,826)</u>	<u>-</u>
Total	<u>\$1,132,954,148</u>	<u>\$173,590,562</u>	<u>\$ (72,824,320)</u>	<u>\$1,233,720,390</u>	<u>\$ 65,371,000</u>
	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	<u>(2,327,578)</u>	<u>-</u>	<u>599,340</u>	<u>(1,728,238)</u>	<u>-</u>
Total	<u>\$1,084,937,292</u>	<u>\$115,463,896</u>	<u>\$ (67,447,040)</u>	<u>\$1,132,954,148</u>	<u>\$ 57,878,000</u>

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	<u>266,727</u>
Total	<u>\$ 1,808,727</u>

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	<u>(193,063)</u>
Balance June 30, 2009	226,830
Additions	222,400
Deletions	<u>(238,891)</u>
Balance June 30, 2010	<u>\$ 210,339</u>

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	State Office Bldg	Equipment Loan	Water and	Water Projects	Emergency	Local	Economic	Local Government	Bio-Mass Dairy	
	Imprv Financing	Bonding Program	Program	Wastewater	Program	Drought Water	Government	Development	Transportation	Program	Total
				Grant Program		Program	Planning	Program	Program		
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	-	-	-	-	-	-	-	-	-	-	-	-
Prepays 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 Dairy 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	-	-	-	-	-	-	-	-	-	-	-
Prepays 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			Balance
	July 1, 2009	Additions	Deletions	June 30, 2010
Department of Transportation Revenue Bonds, Series 2004				
<u>Fund 315</u>				
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				
<u>Fund 322</u>				
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				
<u>Fund 326</u>				
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
<u>Fund 327</u>				
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

This information is an integral part of the accompanying financial statements.

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	<u>4,159,208</u>
Total		<u><u>\$ 12,929,139</u></u>

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	<u>1,216,780</u>
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	<u>(800,000)</u>
Total EPA expenditures	<u>\$ 12,933,604</u>

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.

**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.

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.

A handwritten signature in cursive script that reads "Clifton Henderson LLP".

Baltimore, Maryland
February 18, 2011

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Clifton Henderson LLP".

Baltimore, Maryland
February 18, 2011

Schedule of Findings and Questioned Costs

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- | | | | | |
|--|---------------|-----|---------------|---------------|
| • Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u> X </u> | Yes | <u> </u> | None reported |

Noncompliance material to financial statements noted?

<u> </u>	Yes	<u> X </u>	No
---------------	-----	--------------	----

Federal Awards

Internal control over major programs:

- | | | | | |
|--|---------------|-----|--------------|---------------|
| • Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | 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?

<u> </u>	Yes	<u> X </u>	No
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Identification of Major Programs

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

<u> </u>	Yes	<u> X </u>	No
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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.

Schedule of Prior Year Findings and Questioned Costs

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 defeased bonds payable. This resulted in a prior period adjustment of \$25,975.

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

Status

This finding was corrected in the current year.

Finding 2009-2 – Reporting Deadline***Condition***

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

Status

See current year finding 2010-1.

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

NEW MEXICO FINANCE AUTHORITY

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

New Mexico Finance Authority
State of New Mexico

Financial Statements
June 30, 2011

New Mexico Finance Authority

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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2011

Governing Board

Vacant, Chair
William F. Fulginiti, Vice Chair
Paul Gutierrez, Secretary
Blake Curtis, Treasurer
David Martin, Member
Richard May, Member
Jon Barela, Member
John Bemis, Member
Steve Moise, Member
Terry White, Member
Lonnie Marquez, Member
Vacant, Member

Chief Executive Officer-Interim

John Duff

Chief Operating Officer/Chief Financial Officer

John Duff

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority, as of June 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2013, on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

REDW LLC

Albuquerque, New Mexico
February 5, 2013

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 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, 2011 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, agency funds statement of assets and liabilities and statement of cash flows) and related notes.
3. Supplementary information

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

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

	<u>2011</u>	<u>2010</u>	<u>Net Increase / Decrease</u>	<u>Percentage Increase / (Decrease)</u>
Assets				
Cash and equivalents:				
Unrestricted	\$ 119,475,379	\$ 120,385,376	\$ (909,997)	-.8%
Restricted	135,349,071	268,285,157	(132,936,086)	-49.6%
Investments - restricted	119,189,886	-	119,189,886	100%
Loans receivable, net of allowance	1,222,384,290	1,252,122,229	(29,737,939)	-2.4%
Intergovernmental receivables	140,811,240	147,842,525	(7,031,285)	-4.7%
Other receivables	13,139,725	14,730,931	(1,591,206)	-10.8%
Capital assets	187,411	273,500	(86,089)	-31.5%
Other assets	<u>10,732,577</u>	<u>11,798,048</u>	<u>(1,065,471)</u>	<u>-9.0%</u>
Total assets	<u>\$ 1,761,269,579</u>	<u>\$ 1,815,437,766</u>	<u>\$ (54,168,187)</u>	<u>-3.0%</u>
Liabilities				
Bonds payable, net	\$ 1,223,042,042	\$ 1,233,720,390	\$ (10,678,348)	-0.9%
Undisbursed loan proceeds	74,534,357	116,283,533	(41,749,176)	-35.9%
Advanced loan payments	76,070,383	72,521,339	3,549,044	4.9%
Accounts payable and accrued payroll	693,147	2,787,600	(2,094,453)	-75.1%
Other liabilities	<u>7,086,492</u>	<u>4,775,269</u>	<u>2,311,223</u>	<u>48.4%</u>
Total liabilities	<u>1,381,426,421</u>	<u>1,430,088,131</u>	<u>(48,661,710)</u>	<u>-3.4%</u>
Net Assets				
Invested in capital assets	187,411	273,500	(86,089)	-31.5%
Restricted for debt service	27,721,370	8,996,558	18,724,812	208.1%
Restricted for program funds	232,786,337	256,256,427	(23,470,090)	9.1%
Unrestricted	<u>119,148,040</u>	<u>119,823,150</u>	<u>(675,110)</u>	<u>0.6%</u>
Total net assets	<u>379,843,158</u>	<u>385,349,635</u>	<u>(5,506,477)</u>	<u>-1.4%</u>
Total liabilities and net assets	<u>\$ 1,761,269,579</u>	<u>\$ 1,815,437,766</u>	<u>\$ (54,168,187)</u>	<u>-3.0%</u>

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

The Authority's overall financial position deteriorated slightly in the past year. The key indicator is total net assets decreased by \$5.5 million or 1.4%

The Authority's unrestricted cash fell less than 1%. Restricted cash decreased by 50% or \$133 million in 2011, due to the investment of a portion of those restricted funds. At June 30, 2011 32% of the Authority's holdings were in investments with maturity dates longer than three months. The conversion from holding cash equivalents separately to pooling balances for investments, made in May of 2011, with the intent to maximize the yield on account balances. Safety and maintenance of liquidity remained the objectives of the investment activity and the balances at year-end are within the compliance limits set forth in the Authority's investment policy. More detailed information is listed in Note 2 to the financial statements.

Loans receivable decreased by \$29.7 million or 2% in 2011, primarily as a result of new loans made during the year totaling \$212.9 million less loan payments received of \$240.1 million and allowance for loan losses increasing by \$2.5 million. Loan payments include loan payoffs of \$37 million.

During fiscal year 2011, the Authority invested only \$24,000 in capital assets. More detailed information about the Authority's capital assets is presented in Note 6 to the financial statements.

Bonds payable decreased by \$10.7 million in 2011 resulting from the issuance of \$71.6 million of new bonds, principal payments on outstanding bonds of \$80.9 million, and amortization of bond premium of \$1.4 million

Undisbursed loan proceeds to be provided decreased by \$41.7 million during 2011 due to the loan payoff activity that occurred. Accounts payable decreased due to the elimination of the amounts due and owed from intra-agency programs.

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 2011, the total amount outstanding was \$1.22 billion (excluding the \$1.7 billion in GRIP bonds which are administered by but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 7 to the financial statements.

During the fiscal year, the Authority issued \$71.6 million in PPRF debt, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

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

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase Decrease)</u>	<u>Percentage Increase (Decrease)</u>
Operating Revenues				
Administrative fees	\$ 6,808,876	\$ 8,621,728	\$ (1,812,852)	-21.0%
Interest on loans	55,572,510	56,663,765	(1,091,255)	-1.9%
Interest on investments	<u>805,923</u>	<u>1,343,523</u>	<u>(537,600)</u>	<u>-40.0%</u>
Total operating revenues	<u>63,187,309</u>	<u>66,629,016</u>	<u>(3,441,707)</u>	<u>-5.2%</u>
Expenses				
Grant expense	53,887,305	60,106,858	(6,219,553)	-10.4%
Bond issuance costs	697,665	1,840,185	(1,142,520)	-62.1%
Professional services	2,212,384	4,727,242	(2,514,858)	-53.2%
Salaries and benefits	4,184,572	3,808,883	375,689	9.9%
Debt service – interest expense	56,681,856	55,622,227	1,059,629	1.9%
Other expense	<u>4,316,239</u>	<u>1,911,215</u>	<u>2,405,024</u>	<u>125.84%</u>
Total operating expenses	<u>121,980,021</u>	<u>128,016,610</u>	<u>(6,036,589)</u>	<u>-4.7%</u>
Net operating revenue (expense)	<u>(58,792,712)</u>	<u>(61,387,594)</u>	<u>(2,594,882)</u>	<u>-4.2%</u>
Nonoperating Revenues (Expenses)				
Appropriation revenue	34,842,554	32,722,377	2,120,177	6.0%
Grant revenue	42,924,828	42,184,646	740,182	1.6%
Reversions and transfers	(24,481,147)	(29,070,530)	4,589,383	1.5%
Gain (loss) on investments	<u>-</u>	<u>6,758,315</u>	<u>(6,758,315)</u>	<u>-100%</u>
	53,286,235	52,594,808	691,427	1.3%
Increase (decrease) in net assets	(5,506,477)	(8,792,786)	3,286,309	-37.4%
Net assets, beginning of year	<u>385,349,635</u>	<u>394,142,421</u>	<u>(8,792,786)</u>	<u>-2.2%</u>
Net assets, end of year	<u>\$ 379,843,158</u>	<u>\$ 385,349,635</u>	<u>\$ (5,506,477)</u>	<u>-1.4%</u>

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

Analysis of the Authority's Overall Financial Position and Results of Operations

The Authority's appropriation revenue increased by \$2.1 million in fiscal year 2011, representing about 6% over fiscal year 2010. The increase reflects a reasonable increase in the governmental gross receipts tax received by the Authority.

A \$1.8 million decrease in administrative fees revenue was experienced due to a change in the structure of loan administration fees. Previous policy allowed for a fee of 25 basis points to be applied at the loan closing. During the fiscal year a modification was initiated in the fee structure for the PPRF loans. The change allows for a lesser fee to be charged up front with an ongoing fee built into the loan payments. The overall earnings per loan in administrative fees does not change significantly, however the new structure will provide a revenue source throughout the life and servicing of the loans and also lessen the impact to the borrower at closing. Grant revenue and interest revenue remained fairly constant.

Grant expense decreased as a result of a decreased amount of draws requested for both the drinking water program and the water trust board program. The volume of this activity increased during the 2012 fiscal year as planned.

Both professional services and bond issue costs decreased due to a significantly lower amount of bonds issued.

Overall, the Authority's net assets decreased by 1.4% in 2011.

Authority Programs

The Authority accounts for each of its programs separately, each with its own assets, liabilities, net assets, income and expense. The Public Project Revolving Fund 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 996 loans totaling \$1.9 billion.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

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
Condensed Comparative Statements of Net Assets
As of June 30

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>
Assets				
Cash and equivalents				
Unrestricted	\$ 97,054,346	\$ 104,334,458	\$ (7,280,112)	-7.0%
Restricted	96,368,542	194,585,959	(98,217,417)	-50.5%
Restricted investments	119,189,886	-	119,189,886	100%
Accounts receivable and other	16,714,736	15,355,772	1,358,964	8.8%
Loans receivable, net of allowance for uncollectable accounts	1,140,391,615	1,175,365,082	(34,973,467)	-3.0%
Due from the State of New Mexico	114,370,000	124,242,525	(9,872,525)	-7.9%
Capital assets	187,411	273,500	(86,089)	-31.5%
Other assets	<u>17,367,540</u>	<u>11,080,562</u>	<u>6,286,978</u>	<u>56.7%</u>
Total assets	<u>\$ 1,601,644,076</u>	<u>\$ 1,625,237,858</u>	<u>\$ (23,593,782)</u>	<u>-1.5%</u>

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>
Liabilities				
Accounts payable and accrued liabilities	7,647,974	5,511,698	2,136,276	38.8%
Undisbursed loan proceeds	74,472,265	115,755,854	(41,283,589)	-35.7%
Borrowers' debt service and reserve deposits	77,020,002	72,262,720	4,757,282	6.6%
Bonds payable, net	<u>1,199,649,242</u>	<u>1,206,727,970</u>	<u>(7,078,728)</u>	<u>-0.6%</u>
Total liabilities	<u>1,358,789,483</u>	<u>1,400,258,242</u>	<u>(41,468,759)</u>	<u>-3.0%</u>
Net Assets				
Invested in capital assets	187,411	273,500	(86,089)	-31.5%
Restricted for program funds	145,612,836	121,455,776	24,157,060	19.9%
Unrestricted	<u>97,054,346</u>	<u>103,250,340</u>	<u>(6,195,994)</u>	<u>-6.0%</u>
Total net assets	<u>242,854,593</u>	<u>224,979,616</u>	<u>17,874,977</u>	<u>7.9%</u>
Total liabilities and net assets	<u>\$ 1,601,644,076</u>	<u>\$ 1,625,237,858</u>	<u>\$ (23,593,782)</u>	<u>-1.5%</u>

Loan Volume

	<u>2011</u>	<u>2010</u>	<u>Since Inception</u>
Amount of loans made	\$168.2 million	\$195.2 million	\$1.940 billion
Number of loans made	87	92	966
Average loan size	\$1.9 million	\$2.1 million	\$2.5 million

Both average loan size and the number of loans made in 2011 decreased from the previous year.

Loans Receivable

There were no defaults on PPRF loans during 2011 and no delinquencies as of June 30, 2011, or at the date of these financial statements.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

Bond Issuance

During fiscal 2011, the PPRF issued 2 series of bonds, with a total par value of \$71.6 million.

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

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>
Interest Income				
Loans	\$ 52,828,553	\$ 53,236,068	\$ (407,515)	-0.8%
Investments	<u>384,701</u>	<u>1,147,112</u>	<u>(762,411)</u>	<u>-66.5%</u>
Total interest income	<u>53,213,254</u>	<u>54,383,180</u>	<u>(1,169,926)</u>	<u>-2.2%</u>
Interest Expense				
Bonds	55,170,397	53,958,237	1,212,160	2.3%
Short-term borrowing	<u>157,843</u>	<u>124,354</u>	<u>33,489</u>	<u>26.9%</u>
Total interest expense	<u>55,328,240</u>	<u>54,082,591</u>	<u>1,245,649</u>	<u>2.3%</u>
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(2,114,986)	300,591	(2,415,577)	-803.6%
Less provision for loan losses	<u>(1,164,526)</u>	<u>(445,867)</u>	<u>(718,659)</u>	<u>161.2%</u>
Net interest loss after provision for loan losses	<u>(3,279,512)</u>	<u>(145,276)</u>	<u>(3,134,236)</u>	<u>2157.4%</u>
Noninterest Income				
Loan administration fees	3,134,894	4,212,544	(1,077,650)	-25.6%
Appropriation revenues	<u>26,909,639</u>	<u>24,314,901</u>	<u>2,594,738</u>	<u>10.7%</u>
Total noninterest income	<u>30,044,533</u>	<u>28,527,445</u>	<u>1,517,088</u>	<u>5.3%</u>
Noninterest Expense				
Salaries and benefits	2,421,316	2,169,436	251,880	11.6%
Professional services	1,279,285	2,423,424	(1,144,139)	-47.2%

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Net Increase / (Decrease)</u>	<u>Percentage Increase / (Decrease)</u>
Bond issuance costs	610,222	1,752,742	(1,142,520)	-65.2%
Gain on investments	-	(3,089,577)	3,089,577	100.0%
Other	<u>1,883,650</u>	<u>846,618</u>	<u>1,037,032</u>	<u>122.5%</u>
Total noninterest expense	<u>6,194,473</u>	<u>4,102,643</u>	<u>2,091,830</u>	<u>51.0%</u>
Excess of revenues over expenditures	<u>20,570,548</u>	<u>24,279,522</u>	<u>(3,708,974)</u>	<u>-15.3%</u>
Transfers to other funds or agencies	<u>(2,695,573)</u>	<u>(3,333,342)</u>	<u>637,769</u>	<u>-19.1%</u>
Increase (decrease) in net assets	<u>17,874,975</u>	<u>20,946,180</u>	<u>(3,071,205)</u>	<u>-14.7%</u>
Net assets, beginning of year	<u>224,979,616</u>	<u>204,033,436</u>	<u>20,946,180</u>	<u>10.3%</u>
Net assets, end of year	<u>\$ 242,854,591</u>	<u>\$ 224,979,616</u>	<u>\$ 17,874,975</u>	<u>8.0%</u>

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 2011, the PPRF had a net interest loss of \$3.3 million, compared to \$145 thousand in 2010. This is a result of market conditions in which \$111.2 million in PPRF loans exercised their early call provisions and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

Governmental Gross Receipts Tax

The Governmental Gross Receipts Tax (GGRT) is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was \$24,518,214 in 2011, a \$1,465,162 increase from the \$23,053,051 received in 2010. The GGRT funds are used as follows:

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.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

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, 2011 and for the year then ended, the relationships were as follows:

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
Total assets	\$1.6 billion	\$1.8 billion	88.9%
Net assets	\$243.2 million	\$380.2 million	64.0%
Revenues	\$83.1 million	\$138.5 million	60.0%

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

The Authority experienced decreased 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 construction funding process in the current funding cycle.

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

Similar to the Local Government Transportation Fund, an increase in the Water and Wastewater Project Grant Fund grant activity reflects the fact that the program is closing out its one-time appropriation received from the state legislature and with final expenditures for projects expected by December 2011.

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 year 2009, the Authority made its first award of tax credits for \$15.5 million. During 2011, the Authority made one additional award totaling \$12.5 million bringing total awards to date over \$58.3 million. Subsequent to June 30, 2011, the Authority has made two additional awards totaling \$18 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.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2011

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. See further information regarding capital assets in the notes of the financial statements.

Contacting the Authority's Financial Management

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

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

Financial Statements

NEW MEXICO FINANCE AUTHORITY
Statement of Net Assets
June 30, 2011

Assets

Current assets

Cash and equivalents	
Unrestricted	\$ 119,475,379
Restricted	135,349,071
Interest receivable	9,077,480
Grants receivable	3,659,581
Prepaid rent	19,500
Administrative fees receivable	402,664
Investment in Finance New Mexico	99,010
Loans receivable, net of allowance	83,868,725
Intergovernmental receivables	<u>7,065,435</u>
Total current assets	<u>359,016,845</u>

Noncurrent assets

Restricted investments	119,189,886
Loans receivable, net of allowance	1,138,515,565
Intergovernmental receivables	133,745,805
Capital assets, net of accumulated depreciation	187,411
Deferred cost, net of accumulated amortization	<u>10,614,067</u>
Total assets	<u>\$ 1,761,269,579</u>

Liabilities

Current liabilities

Accounts payable	286,162
Accrued payroll	110,991
Compensated absences	295,994
Funds held for others	620,825
Bond interest payable	4,303,121
Undisbursed loan proceeds	74,534,357
Advanced loan payments	76,070,383
Bonds payable, net	72,569,000
Other liabilities	<u>2,162,546</u>
Total current liabilities	<u>230,953,379</u>

Noncurrent liabilities

Bonds payable	<u>1,150,473,042</u>
Total liabilities	<u>1,381,426,421</u>

Net Assets

Invested in capital assets	187,411
Restricted for debt service	27,721,370
Restricted for program commitments	232,786,337
Unrestricted	<u>119,148,040</u>
Total net assets	<u>379,843,158</u>
Total liabilities and net assets	<u>\$ 1,761,269,579</u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues

Administrative fees revenue	\$ 5,203,103
Processing fee	1,605,773
Interest on loans	55,572,510
Interest on investments	<u>805,923</u>
Total operating revenues	<u>63,187,309</u>

Operating Expenses

Grants to others	53,887,305
Bond issuance costs	697,665
Administrative fees	271,317
Professional services	2,212,384
Salaries and benefits	4,184,572
Other operating costs	1,476,455
Depreciation expense	110,011
Bond interest expense	56,305,515
Provision for loan losses	2,458,456
Interest expense	<u>376,341</u>
Total operating expenses	<u>121,980,021</u>
Net operating loss	<u>(58,792,712)</u>

Nonoperating Revenues (Expenses)

Appropriation revenue	34,842,554
Grant revenue	42,924,828
Transfers to the State of New Mexico	(6,069,055)
Reversions	<u>(18,412,092)</u>
Decrease in net assets	(5,506,477)
Net assets, beginning of year	<u>385,349,635</u>
Net assets, end of year	<u><u>\$ 379,843,158</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows From Operating Activities

Cash paid for employee services	\$ (4,269,926)
Cash paid to vendors for services	(2,856,937)
Intergovernmental payments received	7,031,285
Loans payments received	240,151,588
Loan payments funded	(212,872,105)
Grants awarded	(52,064,117)
Cash received from federal government for revolving loan funds	41,787,883
Interest income received	55,150,333
Administrative fees received	<u>7,797,797</u>
Net cash provided by operating activities	<u>79,855,801</u>

Cash Flow From Noncapital Financing Activities

Reversions	(18,412,092)
Cash received from the State of New Mexico	34,842,554
Cash transfers to the State of New Mexico	(6,069,055)
Proceeds from the sale of bonds	71,585,000
Payment of bonds	(80,850,000)
Bond issuance costs	(610,222)
Interest expense paid	(57,211,502)
Cash disbursed for program purposes	<u>(38,147,460)</u>
Net cash used in noncapital financing activities	<u>(94,872,777)</u>

Cash Flow From Capital and Related Financing Activities

Capital assets	<u>(23,922)</u>
Net cash used in capital and related financing activities	<u>(23,922)</u>

Cash Flow From Investing Activities

Purchase of investments	(119,189,886)
Interest received	<u>384,701</u>
Net cash used in investing activities	<u>(118,805,185)</u>

Net decrease in cash and cash equivalents	(133,846,083)
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Cash and cash equivalents, beginning of year	<u>388,670,533</u>
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Cash and cash equivalents, end of year	<u>\$ 254,824,450</u>
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The accompanying notes are an integral part of these financial statements.

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2011

**Reconciliation of Operating Loss to Net Cash Provided
by Operating Activities**

Total operating income (loss)	\$ (58,792,712)
Adjustments to change in net assets	
Depreciation and amortization	1,645,933
Interest expense	57,369,345
Bad debt expense	2,201,915
Appropriation, transfers and grants	41,787,883
Changes in assets and liabilities	
Loan receivables	32,381,664
Advance loan payments	3,544,505
Prepays and receivables	(3,580,889)
Payables and other accrued liabilities	<u>3,298,157</u>
Net cash provided by operating activities	<u><u>\$ 79,855,801</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2011

Assets

Cash held by Trustee	
Program funds	\$ 102,547,246
Expense funds	269,390
Revenue funds	8,645,252
Rebate fund	1,540,002
Bond reserve funds	<u>42,803,573</u>
Total assets	<u><u>\$ 155,805,463</u></u>

Liabilities

Accounts payable	\$ 1,809,392
Debt service payable	51,448,825
Program funds held for the NM Department of Transportation	<u>102,547,246</u>
Total liabilities	<u><u>\$ 155,805,463</u></u>

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

1) Nature of Organization

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

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

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

The Authority manages the Drinking Water State Revolving Loan Program (DWRLF) and the Water Trust Board Program (WTB). The DWRLF provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State is required to match by 20%. The WTB program provides grant and interest free loans to support water projects which support water use efficiency, resource conservation and protection and fair distribution and allocation of water.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Other significant programs administered by the Authority include:

- ♦ The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- ♦ The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- ♦ The New Markets Tax Credit Program acts as managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program.
- ♦ The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.
- ♦ The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- ♦ The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- ♦ The State Capital Improvement Financing Program accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol.
- ♦ The UNM Health Sciences Program administers the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center.
- ♦ The Worker's Compensation Financing Program accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers' Compensation Administration.

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

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

2) Summary of Significant Accounting Policies

Accounting Principles

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. 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, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting*.

Basis of Presentation

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

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

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

Agency Funds

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

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

Loans Receivable

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

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.

Compensated Absences

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Undisbursed Loan Proceeds

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

Net Assets

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

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

Restricted net assets have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

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

Income Taxes

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

Use of Estimates

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

Budget

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

3) Cash and Cash Equivalents and Investments

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

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

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

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

Credit Risk

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

Interest Rate Risk

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Permitted Investments

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

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

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

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

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Investment of Bond Proceeds

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

Cash and equivalents at June 30, 2011 were as follows:

Description	Balance at June 30, 2011	Rated	Percentage of Authority Funds ¹
Primary Care Capital Care Capital funds held with the State Treasurer Fund Investment Pool	\$ 243,212	N/A	<1%
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	281,096	N/A	<1%
Wells Fargo deposit account	239,966	N/A	<1%
Wells Fargo Repurchase agreement - fully secured ²	1,725,452	N/A	<1%
Government Money Market Funds	191,675,471	AAA	58%
U.S. Treasury notes	20,038,300	AAA	6%
Cash invested by trustee per bond indenture	<u>40,620,953³</u>	N/A	N/A
Total cash and equivalents	<u>\$ 254,824,450</u>		
Cash held in agency fund	<u>\$ 155,805,463⁴</u>		

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

² Wells Fargo account FDIC insured for \$250,000. Remaining \$1,715,418 is secured by a pledge of Agency securities at a value at June 30, 2011 of \$1,759,961 in the Authority's name.

³ As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued.

⁴ All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Maturity Restrictions

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

Investments at June 30, 2011 are comprised of the following:

Description	Fair Value at June 30, 2011	Average Years to Maturity	Percentage of Authority Funds ¹
U.S. Treasury notes	\$ 104,110,836	.79	31%
Federal Home Loan Mortgage Corporation bonds	10,051,300	1.745	3%
Federal National Mortgage Corporation bonds	<u>5,027,750</u>	2.995	2%
Total investments	<u>\$ 119,189,886</u>		

4) Loans Receivable

Loans receivable activity for the year ended June 30, 2011 was as follows:

Program Description	Term (Years)	Rates	2010	Additions	Payments	2011
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,177,178,032	\$ 201,505,803	\$ 235,314,743	\$ 1,143,369,092
Drinking Water State Revolving Loans	1 to 30	0% to 4%	60,230,182	5,227,754	2,795,352	62,662,584
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	149,250	2,919,170	20,883	3,047,537
Primary Care Capital Fund Loans	10 to 20	3%	5,563,586	-	818,834	4,744,752
Water Projects Fund Loan Grants	10 to 20	0%	6,501,166	3,219,378	1,001,729	8,718,815
Smart Money Participation Loans	3 to 20	2% to 5%	3,547,224	-	99,902	3,447,322
Behavioral Health Care Loan	15	3%	304,248	-	34,206	270,042
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	541,087	-	32,295	508,792
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	197,000	-	28,000	169,000
Child Care Revolving Loans	8	3%	43,404	-	5,644	37,760
			<u>1,254,255,179</u>	<u>212,872,105</u>	<u>240,151,588</u>	<u>1,226,975,696</u>
Less allowance for loan losses			<u>(2,132,950)</u>	<u>(2,458,456)</u>	<u>-</u>	<u>(4,591,406)</u>
Totals			<u>\$ 1,252,122,229</u>	<u>\$ 210,413,649</u>	<u>\$ 240,151,588</u>	<u>\$ 1,222,384,290</u>

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2011.

	Principal	Interest	Total
Fiscal year ending June 30			
2012	\$ 83,868,725	\$ 46,089,658	\$ 129,958,383
2013	88,129,956	43,875,326	132,005,282
2014	86,590,827	41,223,627	127,814,454
2015	85,032,909	38,569,295	123,602,204
2016	85,510,717	35,803,141	121,313,858
2017 – 2021	336,981,531	138,936,769	475,918,300
2022 – 2026	247,135,333	82,510,352	329,645,685
2027 – 2031	137,642,548	35,342,737	172,985,285
2032 – 2036	68,668,655	11,456,641	80,125,296
2037 – 2041	7,414,495	499,618	7,914,113
Subtotals	1,226,975,696	<u>\$ 474,307,164</u>	<u>\$ 1,701,282,860</u>
Less allowance for loan losses	(4,591,406)		
Loans receivable net	<u>\$ 1,222,384,290</u>		

5) Intergovernmental Receivables

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Intergovernmental receivables activity during the year ended June 30, 2011 was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2010	Payments	2011	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 46,950,000	\$ 2,180,000	\$ 44,770,000	\$ 2,285,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,630,000	-	23,630,000	-
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	46,715,000	745,000	45,970,000	780,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	17,405,000	2,350,000	15,055,000	2,190,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	6,947,525	796,285	6,151,240	785,435
Worker's Compensation Administration	Worker's Compensation administrative fee	5.35% to 5.60%	9/1/2016	2,080,000	250,000	1,830,000	265,000
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	<u>4,115,000</u>	<u>710,000</u>	<u>3,405,000</u>	<u>760,000</u>
	Totals			<u>\$ 147,842,525</u>	<u>\$ 7,031,285</u>	<u>\$ 140,811,240</u>	<u>\$ 7,065,435</u>

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2011:

	Principal	Interest	Total
Fiscal year ending June 30			
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	7,214,184	5,453,302	12,667,486
2017 – 2021	38,282,593	21,996,590	60,279,183
2022 – 2026	38,380,000	11,922,100	50,302,100
2027 – 2031	12,085,000	5,727,000	17,812,000
2032 – 2036	<u>15,515,000</u>	<u>2,404,750</u>	<u>17,919,750</u>
Intergovernmental receivables	<u>\$ 140,811,240</u>	<u>\$ 72,942,632</u>	<u>\$ 213,753,872</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

6) Capital Assets

A summary of changes in capital assets follows:

	Balance at June 30, 2010	Increases	Decreases	Balance at June 30, 2011
Depreciable assets				
Furniture and fixtures	\$ 204,320	\$ 23,148	\$ -	\$ 227,468
Computer hardware and software	834,276	774	-	835,050
Equipment	49,117	-	-	49,117
Leasehold improvement	48,490	-	-	48,490
	<u>1,136,203</u>	<u>23,922</u>	<u>-</u>	<u>1,160,125</u>
Accumulated depreciation				
Furniture and fixtures	(198,803)	(9,555)	-	(208,358)
Computer hardware and software	(566,293)	(100,456)	-	(666,749)
Equipment	(49,117)	-	-	(49,117)
Leasehold improvement	(48,490)	-	-	(48,490)
	<u>(862,703)</u>	<u>(110,011)</u>	<u>-</u>	<u>(972,714)</u>
Net total	<u>\$ 273,500</u>	<u>\$ (86,089)</u>	<u>\$ -</u>	<u>\$ 187,411</u>

Depreciation expense for the fiscal year was \$110,011.

7) Bonds Payable

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Bonds payable consist of the following at June 30, 2011:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2002 A	4.400% to 5.000%	June 1, 2012 to June 1, 2023	\$ 55,610,000	\$ 10,255,000
2003 A	3.550% to 4.750%	June 1, 2012 to June 1, 2032	39,945,000	15,786,000
2003 B	3.500% to 5.000%	June 1, 2012 to June 1, 2021	25,370,000	12,495,000
2004 A-1	3.050% to 4.625%	June 1, 2012 to June 1, 2031	43,400,000	6,310,000
2004 A-2	4.625% to 5.875%	June 1, 2012 to June 1, 2027	14,990,000	11,590,000
2004 B-1	4.250% to 5.500%	June 1, 2012 to June 1, 2033	49,540,000	27,670,000
2004 B-2	5.630% to 6.010%	June 1, 2012 to June 1, 2018	1,405,000	835,000
2004 C	3.500% to 5.250%	June 1, 2012 to June 1, 2024	168,890,000	117,965,000
2005 A	3.750% to 5.000%	June 1, 2012 to June 1, 2025	19,015,000	10,815,000
2005 B	3.500% to 4.500%	June 1, 2012 to June 1, 2020	13,500,000	8,035,000
2006 B	4.250% to 5.000%	June 1, 2012 to June 1, 2036	38,260,000	31,825,000
2006 D	4.250% to 5.000%	June 1, 2012 to June 1, 2036	56,400,000	49,005,000
2007 E	4.250% to 5.000%	June 1, 2012 to June 1, 2032	49,560,000	49,560,000
2008 A	3.000% to 5.000%	June 1, 2012 to June 1, 2038	144,475,000	144,475,000
2008 B	4.000% to 5.250%	June 1, 2012 to June 1, 2035	36,545,000	30,930,000
2008 C	4.250% to 6.000%	June 1, 2012 to June 1, 2033	29,130,000	26,170,000
2009 A	2.250% to 5.000%	June 1, 2012 to June 1, 2038	17,685,000	16,840,000
2009 B	2.750% to 5.500%	June 1, 2012 to June 1, 2039	30,115,000	28,085,000
2009 C	2.500% to 5.250%	June 1, 2012 to June 1, 2029	55,810,000	51,880,000
2009 D-1	3.000% to 4.500%	June 1, 2012 to June 1, 2030	13,570,000	12,355,000
2009 D-2	2.320% to 6.070%	June 1, 2012 to June 1, 2036	38,845,000	38,230,000
2009 E	3.000% to 4.500%	June 1, 2012 to June 1, 2019	35,115,000	29,345,000
2010 A-1	3.000% to 4.500%	June 1, 2012 to June 1, 2034	15,170,000	12,425,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	13,795,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2012 to June 1, 2035	38,610,000	37,080,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,600,000
2011 A	2.000% to 4.000%	June 1, 2012 to June 1, 2016	15,375,000	15,375,000
			<u>1,077,725,000</u>	<u>826,731,000</u>
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2011 to June 15, 2025	50,395,000	44,770,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,630,000	23,630,000
2005 F	4.000% to 5.000%	June 15, 2011 to June 15, 2025	19,640,000	19,195,000
2006 A	4.000% to 5.000%	June 15, 2011 to June 15, 2035	47,240,000	46,265,000
2006 C	4.000% to 5.000%	June 15, 2011 to June 15, 2026	34,295,000	32,770,000
2007 A	4.000% to 5.000%	June 15, 2011 to June 15, 2027	27,930,000	25,645,000
2007 B	4.250% to 5.000%	June 15, 2011 to June 15, 2034	32,140,000	30,140,000
2007 C	4.250% to 5.250%	June 15, 2011 to June 15, 2027	120,190,000	115,785,000
			<u>355,460,000</u>	<u>338,200,000</u>
Subtotal - PPRF Bonds			<u>1,433,185,000</u>	<u>1,164,931,000</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

Pooled Equipment Certificates of Participants

1995 A	6.30%	October 1, 2015	3,432,000	130,000
1996 A	5.80%	April 1, 2016	<u>1,458,000</u>	<u>39,000</u>
			<u>4,890,000</u>	<u>169,000</u>

State Capitol Building Improvement Revenue Bonds

1996	5.50% to 5.60%	Sept. 1, 2011 to Sept. 1, 2016	4,310,000	1,830,000
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State Capitol Building Improvement Revenue Bonds

1999	7.00%	Sept. 15, 2011 to Mar. 15, 2015	3,405,000	3,405,000
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Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project

2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	15,055,000	15,055,000
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Cigarette Tax Revenue Bonds - Behavioral Health Projects

2006	5.51%	May 1, 2012 to May 1, 2026	<u>1,875,000</u>	<u>1,875,000</u>
	Total bonds outstanding		<u>\$ 1,462,720,000</u>	1,187,265,000
	Add net unamortized premium			37,290,457
	Less deferred charge on refunding			<u>(1,513,415)</u>
	Total bonds payable, net			1,223,042,042
	Less current portion of bonds payable			<u>(72,569,000)</u>
	Noncurrent portion of bonds payable			<u>\$ 1,150,473,042</u>

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2012	\$ 72,569,000	\$ 56,715,142	\$ 129,284,142
2013	76,893,000	53,714,522	130,607,522
2014	76,753,000	50,426,549	127,179,549
2015	77,835,000	47,055,063	124,890,063
2016	76,929,000	43,575,832	120,504,832
2017 – 2021	331,821,000	167,799,010	499,620,010
2022 – 2026	261,370,000	92,131,174	353,501,174
2027 – 2031	124,475,000	40,602,867	165,077,867
2032 – 2036	81,805,000	13,854,780	95,659,780
2037 – 2040	<u>6,815,000</u>	<u>579,455</u>	<u>7,394,455</u>
	<u>1,187,265,000</u>	<u>\$ 566,454,394</u>	<u>\$ 1,753,719,394</u>
Add unamortized premium	37,290,457		
Less deferred charge on refunding	<u>(1,513,415)</u>		
Bonds payable, net	<u>\$ 1,223,042,042</u>		

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

The bonds payable activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance	Due in One Year
Bonds payable	\$ 1,196,530,000	\$ 71,585,000	\$ (80,850,000)	\$ 1,187,265,000	\$ 72,569,000
Add unamortized premium	38,811,216	839,770	(2,360,530)	37,290,456	-
Less deferred charge on refunding	(1,620,826)	-	107,412	(1,513,414)	-
	<u>\$ 1,233,720,390</u>	<u>\$ 72,424,770</u>	<u>\$ (83,103,118)</u>	<u>\$ 1,223,042,042</u>	<u>\$ 72,569,000</u>

8) Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was \$76,070,383 at June 30, 2011.

9) Line Of Credit

The Authority maintains a credit facility with the Bank of America for the PPRF which provides for a borrowing limit of up to \$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, 2011, was .186. 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, 2011.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2011, were \$398,181. Future minimum lease payments are as follows:

Fiscal year ending June 30		
2012	\$	401,489
2013		401,489
2014		400,891
2015		394,314
2016		276,906
Total	\$	<u>1,875,089</u>

11) Retirement Plans

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were \$461,193 for the year ended June 30, 2011. Substantially all full-time employees participate in this plan.

The Authority maintains a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The Authority contributes nine percent of compensation to the plan. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. Employer contributions for the year ended June 30, 2011 were \$25,235.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

12) Compensated Absences

The following changes occurred in the compensated absences liabilities:

Balance at June 30, 2010	\$ 210,339
Additions	97,292
Deletions	<u>(11,637)</u>
Balance at June 30, 2011	<u>\$ 295,994</u>
Due within one year	<u>\$ 295,944</u>

13) Agency Transactions

The Authority was authorized in 2003 to issue \$1.585 billion of bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.7 billion of such bonds are outstanding at June 30, 2011.

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

14) Contingencies

Litigation

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

Loan Prepayment and Bond Call Provisions

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2011

15) Related Party Transactions

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

16) Subsequent Events

The following is a summary of loans and bonds that have closed since June 30, 2011:

- Closed 30 loans totaling \$103,120,547 in the Public Project Revolving Fund program.
- Issued two Public Project Revolving Fund revenue bonds totaling \$112,896,043
- Closed two loans for the Drinking Water State Revolving Fund totaling \$623,138
- Closed 24 loan/grant projects totaling \$32,193,030 out of the Water Projects Fund.

Supplementary Schedules

	PPRF	GRIP	Behavioral Health	Child Care
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ 97,054,346	\$ 372,987	\$ 310,593	\$ -
Restricted	96,368,542	-	11,594	13,882
Interest receivable	8,501,055	-	1,238	-
Grants and other receivable	2,250,000	1,409,581	-	-
Due from other funds	5,654,785	-	-	-
Prepaid rent	19,500	-	-	-
Administrative fees receivable	308,896	68,462	113	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	7,364,017	-	-	-
Loans receivable, net of allowance	79,668,554	-	35,234	5,729
Intergovernmental receivables	<u>3,065,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	300,254,695	1,851,030	358,772	19,611
Noncurrent assets				
Restricted investments	119,189,886			
Loans receivable, net of allowance	1,060,723,061	-	234,808	32,031
Intergovernmental receivables	111,305,000	-	-	-
Capital assets, net of accumulated depreciation	187,411	-	-	-
Deferred cost, net of accumulated amortization	<u>9,984,023</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,601,644,076</u>	<u>\$ 1,851,030</u>	<u>\$ 593,580</u>	<u>\$ 51,642</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 223,096	\$ 13,611	\$ -	\$ -
Accrued payroll	110,991	-	-	-
Compensated absences	295,994	-	-	-
Due to other funds	1,125,295	1,037,149	8,457	106,780
Funds held for others	461,630	-	-	-
Bond interest payable	3,950,701	-	-	-
Undisbursed loan proceeds	74,472,265	-	-	62,092
Advanced loan payments	75,807,225	-	11,594	-
Notes payable	1,212,777	-	-	-
Bonds payable, net	69,229,000	-	-	-
Other liabilities	<u>1,480,267</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	228,369,241	1,050,760	20,051	168,872
Noncurrent liabilities				
Bonds payable	<u>1,130,420,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	1,358,789,483	1,050,760	20,051	168,872
Net Assets				
Invested in capital assets	187,411	-	-	-
Restricted for debt service	27,721,370	-	-	-
Restricted for program commitments	117,891,466	427,283	262,936	-
Unrestricted	<u>97,054,346</u>	<u>372,987</u>	<u>310,593</u>	<u>(117,230)</u>
Total net assets	<u>242,854,593</u>	<u>800,270</u>	<u>573,529</u>	<u>(117,230)</u>
Total liabilities and net assets	<u>\$ 1,601,644,076</u>	<u>\$ 1,851,030</u>	<u>\$ 593,580</u>	<u>\$ 51,642</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Assets
June 30, 2011

Cigarette Tax	DWLRF	Primary Care	Local Road Program
\$ -	\$ 21,095,526	\$ 14,720	\$ -
2,115,899	273,012	274,526	89,760
1,272	160,400	5,739	-
-	-	-	-
-	-	-	-
-	-	-	-
-	21,335	-	-
-	-	-	-
-	-	-	-
33,256	3,264,276	522,594	-
-	-	-	-
<u>2,150,427</u>	<u>24,814,549</u>	<u>817,579</u>	<u>89,760</u>
475,536	62,445,845	4,222,158	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 2,625,963</u>	<u>\$ 87,260,394</u>	<u>\$ 5,039,737</u>	<u>\$ 89,760</u>
\$ -	\$ 2,711	\$ -	\$ -
-	-	-	-
-	-	-	-
-	227,753	285,468	2,190
-	3,932	-	-
17,219	-	-	-
-	-	-	-
-	235,353	14,692	-
-	-	-	-
125,000	-	-	-
-	921,808	-	-
<u>142,219</u>	<u>1,391,557</u>	<u>300,160</u>	<u>2,190</u>
1,750,000	-	-	-
<u>1,892,219</u>	<u>1,391,557</u>	<u>300,160</u>	<u>2,190</u>
-	-	-	-
-	-	-	-
733,744	64,773,311	4,724,857	87,570
-	21,095,526	14,720	-
<u>733,744</u>	<u>85,868,837</u>	<u>4,739,577</u>	<u>87,570</u>
<u>\$ 2,625,963</u>	<u>\$ 87,260,394</u>	<u>\$ 5,039,737</u>	<u>\$ 89,760</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ 75,474	\$ -	\$ 45,074	\$ -
Restricted	-	-	824,998	1,030,055
Interest receivable	-	-	229,043	34,026
Grants and other receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	1,550	-	-	-
Investment in Finance New Mexico	99,010	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,975,435	265,000
Total current assets	176,034	-	4,074,550	1,329,081
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	18,230,805	1,565,000
Capital assets, net of accumulated depreciation	-	-	-	-
Deferred cost, net of accumulated amortization	-	-	560,182	48,329
Total assets	\$ 176,034	\$ -	\$ 22,865,537	\$ 2,942,410
Liabilities				
Current liabilities				
Accounts payable	\$ 23,620	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	289,991	39,288	-	-
Funds held for others	75,000	-	-	-
Bond interest payable	-	-	229,043	34,026
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	6,151,240	-
Bonds payable, net	-	-	2,190,000	265,000
Other liabilities	-	-	(239,529)	-
Total current liabilities	388,611	39,288	8,330,754	299,026
Noncurrent liabilities				
Bonds payable	-	-	13,923,800	1,565,000
Total liabilities	388,611	39,288	22,254,554	1,864,026
Net Assets				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	-	-	565,909	1,078,384
Unrestricted	(212,577)	(39,288)	45,074	-
Total net assets	(212,577)	(39,288)	610,983	1,078,384
Total liabilities and net assets	\$ 176,034	\$ -	\$ 22,865,537	\$ 2,942,410

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Assets - continued
June 30, 2011

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 201,508
407,455	6,731,838	1,519	12,985,680
69,519	-	2,613	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	2,308
-	-	-	-
-	-	-	-
-	-	30,000	309,082
<u>760,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,236,974	6,731,838	34,132	13,498,578
-	-	139,000	8,409,733
2,645,000	-	-	-
-	-	-	-
<u>21,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,903,507</u>	<u>\$ 6,731,838</u>	<u>\$ 173,132</u>	<u>\$ 21,908,311</u>
\$ -	\$ -	\$ -	\$ 17,141
-	-	-	-
-	-	-	-
-	-	-	1,461,545
80,263	-	-	-
69,519	-	2,613	-
-	-	-	-
-	-	1,519	-
-	-	-	-
760,000	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
909,782	-	4,132	1,478,686
<u>2,645,000</u>	<u>-</u>	<u>169,000</u>	<u>-</u>
3,554,782	-	173,132	1,478,686
-	-	-	-
-	-	-	-
348,725	6,731,838	-	20,228,117
<u>-</u>	<u>-</u>	<u>-</u>	<u>201,508</u>
<u>348,725</u>	<u>6,731,838</u>	<u>-</u>	<u>20,429,625</u>
<u>\$ 3,903,507</u>	<u>\$ 6,731,838</u>	<u>\$ 173,132</u>	<u>\$ 21,908,311</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ -	\$ 44	\$ 305,107	\$ -
Restricted	768,577	-	36,385	1,706,264
Interest receivable	-	-	-	72,575
Grants and other receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total current assets	768,577	44	341,492	1,778,839
Noncurrent assets				
Restricted investments				
Loans receivable, net of allowance	-	-	-	1,833,393
Intergovernmental receivables	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
Deferred cost, net of accumulated amortization	-	-	-	-
Total assets	<u>\$ 768,577</u>	<u>\$ 44</u>	<u>\$ 341,492</u>	<u>\$ 3,612,232</u>
Liabilities				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 2,438	\$ 3,545
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	17,839	-	14,076	908,782
Funds held for others	-	-	-	-
Bond interest payable	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Bonds payable, net	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	17,839	-	16,514	912,327
Noncurrent liabilities				
Bonds payable	-	-	-	-
Total liabilities	17,839	-	16,514	912,327
Net Assets				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	750,738	-	19,871	2,699,905
Unrestricted	-	44	305,107	-
Total net assets	750,738	44	324,978	2,699,905
Total liabilities and net assets	<u>\$ 768,577</u>	<u>\$ 44</u>	<u>\$ 341,492</u>	<u>\$ 3,612,232</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Assets - continued
June 30, 2011

Local Transportation Program	BioMass Dairy	Intra Program Eliminations	Total
\$ -	\$ -	\$ -	\$ 119,475,379
9,676,212	2,032,873	-	135,349,071
-	-	-	9,077,480
-	-	-	3,659,581
-	-	(5,654,785)	-
-	-	-	19,500
-	-	-	402,664
-	-	-	99,010
-	-	(7,364,017)	-
-	-	-	83,868,725
-	-	-	7,065,435
9,676,212	2,032,873	(13,018,802)	359,016,845
-	-	-	119,189,886
-	-	-	1,138,515,565
-	-	-	133,745,805
-	-	-	187,411
-	-	-	10,614,067
<u>\$ 9,676,212</u>	<u>\$ 2,032,873</u>	<u>\$ (13,018,802)</u>	<u>\$ 1,761,269,579</u>
\$ -	\$ -	\$ -	\$ 286,162
-	-	-	110,991
-	-	-	295,994
130,172	-	(5,654,785)	-
-	-	-	620,825
-	-	-	4,303,121
-	-	-	74,534,357
-	-	-	76,070,383
-	-	(7,364,017)	-
-	-	-	72,569,000
-	-	-	2,162,546
130,172	-	(13,018,802)	230,953,379
-	-	-	1,150,473,042
130,172	-	(13,018,802)	1,381,426,421
-	-	-	187,411
-	-	-	27,721,370
9,546,040	2,032,873	-	232,903,567
-	-	-	119,030,810
<u>9,546,040</u>	<u>2,032,873</u>	<u>-</u>	<u>379,843,158</u>
<u>\$ 9,676,212</u>	<u>\$ 2,032,873</u>	<u>\$ (13,018,802)</u>	<u>\$ 1,761,269,579</u>

	PPRF	GRIP	Behavioral Health	Child Care
Operating Revenues				
Administrative fees revenue	\$ 1,873,887	\$ 1,552,851	\$ 746	\$ -
Processing fee	1,261,007	-	-	-
Interest on loans	52,828,553	-	8,210	-
Interest on investments	384,701	15,899	815	1,347
Total operating revenues	<u>56,348,148</u>	<u>1,568,750</u>	<u>9,771</u>	<u>1,347</u>
Operating Expenses				
Grants to others	767,340	-	-	-
Bond issuance costs	610,222	-	-	-
Administrative fees	117,375	-	-	-
Professional services	1,279,285	324,135	-	5,347
Salaries and benefits	2,421,316	378,217	17,568	14,671
Other operating costs	888,923	94,723	-	3,678
Depreciation expense	110,011	-	-	-
Bond interest expense	55,170,397	-	3,669	-
Provision for loan losses	1,164,527	-	-	-
Interest expense	157,843	-	-	-
Total operating expenses	<u>62,687,239</u>	<u>797,075</u>	<u>21,237</u>	<u>23,696</u>
Net operating income (loss)	(6,339,091)	771,675	(11,466)	(22,349)
Nonoperating Revenues (Expenses)				
Appropriation revenue	26,909,639	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	(773,243)	-	15,363	-
Transfers to the State of New Mexico	(1,922,330)	-	-	-
Reversions	-	(4,000,000)	-	-
Increase (decrease) in net assets	17,874,975	(3,228,325)	3,897	(22,349)
Net assets, beginning of period	224,979,618	4,028,595	569,632	(94,881)
Net assets, end of period	<u>\$ 242,854,593</u>	<u>\$ 800,270</u>	<u>\$ 573,529</u>	<u>\$ (117,230)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

Cigarette Tax	DWLRF	Primary Care	Local Road Program
\$ -	\$ 146,958	\$ -	\$ 1,596,699
-	-	-	-
15,959	1,002,205	129,239	-
1,890	40,127	5,193	10,783
<u>17,849</u>	<u>1,189,290</u>	<u>134,432</u>	<u>1,607,482</u>
-	8,952,218	-	1,274,234
-	-	-	-
-	-	-	-
-	144,339	281	-
-	364,007	37,114	5,441
9,613	82,871	141,099	1,269
-	-	-	-
109,033	-	-	-
-	-	-	-
-	-	-	-
<u>118,646</u>	<u>9,543,435</u>	<u>178,494</u>	<u>1,280,944</u>
(100,797)	(8,354,145)	(44,062)	326,538
-	16,167	-	-
-	15,924,673	-	-
219,818	(1,527)	-	-
-	-	-	-
-	-	(2,810,000)	(4,398,384)
119,021	7,585,168	(2,854,062)	(4,071,846)
614,723	78,283,669	7,593,639	4,159,416
<u>\$ 733,744</u>	<u>\$ 85,868,837</u>	<u>\$ 4,739,577</u>	<u>\$ 87,570</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Operating Revenues				
Administrative fees revenue	\$ -	\$ -	\$ -	\$ -
Processing fee	344,766	-	-	-
Interest on loans	-	-	1,000,733	104,348
Interest on investments	489	-	2,178	7,759
Total operating revenues	<u>345,255</u>	<u>-</u>	<u>1,002,911</u>	<u>112,107</u>
Operating Expenses				
Grants to others	-	-	-	-
Bond issuance costs	-	-	72,282	9,354
Administrative fees	-	-	109,667	-
Professional services	155,436	-	-	-
Salaries and benefits	286,540	3,479	-	-
Other operating costs	91,220	695	-	642
Depreciation expense	-	-	-	-
Bond interest expense	-	-	645,431	104,348
Provision for loan losses	-	-	-	-
Interest expense	-	-	218,498	-
Total operating expenses	<u>533,196</u>	<u>4,174</u>	<u>1,045,878</u>	<u>114,344</u>
Net operating income (loss)	(187,941)	(4,174)	(42,967)	(2,237)
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	3,029,570	877,698
Grant revenue	-	-	-	-
Inter-fund transfers	-	-	39,589	-
Transfers to the State of New Mexico	-	-	(2,904,488)	(1,181,331)
Reversions	-	-	-	-
Increase (decrease) in net assets	(187,941)	(4,174)	121,704	(305,870)
Net assets, beginning of period	(24,636)	(35,114)	489,279	1,384,254
Net assets, end of period	<u><u>\$ (212,577)</u></u>	<u><u>\$ (39,288)</u></u>	<u><u>\$ 610,983</u></u>	<u><u>\$ 1,078,384</u></u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Assets - continued
For the Year Ended June 30, 2011

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 31,962
-	-	-	-
261,304	-	-	-
2,899	56,147	11,333	38,177
<u>264,203</u>	<u>56,147</u>	<u>11,333</u>	<u>70,139</u>
-	-	-	26,114,605
5,807	-	-	-
9,850	34,425	-	-
-	-	-	232,105
-	-	-	389,934
-	-	-	92,859
-	-	-	-
261,304	-	11,333	-
-	-	-	-
-	-	-	-
<u>276,961</u>	<u>34,425</u>	<u>11,333</u>	<u>26,829,503</u>
(12,758)	21,722	-	(26,759,364)
9,480	-	-	4,000,000
-	-	-	27,000,155
-	-	-	-
-	(60,906)	-	-
-	-	-	-
(3,278)	(39,184)	-	4,240,791
352,003	6,771,022	-	16,188,834
<u>\$ 348,725</u>	<u>\$ 6,731,838</u>	<u>\$ -</u>	<u>\$ 20,429,625</u>

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
Operating Revenues				
Administrative fees revenue	\$ -	\$ -	\$ -	\$ -
Processing fee	-	-	-	-
Interest on loans	-	-	-	221,959
Interest on investments	9,650	820	1,773	18,081
Total operating revenues	9,650	820	1,773	240,040
Operating Expenses				
Grants to others	1,919,081	-	286,773	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	-	-
Professional services	10,922	-	28,108	26,046
Salaries and benefits	50,639	-	34,119	179,955
Other operating costs	10,453	-	7,594	50,816
Depreciation expense	-	-	-	-
Bond interest expense	-	-	-	-
Provision for loan losses	-	-	-	1,293,929
Interest expense	-	-	-	-
Total operating expenses	1,991,095	-	356,594	1,550,746
Net operating income (loss)	(1,981,445)	820	(354,821)	(1,310,706)
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	-	-	500,000	-
Transfers to the State of New Mexico	-	-	-	-
Reversions	(1,613,217)	(290,491)	-	(1,900,000)
Increase (decrease) in net assets	(3,594,662)	(289,671)	145,179	(3,210,706)
Net assets, beginning of period	4,345,400	289,715	179,799	5,910,611
Net assets, end of period	<u>\$ 750,738</u>	<u>\$ 44</u>	<u>\$ 324,978</u>	<u>\$ 2,699,905</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Assets - continued
For the Year Ended June 30, 2011

Local Transportation Program	BioMass Dairy	Total
\$ -	\$ -	\$ 5,203,103
-	-	1,605,773
-	-	55,572,510
189,400	6,462	805,923
189,400	6,462	63,187,309
14,573,054	-	53,887,305
-	-	697,665
-	-	271,317
6,380	-	2,212,384
1,572	-	4,184,572
-	-	1,476,455
-	-	110,011
-	-	56,305,515
-	-	2,458,456
-	-	376,341
14,581,006	-	121,980,021
(14,391,606)	6,462	(58,792,712)
-	-	34,842,554
-	-	42,924,828
-	-	-
-	-	(6,069,055)
(3,400,000)	-	(18,412,092)
(17,791,606)	6,462	(5,506,477)
27,337,646	2,026,411	385,349,635
\$ 9,546,040	\$ 2,032,873	\$ 379,843,158

	PPRF	GRIP	Behavioral Health	Child Care
Cash Flows From Operating Activities				
Cash paid for employee services	\$ (2,421,316)	\$ (378,217)	\$ (17,568)	\$ (14,671)
Cash paid to vendors for services	(709,217)	(418,858)	-	(27,867)
Intergovernmental payments received	2,180,000	-	-	-
Loans payments received	235,314,743	-	34,206	5,644
Loan payments funded	(201,505,803)	-	-	-
Grants awarded	(767,340)	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest income received	53,213,254	15,899	12,185	1,347
Administrative fees received	3,134,894	2,388,932	-	-
Net cash provided by (used in) operating activities	<u>88,439,215</u>	<u>1,607,756</u>	<u>28,823</u>	<u>(35,547)</u>
Cash Flow From Noncapital Financing Activities				
Reversions	-	(4,000,000)	-	-
Cash received from the State of New Mexico	26,909,639	-	-	-
Cash transfers to the State of New Mexico	(1,922,330)	-	-	-
Interfund transfers	(773,243)	-	15,363	-
Proceeds from the sale of bonds	71,585,000	-	-	-
Payment of bonds	(77,387,000)	-	-	-
Bond issuance costs	(610,222)	-	-	-
Interest expense paid	(55,170,397)	-	-	-
Cash disbursed for program purposes	(37,739,084)	-	-	(187,908)
Net cash provided by (used in) noncapital financing activities	<u>(75,107,637)</u>	<u>(4,000,000)</u>	<u>15,363</u>	<u>(187,908)</u>
Cash Flow From Capital and Related Financing Activities				
Capital assets	(23,922)	-	-	-
Net cash used in capital and related financing activities	<u>(23,922)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flow From Investing Activities				
Purchase of investments	(119,189,886)	-	-	-
Interest received	384,701	-	-	-
Net cash provided by (used in) investing activities	<u>(118,805,185)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase decrease in cash and cash equivalents	(105,497,529)	(2,392,244)	44,186	(223,455)
Cash and cash equivalents, beginning of year	298,920,417	2,765,231	278,001	237,337
Cash and cash equivalents, end of year	<u>\$ 193,422,888</u>	<u>\$ 372,987</u>	<u>\$ 322,187</u>	<u>\$ 13,882</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Net operating income (loss)	\$ (6,339,091)	\$ 771,675	\$ (11,466)	\$ (22,349)
Adjustments to change in net assets				
Depreciation and amortization	1,630,771	-	-	-
Interest expense	55,328,240	-	-	-
Bad debt expense	1,164,526	-	-	-
Appropriation, transfers and grants	-	-	-	-
Changes in assets and liabilities				
Loan receivables	33,808,940	-	34,206	-
Advance loan payments	3,544,505	-	-	-
Prepays and receivables	2,580,318	(198,944)	-	(13,198)
Payables and other accrued liabilities	(3,278,994)	1,035,025	6,083	-
	<u>\$ 88,439,215</u>	<u>\$ 1,607,756</u>	<u>\$ 28,823</u>	<u>\$ (35,547)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flow
For the Year Ended June 30, 2011

Cigarette Tax	DWRLF	Primary Care	Local Road Fund
\$ -	\$ (370,071)	\$ (37,114)	\$ -
(9,613)	(512,521)	(141,380)	-
-	-	-	-
32,295	2,816,235	818,834	-
-	(8,146,924)	-	-
-	(7,129,031)	-	(1,274,233)
-	14,787,728	-	-
17,660	1,049,773	134,432	10,783
-	144,077	-	1,596,699
<u>40,342</u>	<u>2,639,266</u>	<u>774,772</u>	<u>333,249</u>
-	-	(2,810,000)	(4,398,384)
-	16,167	-	-
-	-	-	-
219,818	(1,527)	-	-
-	-	-	-
(125,000)	-	-	-
-	-	-	-
(110,181)	-	-	-
-	(6,172)	(214,296)	-
<u>(15,363)</u>	<u>8,468</u>	<u>(3,024,296)</u>	<u>(4,398,384)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
24,979	2,647,734	(2,249,524)	(4,065,135)
<u>2,090,920</u>	<u>18,720,804</u>	<u>2,538,770</u>	<u>4,154,895</u>
<u>\$ 2,115,899</u>	<u>\$ 21,368,538</u>	<u>\$ 289,246</u>	<u>\$ 89,760</u>
\$ (100,797)	\$ (8,354,145)	\$ (44,062)	\$ 326,538
-	-	-	-
110,181	-	-	-
-	-	-	-
-	14,787,728	-	-
32,295	(5,330,689)	818,834	-
-	-	-	-
(189)	(86,687)	-	6,711
(1,148)	1,623,059	-	-
<u>\$ 40,342</u>	<u>\$ 2,639,266</u>	<u>\$ 774,772</u>	<u>\$ 333,249</u>

	NM Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Cash Flows From Operating Activities				
Cash paid for employee services	\$ (286,540)	\$ -	\$ -	\$ -
Cash paid to vendors for services	(246,656)	-	(109,669)	(641)
Intergovernmental payments received	-	-	3,891,285	250,000
Loans payments received	-	-	-	-
Loan payments funded	-	-	-	-
Grants awarded	-	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest income received	489	-	-	112,107
Administrative fees received	533,195	-	-	-
Net cash provided by (used in) operating activities	488	-	3,781,616	361,466
Cash Flow From Noncapital Financing Activities				
Reversions	-	-	-	-
Cash received from the State of New Mexico	-	-	3,029,570	877,698
Cash transfers to the State of New Mexico	-	-	(2,904,488)	(1,181,331)
Interfund transfers	-	-	39,589	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	(2,350,000)	(250,000)
Bond issuance costs	-	-	-	-
Interest expense paid	-	-	(1,538,921)	(104,348)
Cash disbursed for program purposes	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	(3,724,250)	(657,981)
Cash Flow From Capital and Related Financing Activities				
Capital assets	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-
Cash Flow From Investing Activities				
Purchase of investments	-	-	-	-
Interest received	-	-	-	-
Net cash (used in) provided by (used in) investing activities	-	-	-	-
Net increase decrease in cash and cash equivalents	488	-	57,366	(296,515)
Cash and cash equivalents, beginning of year	74,986	-	812,706	1,326,570
Cash and cash equivalents, end of year	\$ 75,474	\$ -	\$ 870,072	\$ 1,030,055
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Net operating income (loss)	\$ (187,941)	\$ (4,174)	\$ (42,967)	\$ (2,237)
Adjustments to change in net assets				
Depreciation and amortization	-	-	-	9,355
Interest expense	-	-	1,538,921	104,348
Bad debt expense	-	-	-	-
Appropriation, transfers and grants	-	-	-	-
Changes in assets and liabilities				
Loan receivables	-	-	3,891,285	250,000
Advance loan payments	-	-	-	-
Prepays and receivables	(120,060)	3,479	(4,962,938)	-
Payables and other accrued liabilities	308,489	695	3,357,315	-
	\$ 488	\$ -	\$ 3,781,616	\$ 361,466

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flow - continued
For the Year Ended June 30, 2011

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ (479,714)
(9,850)	(34,425)	-	(318,479)
710,000	-	-	-
-	-	28,000	1,001,729
-	-	-	(3,219,378)
-	-	-	(26,114,605)
-	-	-	27,000,155
278,699	56,147	11,767	70,139
-	-	-	-
<u>978,849</u>	<u>21,722</u>	<u>39,767</u>	<u>(2,060,153)</u>
-	-	-	-
9,480	-	-	4,000,000
-	(60,906)	-	-
-	-	-	-
-	-	-	-
(710,000)	-	(28,000)	-
-	-	-	-
(275,800)	-	(11,855)	-
-	-	-	-
<u>(976,320)</u>	<u>(60,906)</u>	<u>(39,855)</u>	<u>4,000,000</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,529	(39,184)	(88)	1,939,847
404,926	6,771,022	1,607	11,247,341
<u>\$ 407,455</u>	<u>\$ 6,731,838</u>	<u>\$ 1,519</u>	<u>\$ 13,187,188</u>
\$ (12,758)	\$ 21,722	\$ -	\$ (26,759,364)
5,807	-	-	-
275,800	-	11,855	-
-	-	-	-
-	-	-	27,000,155
710,000	-	28,000	(2,217,649)
-	-	-	-
-	-	(522)	(753,357)
-	-	434	670,062
<u>\$ 978,849</u>	<u>\$ 21,722</u>	<u>\$ 39,767</u>	<u>\$ (2,060,153)</u>

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
Cash Flows From Operating Activities				
Cash paid for employee services	\$ (50,639)	\$ -	\$ (34,119)	\$ (179,955)
Cash paid to vendors for services	(5,226)	-	(46,431)	(266,104)
Intergovernmental payments received	-	-	-	-
Loans payments received	-	-	-	99,902
Loan payments funded	-	-	-	-
Grants awarded	(1,919,081)	-	(286,773)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest income received	(48,059)	820	17,029	-
Administrative fees received	-	-	-	-
Net cash provided by (used in) operating activities	<u>(2,023,005)</u>	<u>820</u>	<u>(350,294)</u>	<u>(346,157)</u>
Cash Flow From Noncapital Financing Activities				
Reversions	(1,613,217)	(290,491)	-	(1,900,000)
Cash received from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	-	-	-	-
Interfund transfers	-	-	500,000	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Interest expense paid	-	-	-	-
Cash disbursed for program purposes	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,613,217)</u>	<u>(290,491)</u>	<u>500,000</u>	<u>(1,900,000)</u>
Cash Flow From Capital and Related Financing Activities				
Capital assets	-	-	-	-
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flow From Investing Activities				
Purchase of investments	-	-	-	-
Interest received	-	-	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase decrease in cash and cash equivalents	(3,636,222)	(289,671)	149,706	(2,246,157)
Cash and cash equivalents, beginning of year	4,404,799	289,715	191,786	3,952,421
Cash and cash equivalents, end of year	<u>\$ 768,577</u>	<u>\$ 44</u>	<u>\$ 341,492</u>	<u>\$ 1,706,264</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Net operating income (loss)	\$ (1,981,445)	\$ 820	\$ (354,821)	\$ (1,310,706)
Adjustments to change in net assets				
Depreciation and amortization	-	-	-	-
Interest expense	-	-	-	-
Bad debt expense	-	-	-	1,037,389
Appropriation, transfers and grants	-	-	-	-
Changes in assets and liabilities				
Loan receivables	-	-	-	356,442
Advance loan payments	-	-	-	-
Prepays and receivables	16,149	-	(10,729)	(47,302)
Payables and other accrued liabilities	(57,709)	-	15,256	(381,980)
	<u>\$ (2,023,005)</u>	<u>\$ 820</u>	<u>\$ (350,294)</u>	<u>\$ (346,157)</u>

(17,783,656)	6,462	(133,846,083)
<u>27,459,868</u>	<u>2,026,411</u>	<u>388,670,533</u>
\$ 9,676,212	\$ 2,032,873	\$ 254,824,450

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NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2011

	Balance July 1, 2010	Increase	Decrease	Balance July 1, 2011
Fund 315 Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	\$ 61,420,681	\$ 102,195,401	\$ 110,250,267	\$ 53,365,815
Total assets	\$ 61,420,681	\$ 102,195,401	\$ 110,250,267	\$ 53,365,815
Liabilities				
Deposit held in trust for others	\$ 61,420,681	\$ 102,195,401	\$ 110,250,267	\$ 53,365,815
Total liabilities	\$ 61,420,681	\$ 102,195,401	\$ 110,250,267	\$ 53,365,815
Fund 322 Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	\$ 34,396,341	\$ 37,033,370	\$ 44,149,055	\$ 27,280,656
Total assets	\$ 34,396,341	\$ 37,033,370	\$ 44,149,055	\$ 27,280,656
Liabilities				
Deposit held in trust for others	\$ 34,396,341	\$ 37,033,369	\$ 44,149,055	\$ 27,280,655
Total liabilities	\$ 34,396,341	\$ 37,033,369	\$ 44,149,055	\$ 27,280,655
Fund 326 Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	\$ 3,260,774	\$ 26,291,176	\$ 23,853,264	\$ 5,698,686
Total assets	\$ 3,260,774	\$ 26,291,176	\$ 23,853,264	\$ 5,698,686
Liabilities				
Deposit held in trust for others	\$ 3,260,774	\$ 26,291,175	\$ 23,853,264	\$ 5,698,685
Total liabilities	\$ 3,260,774	\$ 26,291,175	\$ 23,853,264	\$ 5,698,685
Fund 327 Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	\$ 49,109	\$ 35,310,605	\$ 35,312,650	\$ 47,064
Total assets	\$ 49,109	\$ 35,310,605	\$ 35,312,650	\$ 47,064
Liabilities				
Deposit held in trust for others	\$ 49,109	\$ 35,310,605	\$ 35,312,650	\$ 47,064
Total liabilities	\$ 49,109	\$ 35,310,605	\$ 35,312,650	\$ 47,064
Fund 328 Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	\$ -	\$ 84,041,081	\$ 14,831,811	\$ 69,209,270
Total assets	\$ -	\$ 84,041,081	\$ 14,831,811	\$ 69,209,270
Liabilities				
Deposit held in trust for others	\$ -	\$ 84,041,081	\$ 14,831,811	\$ 69,209,270
Total liabilities	\$ -	\$ 84,041,081	\$ 14,831,811	\$ 69,209,270
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	\$ -	\$ 16,498,967	\$ 16,294,995	\$ 203,972
Total assets	\$ -	\$ 16,498,967	\$ 16,294,995	\$ 203,972
Liabilities				
Deposit held in trust for others	\$ -	\$ 16,498,967	\$ 16,294,995	\$ 203,972
Total liabilities	\$ -	\$ 16,498,967	\$ 16,294,995	\$ 203,972

NEW MEXICO FINANCE AUTHORITY
Schedule of Pledged Collateral
For the Year Ended June 30, 2011

Wells Fargo	
Deposit account	\$ 239,966
Repurchase agreements	<u>1,725,452</u>
Total amount of deposits	1,965,418
FDIC insurance on deposit accounts	<u>(239,966)</u>
Total uninsured public funds	<u><u>1,725,452</u></u>
 Collateral requirement (102%)	 <u><u>\$ 1,759,961</u></u>

Pledges and Securities

Federated Government Corporate Intermediate Fund 15 year, issued December 1, 2010; matures December 1, 2025 including accrued interest of \$926.76 CUSIP 3128PTF5, rate 3.5%	\$ 324,997
MBS Pool - Ginnie Mae, 30 year level pay; issued March 1, 2000; July 15, 2029 including accrued interest of \$6,358.87 CUSIP 36225BHZ4, rate 6.0%	<u>1,434,964</u>
Total collateral	<u><u>\$ 1,759,961</u></u>

Single Audit

New Mexico Finance Authority
Schedule of Expenditures of Federal Awards
June 30, 2011

Grantor / Program Title	Federal Catalog Number	Federal Expenditures FY 2011
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 4,960,422
Capitalization Grants for Drinking Water - ARRA State Revolving Funds	66.468	<u>10,073,060</u>
Total expenditures of federal awards		<u><u>\$ 15,033,482</u></u>

New Mexico Finance Authority
Note to Schedule of Expenditures of Federal Awards
June 30, 2011

1) General

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

Basis of Accounting

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

Reconciliation to Financial Statements

New Mexico Drinking Water Revolving Loan Program

Total federal revenue according to statement of revenues	
expenses and changes in net assets (page 44)	\$15,924,673
Prior-year accrual	<u>(891,191)</u>
Total EPA expenditures	<u>\$ 15,033,482</u>

The Authority administers loans under the EPA Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2011 are \$65,710,121. Only the value of new loans expended during the fiscal year is included in the accompanying schedule.

2) Subrecipients

<u>Community</u>	<u>FY 2011 Pass-Through Funds</u>
University of New Mexico	\$ 1,993,927
ABCWUA	1,960,058
Rio Rancho, NM	1,948,162
NM Environmental Department (set aside funds)	1,859,794
Sunland Park, NM	1,515,337
Carlsbad, NM	1,449,445
Alto Lakes, NM	1,425,141
Farmington, NM	1,126,983
Santa Fe, NM	938,771
Other subrecipients	<u>816,224</u>
Total	<u>\$ 15,033,842</u>

**Report On Internal Control Over Financial Reporting And On Compliance And
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

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

We have audited the basic financial statements of the New Mexico Finance Authority (the “Authority”), as of and for the year ended June 30, 2011, and have issued our report thereon dated February 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2011-2 thru 2011-5 to be significant deficiencies.

Compliance and Other Matters

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

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

The Authority's response to the findings 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 Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

Albuquerque, New Mexico
February 5, 2013

**Independent Auditor's Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program And On
Internal Control Over Compliance In Accordance With OMB Circular A-133**

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

Compliance

We have audited New Mexico Finance Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. 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 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the New Mexico Office of the State Auditor Rule,

which are described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2011-7.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-2 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-7 to be a significant deficiency.

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.

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

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

REDW LLC

Albuquerque, New Mexico
February 5, 2013

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section I — Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | | | |
|--|---------------|-----|---------------|---------------|
| • Material weakness(es) identified? | <u>X</u> | Yes | <u> </u> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u>X</u> | Yes | <u> </u> | None reported |
| • Noncompliance material to financial statements noted? | <u> </u> | Yes | <u>X</u> | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|--|----------|-----|---------------|---------------|
| • Material weakness(es) identified? | <u>X</u> | Yes | <u> </u> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u>X</u> | Yes | <u> </u> | 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? | <u>X</u> | Yes | <u> </u> | No |
|--|----------|-----|---------------|----|

Identification of Major Programs

Name of Federal Program	CFDA Number	Expenditures
Capitalization Grant for Drinking Water State Revolving Funds	66.468	\$ 4,960,422
Capitalization Grant for Drinking Water State Revolving Funds – ARRA	66.468	\$10,073,060

Dollar threshold used to distinguish between type A and type B programs: \$451,000

- | | | | | |
|--|---------------|-----|----------|----|
| Auditee qualified as low-risk auditee? | <u> </u> | Yes | <u>X</u> | No |
|--|---------------|-----|----------|----|

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings

2011-1 (FS) Financial Reporting Oversight (Material Weakness)

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

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

- The Authority's audit committee does not have a charter defining its makeup and responsibilities.
- The Authority's policies and procedures require that management meet with the audit committee monthly; however, the audit committee only met with management three times during fiscal year 2011.
- In fiscal year 2011, no members of the audit committee were certified public accountants (CPA). (Note: After the fraudulent audit report was discovered, the Chairman of the Board requested that a CPA be designated by a board member to sit on the audit committee.)
- The Board minutes dated April 27, 2012, document that the audit committee accepted the 2011 audit report presented by the Authority's CFO; however, there was no documentation of communication with representatives of the audit firm, including certain communications that are required by generally accepted auditing standards between auditors and those charged with governance.
- The fraudulent report was presented to the board by NMFA's CEO on March 22, 2012. New Mexico Office of the State Auditor's Audit Rule requires the independent public accountant to present the audit report to the board upon its release by the State Auditor. Although, the report was fraudulent the Authority did not comply with the New Mexico Office of the State Auditor's Audit Rule.

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

-
- The Authority's bylaws do not require Board approval of the audited financial statements.

Additionally, the Authority's management did not adhere to the Government Conduct Act during the period the Authority has been found to have issued fraudulent financial statements.

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

Effect: The financial information released to the public was fraudulent. Rating agencies and the investment community has had to wait on the Authority's 2011 financial reports. Substantial additional costs were incurred to determine both the extent of the fraud and its impact on the Authority. Consequently, the Authority has developed, and implemented corrective actions. As previously stated, the Authority was subject to investigations from the New Mexico Office of the State Auditor, New Mexico Regulation and Licensing's Securities Division and the New Mexico Legislative Council. As a result of these investigations, the findings are as follows:

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

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

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

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

Cause: Procedures were not in place to prevent payments in violation of Audit Rule 2011 Requirements for Contracting and Conducting Audits of Agencies 2.2.2. NMAC.

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

Condition: Many balance sheet accounts were lacking reconciliations that agreed to the Authority's general ledger as of June 30, 2011.

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

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

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

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

Management's Response:

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

Condition: The Authority did not have an internal control process in place to reduce the risk of improper use of credit cards. As a result, credit cards were used to make purchases in violation of Authority policies and/or state laws and regulations. Two credit cards were improperly used by three employees in three instances in the amounts of \$703, \$763 and \$272 to make these improper purchases. The Authority subsequently collected \$1,738 from the three employees.

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

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

Management's Response: — continued

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

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

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section II — Financial Statement Findings — continued

2011-6 (FS) Bond Covenants — Other

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

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section III — Federal Award Findings and Questioned Costs

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

Federal program information:

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

Condition: The fiscal year 2011 Annual Financial Report was not submitted to the New Mexico Office of the State Auditor by the submission deadline as of December 15, 2011. The 2011 Single Audit Reporting Package was not submitted to the Federal Single Audit Clearinghouse by the March 31, 2012 deadline. Procedures were not in place to ensure reporting by the applicable deadlines.

Criteria: Section 2.2.2.9A (1) (f) of NMAC Audit Rule 2011, Requirements for Contracting and Conducting Audits of Agencies, requires that annual audit reports be received in the Office of the State Auditor no later than December 15, 2011. The Federal Single Audit Act and related regulations require submission of Single Audit reports within nine months of fiscal year-end.

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

Questioned Costs: None

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section III — Federal Award Findings and Questioned Costs — continued

2011-7 (FA) Reporting (Significant Deficiency)

Federal program information:

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

Condition: In testing the 2011 Annual Report we discovered that the report was submitted on October 3, 2011, 3 days after the due date.

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

Effect: Noncompliance with this reporting requirement.

Questioned Costs: None

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

Auditors' Recommendations: The Authority should implement policies and procedures to ensure that the report is prepared and submitted before the October 1 deadline.

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section IV — Other Findings and Questioned Costs

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

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

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section IV — Other Findings and Questioned Costs — continued

2011-9 (SA) Timely Cash Receipts Deposit - Other

Condition: Five of ten cash receipts tested, totaling \$95,691, were not deposited by the close of the next business day.

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

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

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

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

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

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section IV — Other Findings and Questioned Costs — continued

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

Condition: As part of the test work related to the Travel and Per Diem Act, we identified 2 out of 13 expense reimbursements that lacked proper documentation which totaled \$9.63. Furthermore, the Authority's travel policy implemented during 2011 allows for employees to receive \$19.54 per diem per day for use of personal vehicle used for business related travel. This policy conflicts with the per diem rates specified in the Travel and Per Diem Act.

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

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

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

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

Management's Response: The Authority complied with an internal travel and per diem policy and as such did not follow the state Travel and Per Diem Act during 2011. Its own policy was breached in the circumstances identified above. The Authority will rewrite its policy to be aligned with the state Travel and Per Diem Act and communicate and monitor such policy to ensure compliance.

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2011

Section IV — Other Findings and Questioned Costs — continued

2011-11 (SA) Equipment — Other

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

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

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

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

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

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

New Mexico Finance Authority
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2011

2010-01 Reported in current year as 2009-02, the original finding number.

New Mexico Finance Authority
Corrective Action Plan
June 30, 2011

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

New Mexico Finance Authority

Exit Conference June 30, 2011

An exit conference was held on January 23, 2013, with the Authority. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

New Mexico Finance Authority

John H. Bemis	Board Member / NM EMNRD Cabinet Secretary
Tom Clifford, Ph.D.	Board Member / DFA Cabinet Secretary
Ricky Bejarano	Audit Committee Member / State Controller
John Gasparich	Interim Chief Executive Officer
Donna Trujillo	Chief Financial Officer
Dora C de Baca	Chief Administration Officer
Dan Opperman	General Counsel
Bob Spradley	Senior Accountant

REDW_{LLC}

Bruce Bleakman	Principal
Stephen Montoya	Senior Manager
Javier Machuca	Senior Manager
Richard Gillespie	Staff Auditor

New Mexico Finance Authority

State of New Mexico

*Financial Statements
and
Independent Auditors' Report
June 30, 2012*

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New Mexico Finance Authority

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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2012

Governing Board

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

Chief Executive Officer

Richard E. May

Chief Operating Officer/Chief Financial Officer

John Duff

Independent Auditor's Report

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

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013, on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

REDW LLC

Albuquerque, New Mexico
April 24, 2013

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2012

Introduction

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

The New Mexico Finance Authority

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

Overview of the Financial Statements

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

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

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

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

Financial Highlights

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

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

Statement of Net Assets

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

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

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

Assets

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

New Mexico Finance Authority

Management's Discussion and Analysis

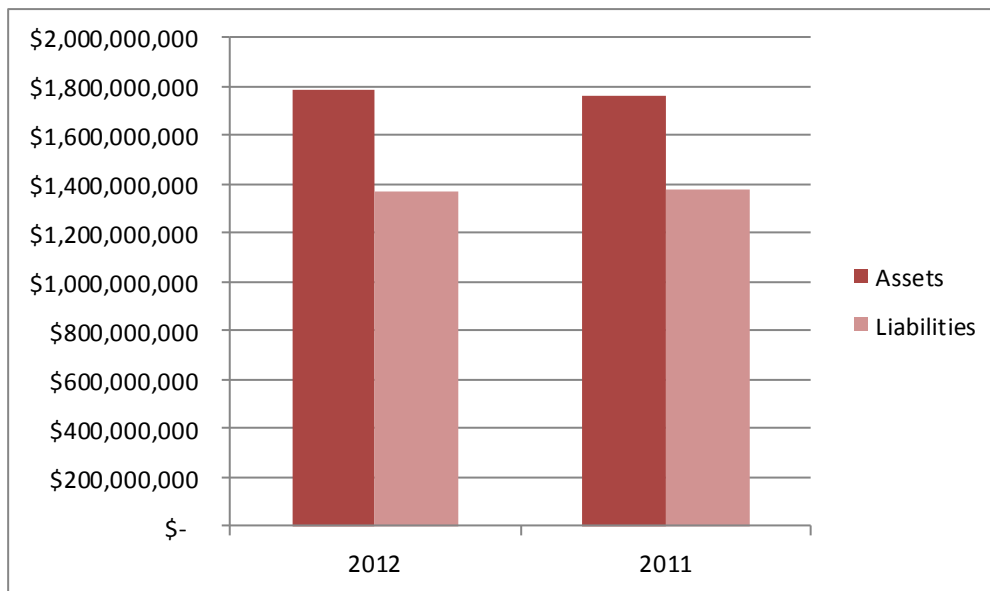
June 30, 2012

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

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

Liabilities

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



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

Statement of Revenue, Expenses and Changes in Net Assets

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

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

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

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

Long-Term Debt

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

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

Programs

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

Public Project Revolving Fund

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

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

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

New Mexico Finance Authority
Management's Discussion and Analysis
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Public Project Revolving Fund
Statements of Net Assets
June 30

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

Loan Volume

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

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

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

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

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

Net Interest Income

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2012, the PPRF had a net interest loss of \$.24 million, compared to \$3.28 million in 2011. This is a result of a reduction in the allowance for loan losses and market conditions in which \$111.2 million in PPRF loans exercised their early call in 2011 provisions and the Authority relent those loan repayments at moderately lower interest rates.

Governmental Gross Receipts Tax

The Governmental Gross Receipts Tax (GGRT) is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. Seventy-five percent of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was \$26,204,287 in 2012, a \$1,686,073 increase from the \$24,518,214 received in 2011. The GGRT funds are used as follows:

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

Other Programs

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

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

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

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

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

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

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

Contacting the Authority's Financial Management

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

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

Financial Statements

NEW MEXICO FINANCE AUTHORITY
Statement of Net Assets
June 30, 2012

Assets

Current assets

Cash and equivalents	
Unrestricted	\$ 80,351,262
Restricted	106,424,138
Interest receivable	8,452,919
Grants and other receivables	2,440,281
Prepaid rent	19,500
Administrative fees receivable	302,606
Investment in Finance New Mexico LLC	99,010
Loans receivable, net of allowance	91,665,256
Intergovernmental receivables	<u>6,286,962</u>
Total current assets	296,041,934

Noncurrent assets

Restricted investments	125,496,887
Loans receivable, net of allowance	1,223,861,571
Intergovernmental receivables	125,893,843
Capital assets, net of accumulated depreciation	239,589
Deferred debt issuance cost, net of accumulated amortization	<u>10,760,208</u>
Total assets	<u>\$ 1,782,294,032</u>

Liabilities

Current liabilities

Accounts payable	\$ 199,643
Accrued payroll	94,751
Compensated absences	276,994
Funds held for others	385,495
Bond interest payable	4,287,863
Undisbursed loan proceeds	73,864,493
Advanced loan payments	70,884,890
Bonds payable, net	81,431,000
Costs of loan issuance	984,567
Other liabilities	<u>1,148,847</u>
Total current liabilities	233,558,543

Noncurrent liabilities

Bonds payable	<u>1,135,687,299</u>
Total liabilities	<u>1,369,245,842</u>

Net Assets

Invested in capital assets	239,589
Restricted for debt service	74,009,248
Restricted for program commitments	196,844,296
Unrestricted	<u>141,955,057</u>
Total net assets	413,048,190
Total liabilities and net assets	<u>\$ 1,782,294,032</u>

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

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

Operating Revenues

Administrative fees revenue	\$ 5,042,154
Processing fees	2,310,599
Interest on loans	54,459,612
Interest on investments	436,387
Total operating revenues	<u>62,248,752</u>

Operating Expenses

Grants to local governments	42,063,551
Bond issuance costs	1,272,046
Administrative fees	199,650
Professional services	2,520,763
Salaries and benefits	3,976,586
Other operating costs	1,551,350
Depreciation expense	146,719
Bond interest	55,005,184
Provision for loan losses	(1,501,594)
Interest expense	114,479
Total operating expenses	<u>105,348,734</u>
Net operating loss	<u>(43,099,982)</u>

Nonoperating Revenues (Expenses)

Appropriation revenue	43,146,845
Grant revenue	41,883,216
Transfers to the State of New Mexico	(5,325,047)
Reversions to New Mexico General Fund	(3,400,000)
Increase in net assets	<u>33,205,032</u>
Net assets, beginning of year	<u>379,843,158</u>
Net assets, end of year	<u><u>\$ 413,048,190</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities

Cash paid for employee services	\$ (4,011,826)
Cash paid to vendors for services	(4,395,069)
Intergovernmental payments received	5,935,198
Loans to local governments received	228,086,281
Loan payments funded	(320,901,262)
Grants to local governments	(42,063,551)
Cash received from federal government for revolving loan funds	9,391,520
Interest on loans	55,085,823
Administrative fees received	7,451,261
Net cash used by operating activities	<u>(65,421,625)</u>

Cash flow From noncapital financing activities

Reversions to New Mexico General Fund	(3,400,000)
Appropriations received from the State of New Mexico	43,146,845
Cash transfers to the State of New Mexico	27,166,649
Interfund transfers, net	(227,674)
Proceeds from sale of bonds	135,020,000
Payment of bond principal	(139,391,440)
Bond issuance costs	(416,964)
Interest paid	(57,688,472)
Net cash disbursed for program purposes	<u>(785,435)</u>
Net cash provided by noncapital financing activities	<u>3,423,509</u>

Cash flow from capital and related financing activities

Purchase of capital assets	<u>(198,897)</u>
Net cash used by capital and related financing activities	<u>(198,897)</u>

Cash flow from investing activities

Purchase of investments	(71,308,651)
Sale of investments	65,020,228
Interest on investments	436,386
Net cash used by investing activities	<u>(5,852,037)</u>
Net decrease in cash and cash equivalents	(68,049,050)
Cash and cash equivalents, beginning of year	<u>254,824,450</u>
Cash and cash equivalents, end of year	<u><u>\$ 186,775,400</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2012

Reconciliation of operating loss to net cash provided

by operating activities

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

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2012

Assets

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

Liabilities

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

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

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

1) Nature of Organization

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

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

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

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

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

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

Other significant programs administered by the Authority include:

- ♦ The Local Transportation Infrastructure Projects Program which provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- ♦ The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- ♦ The New Markets Tax Credit Program acts as managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program.
- ♦ The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide for a 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.
- ♦ The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- ♦ The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- ♦ The State Capital Improvement Financing Program accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol.
- ♦ The UNM Health Sciences Program administers the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center.
- ♦ The Worker`s Compensation Financing Program accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers` Compensation Administration.
- ♦ The 2010 Legislature adopted the Colonias Infrastructure Act which appropriates to the Authority 5% of the severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing. The Act took effect July 1, 2012.

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

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

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

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

2) Summary of Significant Accounting Policies

Accounting Principles

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

Pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 are followed unless they conflict with or contradict GASB pronouncements. Subsequent FASB pronouncements are not applied, as permitted by GASB No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting*.

Basis of Presentation

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

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest

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

expense, program support as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

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

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

Agency Funds

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

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

Loans Receivable

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

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

Intergovernmental Receivables

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

Capital Assets

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

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

Bond Discounts, Premiums, Issuance Costs, and Deferred Costs

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

Compensated Absences

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

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

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Undisbursed Loan Proceeds

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

Net Assets

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

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

Restricted net assets have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

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

Income Taxes

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

Use of Estimates

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

Budget

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

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Recently Issued Accounting Standard

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

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

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

3) Cash and Cash Equivalents and Investments

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

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

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

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

Credit Risk

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

Interest Rate Risk

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

Permitted Investments

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

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

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

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

Investment of Bond Proceeds

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

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

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

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

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

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June 30, 2012

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

Description	Balance at June 30, 2012	Rated	Percentage of Authority Funds ¹
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	\$ 168,510	N/A	<1%
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	15,917,787	N/A	<1%
Wells Fargo deposit account	14,250	N/A	<1%
Wells Fargo repurchase agreement	141,660	N/A	<1%
Government Money Market Funds	90,488,496	AAA	58%
U.S. Treasury notes	54,695,529	AAA	6%
Cash invested by trustee per bond indenture	<u>25,349,168²</u>	N/A	N/A
Total cash and equivalents	<u>\$ 186,775,400</u>		
Cash held in agency fund	<u>\$ 107,603,826³</u>		

Maturity Restrictions

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

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

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

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

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

² As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued.

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

⁴ Limits do not apply to cash invested by trustee per bond indenture.

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4) Loans Receivable

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

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

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

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

New Mexico Finance Authority
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5) Intergovernmental Receivables

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

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

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

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

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

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6) Capital Assets

A summary of changes in capital assets follows:

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

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

7) Bonds Payable

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

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

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

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

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Maturities of bonds payable and interest are as follows:

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

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

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

8) Advanced Loan Payments

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

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

9) Line Of Credit

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

10) Operating Lease Commitment

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

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

11) Retirement Plans

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were \$634,842 for the year ended June 30, 2012. Substantially all full-time employees participate in this plan.

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

The Authority maintains a retirement plan in accordance with an “eligible deferred compensation plan” pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. This plan was not active in fiscal year 2012 thus no contributions were made.

12) Compensated Absences

The following changes occurred in the liability for compensated absences:

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

13) Agency Transactions

The Authority was authorized in 2003 to issue \$1.585 billion of bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.6 billion of such bonds are outstanding at June 30, 2012.

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

14) Contingencies

Litigation

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

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

Loan Prepayment and Bond Call Provisions

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

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

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

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

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

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

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

15) Related Party Transactions

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

16) Finance New Mexico LLC

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

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

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

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

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

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

Balance Sheet
June 30, 2012

Assets

Cash	\$ 1,333,408
Due from affiliates	401,937
Investment in limited liability companies	<u>9,545</u>
Total assets	<u>\$ 1,744,890</u>

Liabilities

Accounts payable	\$ 88,067
Due to affiliate	<u>1,224,422</u>
Total liabilities	<u>1,312,489</u>

Equity

Members equity	432,358
Noncontrolling interest	<u>43</u>
Total liabilities and equity	<u>\$ 1,744,890</u>

Operating Income

Interest income	\$ 586
Sponsor fee income	1,530,000
Management fee income	<u>250,429</u>
Total operating income	<u>1,781,015</u>

Operating Expense

Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	<u>514</u>
Total operating expenses	<u>1,666,966</u>
Net operating income	<u>114,049</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 113,616</u>

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

Statement of Operations
For the Year Ended June 30, 2012

Operating Income

Interest income	\$ 586
Sponsor fee income	1,530,000
Management fee income	<u>250,429</u>
Total operating income	<u>1,781,015</u>

Operating Expense

Sponsor fee expense	1,404,731
Management fee expense	85,854
Gross receipt tax	136,859
Bad debt expense	39,008
Administrative expense	<u>514</u>
Total operating expenses	<u>1,666,966</u>
Net operating income	<u>114,049</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	(422)
Net income	113,627
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 113,616</u>

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

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

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

17) Subsequent Events

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

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

Supplementary Schedules

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Assets
June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Assets - continued
June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Assets - continued
June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Assets - continued
For the Year Ended June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Assets - continued
For the Year Ended June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flow
For the Year Ended June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flow - continued
For the Year Ended June 30, 2012

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

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

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flow - continued
For the Year Ended June 30, 2012

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

NEW MEXICO FINANCE AUTHORITY

Agency Funds - Statement of Assets and Liabilities

For the Year Ended June 30, 2012

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

NEW MEXICO FINANCE AUTHORITY
Schedule of Pledged Collateral
For the Year Ended June 30, 2012

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

Pledges and Securities

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

Single Audit

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

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

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

1) General

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

Basis of Accounting

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

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

2) Subrecipients

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

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

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

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

We have audited the basic financial statements of the New Mexico Finance Authority (the “Authority”), as of and for the year ended June 30, 2012, and have issued our report thereon dated April 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2011-2 thru 2011-5 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

REDW LLC

Albuquerque, New Mexico
April 24, 2013

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

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

Compliance

We have audited New Mexico Finance Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2012. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies and material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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

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

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

REDW LLC

Albuquerque, New Mexico
April 24, 2013

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

Section I — Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- | | | | | |
|--|----------|-----|----------|---------------|
| • Material weakness(es) identified? | <u>X</u> | Yes | _____ | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u>X</u> | Yes | _____ | None reported |
| • Noncompliance material to financial statements noted? | _____ | Yes | <u>X</u> | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|--|----------|-----|-------|---------------|
| • Material weakness(es) identified? | <u>X</u> | Yes | _____ | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u>X</u> | Yes | _____ | None reported |

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

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

Identification of Major Programs

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

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

- | | | | | |
|--|-------|-----|----------|----|
| Auditee qualified as low-risk auditee? | _____ | Yes | <u>X</u> | No |
|--|-------|-----|----------|----|

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

Section II — Financial Statement Findings

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

The Authority eventually complied with the provisions of the Audit Rule for the fiscal year 2011 audit, when the audit was completed, an exit conference attended by the required participants was held, the report was approved for issuance the Office of the State Auditor and the final report was presented to the Authority's Board in a public meeting in February 2013.

- The Authority's bylaws do not require Board approval of the audited financial statements.

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

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

Management's Response:

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

Management's Response: — continued

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

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

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

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

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

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

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

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

Section II — Financial Statement Findings — continued

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

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

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

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

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

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

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

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

Section III — Federal Award Findings and Questioned Costs

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

Federal program information:

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

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

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

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

Questioned Costs: None

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

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

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

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

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

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

Section III — Federal Award Findings and Questioned Costs — continued

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

Federal program information:

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

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

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

Effect: Noncompliance with this reporting requirement.

Questioned Costs: None

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

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

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

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

Section IV — Other Findings and Questioned Costs

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

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

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

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

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

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

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

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

Section IV — Other Findings and Questioned Costs — continued

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

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

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

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

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

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

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

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

Section IV — Other Findings and Questioned Costs — continued

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

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

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

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

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

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

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

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

Section IV — Other Findings and Questioned Costs — continued

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

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

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

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

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

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

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

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

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

New Mexico Finance Authority
Corrective Action Plan
June 30, 2012

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

New Mexico Finance Authority

Exit Conference June 30, 2012

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

New Mexico Finance Authority

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

REDW_{LLC}

Bruce Bleakman	Principal
Javier Machuca	Sr. Manager

**NM DEPARTMENT OF TRANSPORTATION
Financial Statements
for the Year Ended
June 30, 2013
and Report of
Independent Auditors**

NEW MEXICO DEPARTMENT OF TRANSPORTATION
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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Official Roster

Year Ended June 30, 2013

Commission

Pete Rahn	Chairman	District 3
Ronald Schmeits	Vice-Chair	District 4
Dr. Kenneth White	Secretary	District 1
Robert Wallach	Commissioner	District 2
Butch Mathews	Commissioner	District 5
Jackson Gibson	Commissioner	District 6

Administrative Officers

Tom J. Church	Cabinet Secretary, Designate
Anthony Lujan	Deputy Secretary
Kathy Bender	Deputy Secretary

REPORT OF INDEPENDENT AUDITORS

Mr. Tom Church, Cabinet Secretary, Designate
State of New Mexico Department of Transportation
and
Mr. Hector H. Balderas, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the major funds of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Department's non-major governmental funds and the budgetary comparisons for the non-major funds presented as supplementary information as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Mr. Tom Church, Cabinet Secretary, Designate
State of New Mexico Department of Transportation
and
Mr. Hector H. Balderas, New Mexico State Auditor
Santa Fe, New Mexico

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each non-major fund of the Department as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2013, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mr. Tom Church, Cabinet Secretary, Designate
State of New Mexico Department of Transportation
and
Mr. Hector H. Balderas, New Mexico State Auditor
Santa Fe, New Mexico

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements, the non-major fund financial statements and non-major fund budgetary comparisons. The additional schedules listed as other supplementary information in the table of contents as required by the New Mexico State Audit Rule and the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of New Mexico Department of Transportation (Department), we offer the readers of the Department's financial statement this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in footnotes to the basic financial statements, which start on page 43 of this audit report.

1. Overview of the Financial Statements

Financial Highlights - 2013

The Department's net position decreased by \$226,658,397 and the net position of the Department's governmental activities decreased by \$226,724,922 (primarily due to depreciation of infrastructure assets exceeding additions and improvements during the current fiscal year and the reclassification of deferred charges for bond issuance costs to a prior period expense.)

Financial Highlights - 2012

The Department's net assets decreased by \$84,851,210, and the net assets of the Department's governmental activities decreased by \$84,919,852 primarily due to depreciation of infrastructure assets exceeding additions and improvements during the current fiscal year.

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) major governmental fund financial statements, and 3) notes to the financial statements. This report also contains other non-major combining and individual governmental fund statements and supplementary information, including the schedule of expenditures of Federal awards, in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private sector business.

The Statement of Net Position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the Department's net position changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Department's primary purpose is the construction and maintenance of the infrastructure of the State of New Mexico. Thus, in the government-wide financial statements, the primary function is public works.

The government-wide financial statements start on page 26 of this report.

1. Overview of the Financial Statements - continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are divided into two categories: governmental funds and proprietary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and use of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department has 51 governmental funds. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- 1) Ten percent criterion - An individual governmental fund reports as least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund expenditures.
- 2) Five percent criterion - An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The Department's major governmental funds are the following:

State Road Fund(s) (Funds #10040 and 20100). The State Road Fund(s) were created by Section 67-3-65, NMSA 1978. The State Road Fund(s) are the operating fund of the Department and is used to account for substantially all of the Department's financial activities.

2008B GRIP Bond Debt Service Fund (Fund #10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

1. Overview of the Financial Statements - continued

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the three major funds. Data from the other 49 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report. See pages 168 through 194.

Proprietary Funds

The Department has one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Department uses its enterprise fund to account for the State Infrastructure Bank, since its purpose is to make loans for road projects.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the State Infrastructure Bank since it is considered to be a major fund of the Department.

The basic proprietary fund financial statements can be found on pages 38 through 39 and the cash flows statement is on page 40 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 43.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Severance Tax Bonds, Schedule of Special Appropriations, Schedule of Petty Cash Deposit Accounts, Schedule of State Road Fund User and Fuel Taxes, Schedule of Debt Service and Coverage Ratios and the Schedule of Expenditures of Federal Awards.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. At June 30, 2013, the Department's assets exceeded liabilities by \$5,403,702,182.

The largest portion of the Department's net position reflect its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure) less any debt and unspent bond proceeds used to acquire those assets that are still outstanding. Although the Department's investment in its capital assets is reported net of related debt and unspent bond proceeds, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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1. Overview of the Financial Statements - continued

Net Position

As of June 30, 2013 and 2012, the Department has positive balances in two categories of net position, both for the government fund financial statement as a whole, as well as for its separate categories - governmental and business-type activities. Table A-1 summarizes the Department's net position for the fiscal years ended June 30, 2013 and 2012.

Table A-1 The Department's Net Position

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Assets:				
Current and other assets	\$ 498,230,423	\$ 617,291,608	\$ 20,939,797	\$ 20,723,225
Capital assets and other	6,623,581,695	6,986,486,203	-	-
Total Assets	\$ 7,121,812,118	\$ 7,603,777,811	\$ 20,939,797	\$ 20,723,225
Deferred Outflows:				
Deferred loss on refunding	\$ 85,651,424	\$ 76,507,362	\$ -	\$ -
Deferred outflow of resources	58,445,464	137,082,035	-	-
Total Deferred Outflows	\$ 144,096,888	\$ 213,589,397	\$ -	\$ -
Total Assets and Deferred Outflows	\$ 7,265,909,006	\$ 7,817,367,208	\$ 20,939,797	\$ 20,723,225
Liabilities:				
Current liabilities	\$ 284,794,101	\$ 76,507,362	\$ 212,264	\$ -
Long-term liabilities	1,598,140,256	137,082,035	-	-
Total Liabilities	\$ 1,882,934,357	\$ 213,589,397	\$ 212,264	\$ -
Net Position:				
Net Investment in Capital Assets	\$ 4,884,648,804	\$ 5,001,281,378	\$ -	\$ -
Restricted	498,325,845	608,418,193	20,727,533	20,661,008
Total Net Position	\$ 5,382,974,649	\$ 5,609,699,571	\$ 20,727,533	\$ 20,661,008

1. Overview of the Financial Statements - continued

Total	
2013	2012
<hr/>	
\$ 519,170,220	\$ 638,014,833
6,623,581,695	6,986,486,203
<hr/>	
\$ 7,142,751,915	\$ 7,624,501,036
\$ 85,651,424	\$ 76,507,362
58,445,464	137,082,035
<hr/>	
\$ 144,096,888	\$ 213,589,397
\$ 7,286,848,803	\$ 7,838,090,433
<hr/>	
\$ 285,006,365	\$ 76,507,362
1,598,140,256	137,082,035
<hr/>	
\$ 1,883,146,621	\$ 213,589,397
<hr/>	
\$ 4,884,648,804	\$ 5,001,281,378
519,053,378	629,079,201
<hr/>	
\$ 5,403,702,182	\$ 5,630,360,579
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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis
Year Ended June 30, 2013

1. Overview of the Financial Statements - continued

Changes in Net Assets

Table A-2 provides a summary of the Department's operations for the years ended June 30, 2013 and 2012. Governmental activities decreased the Department's net position by \$226,724,922 in 2013 and decreased the Department's net assets by \$84,919,852 in 2012. Business-type activities increased the Department's net assets by \$66,525 in 2013 and by \$68,642 in 2012, due to interest income earned during the year.

Table A-2 Changes in the Department's Net Assets

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Revenues:				
Program revenues:				
Charges for services	\$ 45,850,237	\$ 33,838,571	\$ -	\$ -
Operating grants	20,880,640	30,830,847	-	-
Capital grants	441,146,787	440,135,455	-	-
General revenues:				
User and fuel taxes	390,149,214	386,438,418	-	-
Interest income	3,804,981	3,895,557	66,525	68,642
Special revenues:				
Gain (loss) on disposal of assets	1,149,083	(71,697)	-	-
Total Revenues	902,980,942	895,067,151	66,525	68,642
Expenses:				
Programs and infrastructure	842,638,581	593,274,035	-	-
Transportation and highway operations	202,343,925	376,172,487	-	-
Program support	92,803,958	48,777,112	-	-
Total Expenses	1,137,786,464	1,018,223,634	-	-
Net Revenues Before Transfers and Reversions	(234,805,522)	(123,156,483)	66,525	68,642
Transfers and Reversions	8,080,600	38,236,631	-	-
(Decrease) Increase in Net Position	(226,724,922)	(84,919,852)	66,525	68,642
Net Position, Beginning of Fiscal Year	5,609,699,571	5,702,624,599	20,661,008	20,592,366
Restatement (See Note 25)	-	(8,005,176)	-	-
Net Position, Beginning of Fiscal Year, as restated	5,609,699,571	5,694,619,423	20,661,008	20,592,366
Net Position, End of Fiscal Year	\$ 5,382,974,649	\$ 5,609,699,571	\$ 20,727,533	\$ 20,661,008

1. Overview of the Financial Statements - continued

Total	
2013	2012
<hr/>	
\$ 45,850,237	\$ 33,838,571
20,880,640	30,830,847
441,146,787	440,135,455
390,149,214	386,438,418
3,871,506	3,964,199
1,149,083	(71,697)
903,047,467	895,135,793
<hr/>	
842,638,581	593,274,035
202,343,925	376,172,487
92,803,958	48,777,112
1,137,786,464	1,018,223,634
<hr/>	
(234,738,997)	(123,087,841)
8,080,600	38,236,631
<hr/>	
(226,658,397)	(84,851,210)
5,630,360,579	5,723,216,965
-	(8,005,176)
5,630,360,579	5,715,211,789
<hr/>	
5,403,702,182	5,630,360,579
<hr/>	

1. Overview of the Financial Statements - continued

Governmental Funds

The Department's governmental funds are designed to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2013 fiscal year, the Department's governmental funds reported combined ending fund balances of \$353,121,345 a decrease of \$117,907,354 from the prior year. Restricted fund balance indicates amounts available for expenditures in subsequent years for the purposes for which the initial revenues were intended. Non-spendable fund balance indicates amounts which have already been spent and now consist of inventories, long-term assets and prepaid items and other reserved items of \$46,745,709.

The changes in fund balance for the Department's major funds for 2013 are as follows:

State Road Fund(s) (Fund #10040 and 20100)	\$ (13,139,404)
2008B GRIP Bond Debt Service Fund (Fund #10420)	<u>(29,643)</u>
Major funds, net change in fund balances	<u><u>\$ (13,169,047)</u></u>

The net decrease in the State Road Fund(s) is due to an increase in expenditures for road maintenance and road construction.

The net decrease in the 2008B GRIP Bond Debt Service Fund is due to interest costs and SWAP collateral costs exceeding interest earnings.

1. Overview of the Financial Statements - continued

Budgetary Highlights

The Department operating budgets (excludes multi-year funds) are on a modified accrual basis and not all available funds are budgeted. The Department made revisions to the original approved budget by \$82,220,667. Overall, these changes were caused by the following significant budget adjustments:

Increase--State of Texas contribution for Park n Ride for El Paso to Las Cruces	\$ 323,200
Increase-Federal Transit Administration grant funds for advertising of transit services between El Paso and Las Cruces	112,374
Increase-Federal Transit Administration grant funds	1,456,029
Increase-Field supplies, contract maintenance and fuel purchases	20,000,000
Increase-Special Fund Balance Appropriation for road maintenance activities	35,000,000
Increase-Debt Service for 2004B GRIP Bonds	12,300,000
Increase--Mesa PDC warranty reimbursement work on U.S. 550	13,029,064
	\$ 82,220,667

The Department's original operating budget for fiscal year 2013 was \$835,501,000. The final budget for the fiscal year was \$1,302,753,851. The \$467,252,851 increase in budget was mainly due to budget adjustments discussed above and the Department's authorized practice of rolling forward into FY13 its remaining FY12 unexpended contracts and purchase orders. The appropriation budgetary period for those FY12 unexpended contracts and purchase orders lapses at the end of the FY12 fiscal year and the Department has to re-establish the budget in FY13 to fund the roll forward of its unexpended contracts and purchase orders. The Department funds the budget increase by utilizing the balance of the unused FY12 budget revenues that were originally budgeted for the unexpended contracts and purchase orders. The roll forward budget of \$385,032,184 is not included in the above schedule of budget adjustments.

Capital Assets Overview

The Department's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$6,603,455,731 (net of accumulated depreciation). This investment in capital assets includes land, right of way, buildings, equipment, improvement and the infrastructure. Business-type activities have no capital assets.

Major Infrastructure Projects

The Department develops plans to build a transportation system that will better serve the State of New Mexico. Advanced and innovative strategies include building roads using a corridor approach, where an entire route between communities is built. By designing and constructing entire corridors, the Department has been able to realize efficiencies to benefit the state. The Department also employs innovative project development techniques, warranty agreements and highly advanced financing techniques to accomplish the objectives of the Major Investment Program.

1. Overview of the Financial Statements - continued

Capital Assets Overview - continued

Fiscal Year 2012-2013 Active Projects with a contract amount of \$10 million or more:

I-10/NM 292 Interchange for 3.30 miles. - Doña Ana County
NM 136, MP 4.000 to MP 5.000 and - Doña Ana County
I-25, MP 220.500 to MP 222.860 for 2.358 miles - Bernalillo County
NM 26, MP 0.000 to MP 25.760 for 25.760 miles - Luna County
I-40, MP 14.692 to MP 21.267 for 6.575 miles - MC Kinnley County
US 84/285, MP 183.215 to MP 185.223 for 2.008 miles - Santa Fe County
I-40, MP 140.543 to MP 145.789 for 6.918 miles - Bernalillo County
US 54, MP 107.000 to MP 112.700 for 5.691 miles - Lincoln County
US 54, MP 112.700 to MP 119.000 for 6.345 miles - Lincoln County
US 62/180, MP 35.040 to MP 35.590 and US 285, MP 33.262 to - Eddy County
I-25, MP 239.686 to MP 242.208 for 2.522 miles - Sandoval County
US 64/87, MP 390.332 to MP 400.000 for 9.668 miles - Union County
US 64, MP 62.000 to 64.000 for 2.000 miles - San Juan County
US 64, MP 140.000 to MP 148.560 for 8.560 miles - Rio Arriba County
US 491, MP 67.700 to MP 77.000 for 9.300 miles - San Juan County
I-40, MP 150.042 to 152.334 for 2.292 miles - Bernalillo County
US 491, MP 77.000 to MP 85.200 for 8.220 miles - San Juan County
US 491, MP 59.05 to MP 67.74 for 8.69 miles - San Juan County
US 54, MP 163.230 to MP 175.098 for 11.866 miles - Lincoln County
US 491, MP 46.000 to MP 59.000 for 13.042 - San Juan County
I-25, MP 234.600 to MP 239.800 for 5.227 miles - Sandoval County
US64/87, MP 359.950 to MP 375.200 for 15.109 miles - Colfax County
I-10, Las Cruces to Texas State Line for 18.310 miles - Doña Ana County
I-10/I-25, Interchange for 2.255 miles. - Doña Ana County
I-40, MP 160.730 to MP 162.170 and I-40/San Mateo - Bernalillo County
US 84/285, Santa Fe Relief Route to Santa Fe Opera and - Santa Fe County

1. Overview of the Financial Statements - continued

Automotive and Major Road Fund Equipment

For fiscal year 2013, the Automotive and Major Road Fund Equipment modified accrual basis budget total was approximately \$10 million. Of this budget, approximately \$10.0 million was fully expended at June 30, 2013. Automotive and Major Road Fund Equipment purchased includes pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc. All items are approved during the legislative session prior to July of each fiscal year. The Department holds several sales and public auctions during the year to liquidate old and obsolete equipment to public and private entities.

Table A-3
Department's Capital Assets

	2013	2012
Land	\$ 5,177,044	\$ 5,177,044
Construction in Process	193,763,345	193,830,627
Right of Way	488,134,031	485,300,485
Infrastructure	14,978,703,392	15,071,694,230
Equipment and furniture	29,351,500	30,453,316
Library	102,613	102,614
Buildings	48,367,059	45,823,291
Automotive and Major Road Fund Equipment	202,599,261	205,816,651
Accumulated depreciation	(9,342,742,514)	(9,219,215,278)
Total	\$ 6,603,455,731	\$ 6,818,982,980

Additional information on the Department's capital assets can be found in Note 10 of this report.

1. Overview of the Financial Statements - continued

Debt Administration

The Department is authorized to issue bonds by authority of Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA)(1978), as amended. The focus of the Department's bond program is to accelerate transportation construction projects while maintaining strong debt service coverage ratios and minimizing the costs of borrowing.

At June 30, 2013, the Department had a total outstanding debt (bonds) of \$1,479,790,000. Outstanding bond debt is backed by the Department's anticipated state tax revenues and FHWA revenues.

Table A-4
Department's Outstanding Debt

	2013	2012
Bonds (excludes deferred amounts on refunding)	<u>\$ 1,479,790,000</u>	<u>\$ 1,635,870,000</u>

The Department's total bond debt decreased by 9.5% or (\$156,080,000). Total outstanding bond debt at the end of the 2013 fiscal year was \$1,479,790,000 compared to \$1,635,870,000 at the end of the 2012 fiscal year. The net decrease in debt resulted from \$88,448,182 in principal repayments, \$17,231,818 in net bond refunding's and \$50,400,000 in bonds defeased. See Note 13 for a detail of all outstanding bonds.

The Department did not pay any arbitrage to the Internal Revenue Service for any excess interest earned on bond proceeds during the fiscal year and did not have any arbitrage liability at the end of the fiscal year.

2. Economic Factors and Revenue Forecasts

Economic and Demographic Characteristics

New Mexico is the 36th largest state by population and the fifth largest in land area. According to the decennial census the State's population as of April 1, 2010 was 2,059,179. Between 2000 and 2010, the State was the fifteenth fastest growing state, as the population increased 13.2 percent from the 2000 population of 1,819,046. Over the same period of time, the national population grew 9.7 percent. Most of this population growth is occurring in or near the larger cities. There are four Metropolitan Statistical Areas (MSAs) in the state. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is Dona Ana County; the Santa Fe MSA is Santa Fe County, and the Farmington MSA is San Juan County. The fastest growing counties in the state are Sandoval, Dona Ana, Bernalillo, Valencia and Lea.

Major industries in the State are energy resources, semi-conductor manufacturing, tourism, services, agriculture-agribusiness, government, and mining. In 2011, New Mexico was the 6th largest producing state of natural gas and the 6th largest producing state of onshore crude oil. In 2011 coal, copper and potash production value exceeded \$2 billion and the state ranked 13th, 3th and 1st respectively in the US. The mining and logging industry employed more than 24,000 New Mexicans in 2013. Major federally funded scientific research facilities at Los Alamos, Albuquerque and White Sands are also a notable part of the State's economy. The state's major transportation routes include Interstate-25, running north-south from El Paso, Texas through Las Cruces, Albuquerque, Santa Fe, Las Vegas and Raton, New Mexico toward Pueblo and Denver, Colorado. Major east-west routes, especially important to interstate commercial carrier traffic, include Interstate-10 from El Paso, Texas to Tucson and Phoenix, Arizona, and Interstate-40 from Amarillo, Texas through Tucumcari, Albuquerque and Gallup, New Mexico to Flagstaff, Arizona.

Revenue Forecasts and Budgets

Federal Revenue:

FHWA Revenue - Federal Revenue – The amount of FHWA revenue (obligation authority) available to all states has slightly increased as a result of the passage of the 5 year transportation reauthorization bill entitled "Safe, Accountable, Flexible, and Efficient Transportation Equity Act for the 21st Century – A Legacy for Users" "SAFETEA-LU" in 2005. The amounts of "obligation limitation" available to New Mexico are \$287.5 million in FY2005, \$292.8 million in FY2006, \$271.1 million in FY2007, \$253.5 million in FY2008, \$372.5 million in FY2009, \$314.8 million in FY2010, \$321.8 million in FY2011, \$322.1 million in FY12. MAP-21 was signed and is in effect for FY13 and FY14, FY13's obligation authority was \$318.3 million.

2. Economic Factors and Revenue Forecasts - continued

Federal Transit Administration Funds - NMDOT reported revenue of \$13,182,849 in FY 2013 Federal Transit Administration grant funds.

National Highway Traffic Safety Administration Funds - NMDOT reported revenue of \$7,697,791 in FY 2013 of National Highway Traffic Safety Administration grant funds.

ARRA Revenue - \$10,230,658 revenue of FY 2013 ARRA funds from FHWA.

State Revenue:

Revenues for the New Mexico Department of Transportation over the long-term (20 years) are characterized as being steady and growing at rates associated with the Consumer Price Index (CPI). There have been periods of stronger and slower, even declining, rates of growth. From fiscal years 1988 to 2000, the average annual compound growth rate was 2.7% and from 2003 to 2007 it was 7.5%. In fiscal year 2001, there was a contraction and then a slowdown due to economic recession that lasted three years.

Department of Transportation revenues was not immune from the latest recession. However, diversity of revenue sources helped to moderate the impact. State Road Fund revenues are split roughly half and half between passenger car based and interstate trucking sourced. Those revenues associated with trucking (special fuel and weight/distance) were negatively influenced by the US economic recession during FY2008 through FY2010 and fell about 15% while passenger cars based revenues (gasoline and vehicle registrations) have been comparatively more stable. With recent current improvements in the US economy, trucking activity has begun to improve and concurrently there has been an increase in the trucking related revenues. FY 2007 was the peak year for Road Fund revenues before the recession; FY 2010 was the low point with revenues falling by over \$35 million or 9%. FY 2018 is forecast to be the year that revenues finally surpass the FY 2007 level, with the peak-to-return cycle lasting 11 years: falling for 3 years by 10% and slowly climbing for 8 years to fully recover.

The latest (July 2013) revenue forecast for the State Road Fund expects a revenue decline of 1.6% in FY2014, followed by growth in the 0.5% to 1.7% range during the subsequent four fiscal years. The revenue decline forecast for the Department as a whole is somewhat less at 1.2% for FY2014, followed by growth in the 0.5% to 1.8% range during the subsequent four fiscal years.

2. Economic Factors and Revenue Forecasts - continued

State Revenue Forecasts - Major Revenue Sources

In the fall of 2003, a special session of the New Mexico Legislature was held and transportation rates and fees were raised on special fuels (primarily diesel), weight/distance trucking rates and motor vehicle registration fees. The basis of these increases was to provide \$40 million annually for the debt service on GRIP, a large, multi-year road construction program. The increases were designed also to add \$20 million for road maintenance. These rate/fee increases, along with the strong economy, added almost \$100 million (36%) from FY 2003 to FY 2007 to the annual State Road Fund revenue levels.

The budget estimate for state tax and fee revenue is prepared in July/August and December/January for each year for the budget year ending 24 months (or 18 months) later. Each fiscal year's revenue estimate is formally assessed six times: twice before the year begins, twice during the fiscal year and twice after the end, with the final numbers being the actual audit.

In fiscal years 2005 through 2007, state revenues from gasoline, special fuels, weight/distance and vehicle registrations grew by \$47.7, \$15.9, \$18.7, million each year, respectively. In fiscal years 2008 through 2010, these same revenues declined \$13.2, \$19.0 and \$5.6 million each year. These four revenue sources constitute 93% of the state road fund. These revenues were consistent with the forecasts for the periods and did add the expected \$60 million for GRIP debt service and highway maintenance expenditures. Strong economic trends, particularly in the trucking industry, also helped to provide for strength in revenue growth in FY 2005 through FY 2007 and have led the decline in FY 2008 through FY 2010, and are now the primary contributors to the return to historic levels. On the other hand, gasoline revenue is expected plateau and decline in FY2017.

Due to the size and importance of each of these four sources, a look at each individually helps to provide a more complete picture of the Department's revenues.

Gasoline tax is the largest of State's revenue sources, providing about \$112 million in revenue in FY 2013. This tax is 17 cents per gallon of gasoline sold, with about three-fourths going to the state road fund and the remainder going primarily to municipalities and counties. It is the one major tax that was not increased during the special session of 2003. Historically, gasoline gallons sold increased until 1995, remained relatively stable from 1995 to 1999, and decreased in 2001, when they again stabilized. The peak years were 1995 to 1999, with 1998 providing \$117.9 million. When increases, slowing and plateaus are discussed in conjunction with gasoline revenues, it should be noted that they are very moderate changes.

Of much interest and frequent query, is how the gasoline usage (gallons) has fared during the dramatic price increase between 2004 and 2008 and in light of the economic slowdown. Somewhat surprisingly, for New Mexico, there was surprisingly little change in gasoline usage.

2. Economic Factors and Revenue Forecasts - continued

Special fuel tax (primarily diesel) is the second largest of the state's revenue sources, providing about \$92.5 million in FY 2013, down from the peak of \$101.5 in FY 2008. The tax per gallon was raised from 18 to 21 cents per gallon effective in FY 2005. Of the 21 cents, the State Road Fund receives 19 cents, with the remainder going to the Local Governments Road Fund. Including the 2003 special legislative session rate increase, special fuels grew by \$27.0 million, or 36%, from FY 2004 to FY 2008. Historically, special fuel revenue has grown robustly with an average annual compound growth rate of 5.2% from 1988 to 2008. After the collapse of the national housing bubble, special fuel revenue fell to a low \$85.6 million in FY 2009 and has since climbed slowly to \$92.5 million in FY 2013.

Weight/Distance tax is charged on trucks over 26,000 pounds and varies by weight and distance traveled in New Mexico. It ranges from a rate of around one cent per mile for vehicles weighing 26,001 to 28,000 pounds to slightly over 4 cents per mile for vehicles weighing over 78,000 pounds. It is historically the third largest revenue producer, with about \$73.5 million in revenue in FY 2013, down from the peak of \$77.4 million in FY 2008. Its rates, too, were raised in the fall 2003 special session. Prior to the tax rate increase, revenues averaged \$50+ million. After FY 2004, revenue increased from 43% to 50%, primarily due to the 38% tax rate increase. (It should be noted that an additional "bump" increase occurred in 2007 because of revenue accrual accounting changes.)

During the latest economic recession, declining consumer durable goods expenditures led to a fairly steep and sudden reduction in freight of all types including air, ship, rail and truck. That decline was in the range of 20% and began in December, 2008. Corresponding reductions in State Road Fund trucking related revenues began in March 2009 and, in only four months, dropped the annual revenue by \$2 million in FY2009. The full year impact in FY2010 of this Weight/Distance tax revenue decline was a \$7.8 million decrease relative to FY2008.

Motor vehicle registration fees are now the third largest revenue source at about \$74.1 million in FY 2013. These fees were raised in the 2003 Special Legislative session by about 33%, and revenue increased by about \$20.7 million or 39%, from FY 2004 to FY 2008. The fees are based on three weight classes for passenger vehicles and 14 weight classes for trucks and commercial carriers. The annual registration fees for trucks over 26,000 pounds are low because those vehicles are subject to the weight/distance taxes, discussed above. This revenue, like gasoline, has remained stable during both the economic expansions and recessionary periods.

Two revenue sources have been impacted negatively by recent federal procedure rulings and legislation. One is the Trip Tax and the other is New Mexico Public Regulation Commission common carrier registration fees. Trip Tax is charged on trucks in lieu of the weight/distance tax and vehicle registration fees for those trucks/companies not registered for weight/distance. What was called a cab card and carried in each truck was used for weight/distance registration identification. Federal regulations now prevent states from requiring the showing of state-specific taxpayer documentation cards. Trip tax rose to a peak of \$8.6 million in FY 2006 and provided revenues of about \$5.0 million in FY 2013. New Mexico is one of four states that impose a weight/distance tax and its associated trip tax. There have been strong investments recently in reporting enforcement and an optical scanning computer truck identification interface with the weight/distance tax data base. These have been accompanied by penalty increases for improper weight/distance tax filing, capital improvements at ports of entry and statewide enhanced documentation checks.

2. Economic Factors and Revenue Forecasts - continued

The New Mexico Public Regulation Commission previously collected common carrier registration fees. Because of efforts by the trucking industry to centralize registrations (because so many trucks are on the road and prorating registrations in so many states), a new common system and procedures were passed into law in the fall of 2006. In FY 2006, the Department received \$3.7 million in revenue. Under the new national system, the total fees across the country were capped at \$100 million and then apportioned such that the maximum New Mexico can now receive is \$3.2 million. Because of delays in getting the system up and running, revenue for FY 2007 came in at \$377,000, \$866,000 for FY 2008, \$2.3 million in FY 2009, and \$1.4 million in FY 2010. With improvements to this situation, FY2011 revenue came in at about \$2.7 million. Late payments from the national depository in FY 2012 led to revenue of only \$881 thousand in FY 2012 and increased revenue in FY 2013 of \$3.2 million. Future years are expected slightly under \$3 million per year.

Background - Gasoline Tax and Tribal Tax Sharing Agreements

The state permits gasoline to be sold at retail by registered Indian tribal distributors on Indian land free of State gasoline tax if the applicable Indian government imposes an equivalent or higher tax (for its own benefit) on retail gasoline sales. The growth in tribal market share initially out-paced the overall growth rate of gasoline sales as a result of competitive pricing, casino traffic, and new tribal travel centers. Over the past few years tribal sales had been declining from around 62 million to 56 million gallons per year, but grew to 68.9 million gallons in FY 2013.

In 2003 and 2004, legislation allowed the state to enter into "tax sharing agreements" with the two Native American Pueblos that were previously entitled to market a limited amount of state-tax-free gasoline outside reservation boundaries. Under the agreements, 40% of the tax collected on 30 million gallons of gasoline per year will be shared with each of the two Pueblos, in exchange for the Pueblos ceasing their wholesale sales activities outside reservation boundaries. The result of these agreements (entered into on January 1, 2004 and July 1, 2004) was significantly more predictable gasoline revenues. These agreements also resulted in a net revenue gain for the State while the gasoline excise tax was higher than the average gross receipts tax otherwise imposed. The term of the two agreements was for a period of 10 years. Chapter 15, Laws 2010 (Senate Bill 59 from the 2010 regular legislative session) allows these agreements to be extended under the same terms for an additional 10 years.

3. Contacting the Department's Financial Management

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

Attn: Accounting Services Director
New Mexico Department of Transportation
1120 Cerrillos Road
P.O. Box 1149
Santa Fe, New Mexico 87504-1149
(505) 827-5108

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FINANCIAL STATEMENTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Assets:			
Cash (Note 2):			
Unrestricted	\$ 2,100	\$ -	\$ 2,100
Cash equivalents (Note 2):			
(Investment in state general fund investment pool)			
Restricted	231,156,834	20,937,669	252,094,503
Managed by NMFA	121,162,072	-	121,162,072
Receivables:			
Taxes receivable, net	62,720,003	-	62,720,003
Accounts receivable, net (Note 3)	702,454	-	702,454
Interest receivable	2,969	-	2,969
Notes and loans receivable (Note 5)	2,649	-	2,649
Other receivables	20,106	-	20,106
U.S. Department of Transportation (Note 6)	53,678,130	-	53,678,130
Due from other funds (Note 7)	212,264	-	212,264
Due from other state agencies (Note 8)	1,951,080	2,128	1,953,208
Inventories (Note 9)	14,420,684	-	14,420,684
Prepaid expense - other	2,753	-	2,753
Prepaid expense - NM44 warranty	3,189,111	-	3,189,111
Property held for resale, net	9,007,214	-	9,007,214
Total Current Assets	498,230,423	20,939,797	519,170,220
Non-Current Assets:			
Prepaid expense - NM44 warranty, net	20,125,964	-	20,125,964
Capital assets, net (Note 10)	6,603,455,731	-	6,603,455,731
Total Non-Current Assets	6,623,581,695	-	6,623,581,695
Total Assets	\$ 7,121,812,118	\$ 20,939,797	\$ 7,142,751,915
Deferred Outflows of Resources:			
Deferred loss on refunding (Note 13)	85,651,424	-	85,651,424
Deferred outflow of resources (Note 13)	58,445,464	-	58,445,464
Total Deferred Outflows of Resources	\$ 144,096,888	\$ -	\$ 144,096,888
Total Assets and Deferred Outflows of Resources	\$ 7,265,909,006	\$ 20,939,797	\$ 7,286,848,803

See Report of Independent Auditors and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Current Liabilities:			
Accounts payable and contracts payable, including retainage of \$8,380,052	\$ 92,092,148	\$ -	\$ 92,092,148
Due to other agencies (Note 12)	35,816,037	-	35,816,037
Due to other funds (Note 7)	-	212,264	212,264
Due to state general fund	102,619	-	102,619
Payable to other governments	108	-	108
Unearned revenue	4,555,427	-	4,555,427
Other accrued expenses	2,399,177	-	2,399,177
Other liabilities	326,503	-	326,503
Short-term note payable (taxable line of credit) (Note 13)	23,000,000	-	23,000,000
Current portion of long-term obligations (Note 13):			
Compensated absences	5,884,241	-	5,884,241
Debentures payable	106,610,000	-	106,610,000
Capitalized bond premium	14,007,841	-	14,007,841
Total Current Liabilities	284,794,101	212,264	285,006,365
Long-Term Liabilities:			
Long-term obligations (Note 13):			
Derivative instruments interest rate swap	98,376,625	-	98,376,625
Debentures payable	1,373,180,000	-	1,373,180,000
Capitalized bond premium, net	126,583,631	-	126,583,631
Total Long-Term Liabilities	1,598,140,256	-	1,598,140,256
Total Liabilities	1,882,934,357	212,264	1,883,146,621
Net Position:			
Net investment in capital assets	4,884,648,804	-	4,884,648,804
Restricted for:			
Unspent bond proceeds	45,813,247	-	45,813,247
Loans	-	20,727,533	20,727,533
Specific purposes	452,512,598	-	452,512,598
Total Net Position	5,382,974,649	20,727,533	5,403,702,182
Total Liabilities and Net Position	\$ 7,265,909,006	\$ 20,939,797	\$ 7,286,848,803

See Report of Independent Auditors and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Activities

For the Year Ended June 30, 2013

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	\$ 842,638,581	\$ -	\$ 842,638,581
Transportation and highway operations	202,343,925	-	202,343,925
Program support	92,803,958	-	92,803,958
Total Program Expenses	1,137,786,464	-	1,137,786,464
Program Revenues:			
Charges for services	45,850,237	-	45,850,237
Operating grants	20,880,640	-	20,880,640
Capital grants	441,146,787	-	441,146,787
Total Program Revenues	507,877,664	-	507,877,664
Net Program Revenue (Expense)	(629,908,800)	-	(629,908,800)
General Revenues (Losses):			
User and fuel taxes	390,149,214	-	390,149,214
Interest income	3,804,981	66,525	3,871,506
Gain (loss) on disposal of assets and adjustments	1,149,083	-	1,149,083
Total General Revenues (Losses)	395,103,278	66,525	395,169,803
Transfers:			
Reversions to state general fund (Note 15)	(209,930)	-	(209,930)
Transfers from: severance tax bond appropriation (Note 4)	13,040,000	-	13,040,000
Transfers from (to) other state agencies and local governments, net (Note 11)	(4,749,470)	-	(4,749,470)
Total Transfers	8,080,600	-	8,080,600
Net General Revenues and Transfers	403,183,878	66,525	403,250,403
Change in Net Position/Operating Income	(226,724,922)	66,525	(226,658,397)
Net Position, Beginning of Fiscal Year, as restated (see Note 25)	5,609,699,571	20,661,008	5,630,360,579
Net Position, End of Fiscal Year	\$ 5,382,974,649	\$ 20,727,533	\$ 5,403,702,182

See Report of Independent Auditors and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Activities

For the Year Ended June 30, 2013

	Governmental Activities	Business-type Activities (State Infrastructure Bank)	Total
Program Expenses:			
Programs and infrastructure	\$ 842,638,581	\$ -	\$ 842,638,581
Transportation and highway operations	202,343,925	-	202,343,925
Program support	92,803,958	-	92,803,958
Total Program Expenses	1,137,786,464	-	1,137,786,464
Program Revenues:			
Charges for services	45,850,237	-	45,850,237
Operating grants	20,880,640	-	20,880,640
Capital grants	441,146,787	-	441,146,787
Total Program Revenues	507,877,664	-	507,877,664
Net Program Revenue (Expense)	(629,908,800)	-	(629,908,800)
General Revenues (Losses):			
User and fuel taxes	390,149,214	-	390,149,214
Interest income	3,804,981	66,525	3,871,506
Gain (loss) on disposal of assets and adjustments	1,149,083	-	1,149,083
Total General Revenues (Losses)	395,103,278	66,525	395,169,803
Transfers:			
Reversions to state general fund (Note 15)	(209,930)	-	(209,930)
Transfers from: severance tax bond appropriation (Note 4)	13,040,000	-	13,040,000
Transfers from (to) other state agencies and local governments, net (Note 11)	(4,749,470)	-	(4,749,470)
Total Transfers	8,080,600	-	8,080,600
Net General Revenues and Transfers	403,183,878	66,525	403,250,403
Change in Net Position/Operating Income	(226,724,922)	66,525	(226,658,397)
Net Position, Beginning of Fiscal Year, as restated (see Note 25)	5,609,699,571	20,661,008	5,630,360,579
Net Position, End of Fiscal Year	\$ 5,382,974,649	\$ 20,727,533	\$ 5,403,702,182

See Report of Independent Auditors and Notes to Financial Statements

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Balance Sheet - Governmental Funds

As of June 30, 2013

	Major Funds			
	State Road Fund(s) (SHARE 10040 and 20100)	2008B GRIP Bond Debt Service Fund (SHARE 10420)	Other Governmental	Total Governmental
Assets:				
Cash: (Note 2)				
Unrestricted	\$ 2,100	\$ -	\$ -	\$ 2,100
Restricted	-	-	-	-
Cash Equivalents: investment in state general fund investment pool) (Note 2)				
Unrestricted	159,172,462	-	71,984,372	231,156,834
Restricted	-	-	-	-
Managed by NMFA	65,032	23,730,932	97,366,107	121,162,071
Receivables:				
Taxes receivable, net	57,376,319	-	5,343,684	62,720,003
Accounts receivable, net (Note 3)	702,104	-	350	702,454
Interest receivable	-	1,021	1,947	2,968
Notes and loans receivable (Note 5)	2,649	-	-	2,649
Other receivables	20,106	-	-	20,106
Due from:				
U.S. Department of Transportation (Note 6)	43,123,426	-	10,554,705	53,678,131
Other funds (Note 7)	18,823,201	-	5,756,495	24,579,696
Other state agencies (Note 8)	35,970	-	1,915,107	1,951,077
Inventories (Note 9)	14,420,684	-	-	14,420,684
Prepaid expenses - other	2,753	-	-	2,753
Prepaid expenses - risk management	-	-	-	-
Prepaid expense - NM44 warranty	23,315,075	-	-	23,315,075
Property held for resale	9,007,214	-	-	9,007,214
Total Assets	\$ 326,069,095	\$ 23,731,953	\$ 192,922,767	\$ 542,723,815
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 74,524,669	\$ 176,957	\$ 17,390,628	\$ 92,092,254
Due to other funds	10,688,049	6,409,295	7,270,088	24,367,432
Due to other agencies (Note 12)	20,202,822	-	15,613,215	35,816,037
Due to state general fund	-	-	102,619	102,619
Unearned revenue	2,059,567	-	9,438,883	11,498,450
Other accrued expenses	2,371,242	-	27,931	2,399,173
Other liabilities	326,505	-	-	326,505
Short-term notes payable (taxable line of credit)	-	16,771,760	6,228,240	23,000,000
Total Liabilities	110,172,854	23,358,012	56,071,604	189,602,470
Fund Balances:				
Non-spendable	46,745,709	-	-	46,745,709
Restricted	-	373,941	104,871,524	105,245,465
Committed	180,505,527	-	39,045,257	219,550,784
Assigned	-	-	-	-
Unassigned	(11,354,995)	-	(7,065,618)	(18,420,613)
Total Fund Balances	215,896,241	373,941	136,851,163	353,121,345
Total Liabilities and Fund Balances	\$ 326,069,095	\$ 23,731,953	\$ 192,922,767	\$ 542,723,815

See Report of Independent Auditors' and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position

As of June 30, 2013

Total Net Position - Governmental Funds
(Governmental Fund Balance Sheet)

\$ 353,121,345

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Amounts recorded as deferred revenue in the governmental funds
that were not received within the period of availability - 60 days
after year end; recorded as revenue in the Statement of Activities:

Balance Sheet - Governmental Funds

11,498,450

Statement of Net Position

(4,555,427)

Change in deferred revenue

6,943,023

Capital assets used in governmental activities are not financial
resources and, therefore, not reported in the funds:

The cost of capital assets is

15,946,198,245

Accumulated depreciation is

(9,342,742,514)

Total capital assets

6,603,455,731

Long-term debt not recorded as liabilities in the governmental
funds, but recorded as long-term liabilities in the Statement of
Net Position:

Debentures payable (bonds only)

(1,479,790,000)

Deferred loss on refunding (net of current period amortization)

85,651,424

Compensated absences

(5,884,241)

Ineffective swaps

(39,931,161)

Capitalized bond premiums not recorded in the governmental
funds as a liability, net of amortization:

(140,591,472)

Net Position of Governmental Activities (Statement of Net Position)

\$ 5,382,974,649

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2013

	Major Funds			
	State Road Fund(s) (SHARE 10040 and 20100)	2008B GRIP Bond Debt Service Fund (SHARE 10420)	Other Governmental	Total Governmental
Revenues:				
User and fuel taxes	\$ 365,446,818	\$ -	\$ 24,702,394	\$ 390,149,212
U.S. Department of Transportation	412,775,461	-	42,308,942	455,084,403
U.S. Department of Energy	-	-	-	-
Fees and fines	-	-	59,416	59,416
Licenses and permits	8,077,279	-	12,717,781	20,795,060
Charges for services	3,290,000	-	660	3,290,660
DWI interlock device	-	-	-	-
Other revenue	20,750,227	-	1,780,140	22,530,367
Interest earnings	241,171	1,111,427	2,452,385	3,804,983
Total Revenues	810,580,956	1,111,427	84,021,718	895,714,101
Expenditures:				
Current:				
Operating costs	12,158,344	-	36,253	12,194,597
Personal services	88,948,727	-	1,025,179	89,973,906
Out-of-state travel	62,527	-	11,614	74,141
Grants and services	1,907,233	-	52,799,049	54,706,282
Travel	19,788,122	-	2,366	19,790,488
Maintenance and repairs	9,220,011	-	88,238	9,308,249
Supplies	40,077,795	-	20,005	40,097,800
Contractual services	120,098,503	-	1,419,758	121,518,261
Other costs	6,769,036	743,134	322,512	7,834,682
Employee benefits	40,960,229	-	357,319	41,317,548
Capital outlay	340,357,194	-	68,513,490	408,870,684
Debt service:				
Principal	70,608,884	-	68,239,298	138,848,182
Interest	72,918,244	397,936	3,245,208	76,561,388
Trustee and broker fees	-	-	-	-
Debt issuance costs	-	-	605,845	605,845
Total Expenditures	823,874,849	1,141,070	196,686,134	1,021,702,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,293,893)	(29,643)	(112,664,416)	(125,987,952)
Other Financing Sources (Uses):				
Appropriations, net of reversions (Note 15)	-	-	(209,930)	(209,930)
Transfers: severance				
tax bond appropriation	-	-	13,039,998	13,039,998
Transfers from (to) other agencies (Note 11)	(5,710,524)	-	961,054	(4,749,470)
Transfers from (to) escrow agent (Note 11)	-	-	-	-
Transfers: intra-agency (Note 11)	5,865,013	-	(5,865,013)	-
Proceeds from LT notes payable (Note 11)	-	-	-	-
Face value of debentures payable (Note 11)	-	-	-	-
Premiums of debentures payable (Note 11)	-	-	-	-
Total Other Financing Sources (Uses)	154,489	-	7,926,109	8,080,598
Net Changes in Fund Balances	(13,139,404)	(29,643)	(104,738,307)	(117,907,354)
Fund Balance, June 30, 2012	229,035,645	403,584	241,589,470	471,028,699
Fund Balance, June 30, 2013	\$ 215,896,241	\$ 373,941	\$ 136,851,163	\$ 353,121,345

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental
Funds to the Statement of Activities

For the Year Ended June 30, 2013

Net Changes in Fund Balances - Total Governmental Funds

(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (117,907,354)

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in unearned revenue adjustments from prior to current year (reported as a liability in the Balance Sheet-Governmental Funds and reported as revenue in the Statement of Activities.) 673,575

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year to the Governmental Funds, however, expenditure for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The increase (decrease) in the compensated absences liabilities for the fiscal year was: 77,861

The Statement of Revenues, Expenditures and Changes in Fund Balances report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts were:

Capital outlay	408,870,684	
Depreciation expense	(628,024,254)	
Disposal of capital asset and adjustments, net book value	1,149,083	
Excess of depreciation expense over capital outlay		(218,004,487)

(Issuance) repayment of debentures recorded as a (source of revenue) principal expenditure in the Statement of Revenues, Expenditures and Changes in Fund Balances recorded as an (increase) reduction in long-term debentures payable in the Statement of Net Position:

Bond proceeds	(221,531,058)	
Transfer for trustee for refunding	241,240,000	
Principal payments	138,848,182	
		158,557,124

Ineffective swaps recorded as a reduction of assets in the Statement of Net Position (39,931,161)

Net change in deferred loss on refunding (including write off of unamortized balance of premiums associated with the refunded bonds), which is recorded as a reduction of long-term liabilities in the Statement of Net Position: 9,144,062

NEW MEXICO DEPARTMENT OF TRANSPORTATION

**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental
Funds to the Statement of Activities**

Additional bond premiums recorded as an other financing source in the Statement of Revenues, Expenditures and Changes in Fund Balance, recorded as a liability of \$14,007,841 in the Statement of Net Position, net of \$23,358,563 of amortization, recorded as a decrease to interest expense in the Statement of Net Position:

Amortization of bond premium	14,144,068	
Premiums refunded	9,214,495	
Premium of new bonds issued	(42,693,105)	
		<u>(19,334,542)</u>

Change in Net Position of Governmental Activities (Statement of Activities)

\$ (226,724,922)

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Net Position-Proprietary Fund

As of June 30, 2013

	<u>State Infrastructure Bank</u>
Assets:	
Current Assets:	
Cash equivalents (Note 2):	
Unrestricted	\$ -
Restricted	-
Cash equivalents (Note 2):	
(Investment in state general fund investment pool)	
Unrestricted	\$ 20,937,669
Restricted	-
Receivables:	
Due from other funds	-
Due from other state agencies	2,128
Interest receivable	-
Notes and loans receivable (Note 5)	-
Total Current Assets	<u>20,939,797</u>
Total Assets	<u><u>\$ 20,939,797</u></u>
Liabilities:	
Current Liabilities:	
Accounts payable and contracts payable	\$ -
Due to other funds	212,264
Due to other state agencies	-
Due to other governments	\$ -
Total Current Liabilities	<u>212,264</u>
Total Liabilities	<u>212,264</u>
Net Position:	
Restricted for:	
Loans	<u>20,727,533</u>
Total Net Position	<u>20,727,533</u>
Total Liabilities and Net Position	<u><u>\$ 20,939,797</u></u>

See Report of Independent Auditors' and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Activities-Proprietary Fund

For the Year Ended June 30, 2013

	<u>State Infrastructure Bank</u>
Operating Revenues (Expenses):	
Interest income	\$ -
Total Operating Revenues (Expenses)	<u>-</u>
Non-Operating Revenues (Expenses):	
Interest income	66,525
Expense	-
Total Non-Operating Revenues (Expenses)	<u>66,525</u>
Change in Net Position/Operating Income	66,525
Net Position Beginning of Fiscal Year	<u>20,661,008</u>
Net Position, End of Fiscal Year	<u><u>\$ 20,727,533</u></u>

See Report of Independent Auditors' and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Cash Flows-Proprietary Fund

For the Year Ended June 30, 2013

	<u>State Infrastructure Bank</u>
Cash flows provided from operating activities:	\$ 68,543
Cash flows from financing activities:	
Loans issued	669,814
Loans repaid	-
Net increase in cash and cash equivalents	<u>738,357</u>
Cash and cash equivalents at June 30, 2012	<u>20,199,312</u>
Cash and cash equivalents at June 30, 2013	<u><u>\$ 20,937,669</u></u>
Reconciliation of operating income to net cash provided from operating activities:	
Operating income	\$ 66,525
Adjustment to reconcile operating income to net cash by operating activities:	
Decrease in due from Other Agency	2,018
Decrease in due to other funds	212,264
Decrease in due to local governments	<u>(212,264)</u>
Cash flows provided by operating activities:	<u><u>\$ 68,543</u></u>

See Report of Independent Auditors' and Notes to Financial Statements

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis) - General and Major Special Revenue Funds

For the Year Ended June 30, 2013

STATE ROAD FUND(S) (SHARE 10040 and 20100)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
Revenues:					
Federal funds	\$ 372,571,700	\$ 375,571,700	\$ 412,775,461	\$ 37,203,761	
Other state funds	125,411,000	385,170,000	397,564,324	12,394,324	
Interest revenue	-	-	241,171	241,171	
Total Revenues:	<u>497,982,700</u>	<u>760,741,700</u>	<u>810,580,956</u>	<u>\$ 49,839,256</u>	
Prior Year Funds Rebudgeted	<u>335,333,028</u>	<u>335,333,028</u>			
	<u>\$ 833,315,728</u>	<u>\$ 1,096,074,728</u>			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			<u>\$ 810,580,956</u>		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ 23,894,300	\$ 23,894,300	\$ 20,990,546	\$ 2,903,754	
Contractual services	672,811,351	673,246,925	442,568,965	230,677,960	
Other	162,024,932	162,024,932	148,713,633	13,311,299	
Intra-agency transfers (in) out	-	-	(6,824,785)	6,824,785	
Reversions	-	-	-	-	
	<u>858,730,583</u>	<u>859,166,157</u>	<u>605,448,359</u>	<u>253,717,798</u>	
Transportation and Highway Ops:					
Personal services/employee benefits	96,531,600	96,531,600	88,641,961	7,889,639	
Contractual services	51,392,462	83,008,190	2,322,652	80,685,538	
Other	77,965,890	79,379,226	82,841,410	(3,462,184)	
	<u>225,889,952</u>	<u>258,919,016</u>	<u>173,806,023</u>	<u>85,112,993</u>	
Program Support					
Personal services/employee benefits	22,978,600	22,978,600	20,276,449	2,702,151	
Contractual services	3,910,700	3,910,700	2,769,759	1,140,941	
Other	13,788,500	13,788,500	14,749,474	(960,974)	
Intra-agency transfers (in) out	5,764,100	5,700,900	6,670,296	(969,396)	
	<u>46,441,900</u>	<u>46,378,700</u>	<u>44,465,978</u>	<u>1,912,722</u>	
Total Annual Budgeted Expenditures	<u>\$ 1,131,062,435</u>	<u>\$ 1,164,463,873</u>	<u>823,720,360</u>	<u>\$ 340,743,513</u>	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			154,489		
Amortization and reversions			-		
Total GAAP Expenditures			<u>\$ 823,874,849</u>		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis) - General and Major Special Revenue Funds

For the Year Ended June 30, 2013

2008B GRIP BOND DEBT SERVICE (SHARE 10420)					
		Budgeted Amounts		Actual	Variance
		Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:					
Federal funds	\$	-	\$ -	\$ -	\$ -
Other state funds		-	-	-	-
Interest revenue		-	-	1,111,427	1,111,427
Total Revenues:		-	-	1,111,427	\$ 1,111,427
Prior Year Funds Rebudgeted					
		-	-		
	\$	-	\$ -		
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 1,111,427	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$	-	\$ -	\$ -	\$ -
Contractual services		-	-	-	-
Other		-	-	-	-
Intra-agency transfers (in) out		-	-	-	-
Reversions		-	-	-	-
		-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits		-	-	-	-
Contractual services		-	-	-	-
Other		-	-	-	-
Intra-agency transfers (in) out		-	-	-	-
Reversions		-	-	-	-
		-	-	-	-
Program Support					
Personal services/employee benefits		-	-	-	-
Contractual services		-	-	-	-
Other		-	-	1,141,070	(1,141,070)
Intra-agency transfers (in) out		-	-	-	-
Reversions		-	-	-	-
		-	-	1,141,070	(1,141,070)
Total Annual Budgeted Expenditures	\$	-	\$ -	1,141,070	\$ (1,141,070)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures				\$ 1,141,070	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

A primary government is any state or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included in the financial data of the State.

The New Mexico Department of Transportation (Department), formerly known as the New Mexico State Highway and Transportation Department, within the State of New Mexico is responsible for planning, organizing and directing a comprehensive transportation network. The Department was created by the Constitution of New Mexico, Article V, Section 14; and Sections 67-3-1 through 67-3-70, New Mexico Statutes Annotated, 1978 Compilation. The Highway & Transportation Department Reorganization Bill (House Bill 210) created the Department as of July 1, 1987. Under this reorganization act, portions of the Transportation Department were merged into the Department to create the Department's Aviation and Transportation Divisions. On April 4, 2003, the Governor signed a bill changing the Department's name to the New Mexico Department of Transportation.

The governing body of the Department is a six person State Highway Commission. Commissioners are appointed by the Governor, with the advice and consent of the Senate, and each serves for staggered six-year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB has issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. These Statements established the financial reporting requirements for state and local governments throughout the United States. The Department is responsible for the fair presentation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America. The Department has prepared required supplementary information entitled, *Management's Discussion and Analysis*, which precedes the basic financial statements.

Financial Reporting Entity

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Commission, the Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. GASB 39 and GASB 61, *Determining Whether Certain Organizations are Component Units*, expands the criteria of component units. GASB 39 and GASB 61 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Reporting Entity - continued

The Department, the New Mexico Finance Authority (NMFA) and the Federal Highway Administration (FHWA) established a State Infrastructure Bank (SIB) on September 30, 1997. The SIB is a revolving loan program accounted for as a business-type operation - enterprise fund and is administered by the Department to finance highway projects. The initial capitalization for the SIB came from the Highway Department's allotment of federal funds. The Department matched the federal funds based on the required matching percentage from state funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information of all of the activities, except for fiduciary and component units, of the Department. The effect of material interfund activity has been removed from these government-wide statements. Governmental activities, primarily the construction and maintenance of the State's road system, which normally is supported by taxes and intergovernmental revenues, are reported separately from the business-type activities of the SIB, which to a significant extent acts as a business, loaning funds to other entities and charging interest on the loans. Operating income for the SIB is interest income earned on the funds loaned to other entities. All other income, including interest earned on funds on hand, is non-operating income to the SIB.

Basis of Presentation

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department function of building and maintaining the State's road system (public works). Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a department. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements for public works. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government expenses to other functions except for depreciation (in direct) (Note 10).

Components of Net Position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, it is generally the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

Governmental funds are reported as major funds in the accompanying financial statements if they meet **both** of the following criteria:

Ten percent criterion- An individual governmental fund reports at least ten percent of *any* of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

Five percent criterion- An individual governmental fund reports at least five percent of the total for both governmental and enterprise funds of any of the items for which it met the ten percent criterion.

The Department's major governmental funds are the following:

State Road Fund(s) (Funds #10040 and 20100). The State Road Fund(s) were created by Section 67-3-65, NMSA 1978. The State Road Fund(s) combine to create the operating fund of the Department and is used to account for substantially all of the Department's financial activities. Section 67-3-59 NMSA establishes that this is a non-reverting fund. This is a general fund. Individual fund data for each fund comprising the State Road Fund(s) are provided in the form of combining statements in this report. See pages 168 to 169.

2008B GRIP Bond Debt Service Fund (Fund #10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Business Type - Proprietary Fund - State Infrastructure Bank (SIB) Financial Statements. The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Governmental Fund Financial Statements. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

Employees' vested compensated absences are recorded as an expenditure when utilized. The amount of accumulated compensated absences unpaid at June 30, 2013, has been reported only in the government-wide financial statements.

Interest and principal payments on general long-term obligations is recognized as expenditures when paid.

Executory purchase orders and contracts are recorded as a restriction of fund balance in the Capital Project Funds and Special Revenue Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The financial activities of the Department are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Department uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The measurement focus is on the flow of expendable financial resources, rather than on net income determination. All governmental funds are accounted for using the modified accrual basis of accounting. The funds' revenues are recognized in the period in which they become susceptible to accrual (i.e., when they are both measurable and available to pay liabilities in the current period). "Available" is defined as collectible within the current period or soon enough thereafter, within 60 days after year-end, to be used to pay liabilities of the current period. Intergovernmental revenues, including Federal allotments and grants, are recorded in accordance with their legal or contractual requirements if collected in the current period or if collectability is assured subsequent to year-end. Grant revenues are collected in advance of the period intended to finance expenditures. If the eligibility requirements are not met, they are recorded as deferred revenues.

The following are the governmental fund types used:

General Funds - The General Funds (Funds #10040 and 20100) are used to account for the proceeds of specific revenue sources that are not otherwise required to be reported in a special revenue fund. The State Road Fund(s) are the operating and general funds of the Department and are used to account for substantially all of the Department's financial activities. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Resources are generated primarily from user and fuel taxes and federal grants. Expenditures are incurred to build and improve the transportation system within the State of New Mexico. These funds do not receive state general fund appropriations that are subject to reversion.

HIF Bond Fund (Fund #20200). The Highway Infrastructure (HIF) Fund was created under Laws 1998, chapters 84 and 85. This fund is used to account for acquisition for right of ways, planning, design, engineering, construction or improvement of state highway projects. This is a non-reverting fund. The governmental fund types used by the Department were evaluated based on the provisions of GASB Statement No. 54.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

Local Government Road Fund (Fund #20300). The Local Government Road Fund was created by Section 67-3-28.2, NMSA 1978. This fund is used to account for monies received for (1) cooperative agreements program for construction and improvement of public highways and streets, and public school parking lots; (2) a municipal arterial program for construction for reconstruction of highways and streets not on the state highway systems; (3) a school bus route program for maintaining, repairing, improving and paving school bus routes, and public school parking lots; and (4) a county arterial program for construction, reconstruction, improvement and maintenance of county roads. Funding is received from state excise taxes. The fund does not receive state general fund appropriations that are subject to reversion.

Federal Planning and Development Fund (Fund #10030). This fund is authorized by the Commission to account for the planning and administration of federal grant monies and state matching funds for mass transportation and railroad improvements. The Highway Safety Act of 1966, as amended, 23 U.S.C. 401 Et. Seq. and 23 U.S.C. 410, authorizes the establishment of this fund. The fund does not receive state general fund appropriations that are subject to reversion.

State Aviation Fund (Fund #20500). The State Aviation Fund was created by Section 64-1-15, NMSA 1978. This fund is used to account for planning, construction and maintenance of a system of airports, navigation aids and related facilities serving New Mexico. Financing is provided from all unrefunded taxes collected on the sale of motor fuel sold for use in aircraft. This is a non-reverting fund.

Traffic Safety Fund(s). Previously three funds were combined for presentation as the Traffic Safety Fund(s). These were the Traffic Safety Fund (#20800), the Federal Traffic Safety Fund (#10010) and the Ignition Interlock Fund (#82600). The following three funds are now also combined into the Traffic Safety Fund(s); the Driver Improvement Program Fund (#10020), Motorcycle Training Fund (#20600) and the DWI Prevention and Education Fund (#20700). Individual fund data for each fund comprising the Traffic Safety Fund(s) are provided in the form of combining statements in this report. See pages 170 through 173.

The Federal Traffic Safety Fund (#10010). The Federal Traffic Safety Fund is the fund through which federal funds are received for various traffic safety programs. This is a non-reverting fund.

Driver Improvement Program Fund (Fund #10020). The Driver Improvement Program Fund was created by Executive Order 87-20. This fund is used to account for the operation of a driver improvement program. Financing is provided from fees collected for drivers' manuals and admissions to driver training courses. This is a non-reverting fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

Motorcycle Training Fund (Fund #20600). The Motorcycle Training Fund was created by Section 66-10-10, NMSA 1978. This fund is used to account for the operation of a motorcycle safety training program. Financing is provided from motorcycle registration fees and student training fees. All money in the motorcycle training fund in excess of amounts budgeted revert to the State Road Fund.

DWI Prevention and Education Fund (Fund #20700). The DWI Prevention and Education Fund was created by Section 66-5-35, NMSA 1978. This fund is used to account for the operation of a DWI (Driving While Intoxicated) prevention and education program for elementary and secondary school students. Financing is provided from limited license and permit fees. This is a non-reverting fund.

The Traffic Safety Fund (#20800). The Traffic Safety Fund was created by Section 66-7-512, NMSA 1978. The fund is used for the state match for the federal traffic safety fund programs. This is a non-reverting fund.

The Ignition Interlock Fund (#82600). The Ignition Interlock Fund was created by Section 66-8-102.3, NMSA 1978 for the administration of the Ignition Interlock program. This is a non-reverting fund.

1993 Bond Project Fund (Fund #39400). The bond project fund was created due to the issuance of the December 1993 \$50,000,000 State of New Mexico Highway debentures. The funds from the sale of all of the debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations held by the State Treasurer with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

1999A CHAT Bond Project Fund (Fund #43000). The bond project fund was created due to the issuance of the October 1998 \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A and the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 issued in November 1999. The funds from the sale of the debentures were required to be deposited in a special account with the State Treasurer. Also, proceeds can be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

2001A CHAT Bond Project Fund (Fund #00600). The bond project fund was created due to the issuance of the March 2001 \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A. The funds from the sale of the debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

2002C HIF Bond Project Fund (Fund #36100). The bond project fund was created due to the issuance of the May 2002 \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Highway Bonds Series 2002C. The funds from the sale of the debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

ARRA Project Fund (Fund #89000). The ARRA Project Fund was created under the American Recovery and Reinvestment Act of 2009, a federal economic stimulus program. This fund tracks the expenditure and reimbursement of projects which qualify under the terms of the Act. This is a non-reverting fund. This is a special revenue fund.

WIPP Bond Project Fund (Fund #43100). The Waste Isolation Pilot Plant (WIPP) Bond Project Fund was created under US congress Public Laws Waste Isolation Pilot Plant Withdrawal Act Public Law 102-579 of 1992 and National Defense Act Public Law 104-201 of 1997. The funds provided under these acts become state funds under the purposes specified under the acts. These funds are required to be used for road projects related to the Waste Isolation Pilot Plant in Carlsbad, New Mexico. This is a non-reverting fund.

2010A Bond Project Fund (Fund #10450). The 2010A Bond Project Fund was created by the engagement of \$200,000,000 Line of Credit June 2008. The Line of Credit was engaged in with an adjustable rate and to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion. In September 2010, the Department refunded the Line of Credit with the NMFA State Transportation Revenue and Refunding Revenue Bonds Series 2010A.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

2002D CHAT Bond Project Fund (Fund #11500). The bond project fund was created due to the issuance of the December 2002 \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D. The funds from the sale of the debentures were required to be deposited in a special account with the State Treasurer. Proceeds can also be invested in U.S. Treasury obligations and repurchase agreements with maturities of no more than one year until needed. The funds are to be used to finance state highway projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversion.

2004A GRIP Bond Project Fund (Fund #20400). The bond project fund was created when \$700,000,000 New Mexico State Transportation Senior Lien Revenue Bonds Series 2004A were issued through the New Mexico Finance Authority in May 2004. The funds from the sale of the debentures were required to be deposited in a special account with NMFA. Unspent proceeds are on deposit with the NMFA and recorded as restricted cash. The funds are used to finance transportation projects, pay expenses incurred to issue the debentures and payments of rebate, penalty, interest and other obligations relating to the debentures or the proceeds. The fund does not receive state general fund appropriations that are subject to reversions.

2006A GRIP Bond Project Fund (Fund #10210). The bond project fund was created due to the issuance of the September 2006 \$150,000,000 Revenue Bond Series 2006A. The 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has deemed necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

2006B GRIP Bond Project Fund (Fund #10230). The bond project fund was created due to the issuance of the September 2006 \$40,085,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission.

2006C GRIP Bond Project Fund (Fund #10250). The bond project fund was created due to the issuance of the September 2006 \$220,000,000 of State Transportation, Series 2006C Revenue Bonds. The series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. The fund does not receive state general fund appropriations that are subject to reversion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Special Revenue Funds – continued

2006D GRIP Bond Project Fund (Fund #10270). The bond project fund was created due to the issuance of the September 2006 \$50,400,000 of State Transportation, Series 2006D Revenue Bonds. The series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the Department pursuant to a Joint Use Agreement between the Department and the BNSF Contingent Liability Fund. The fund does not receive state general fund appropriations that are subject to reversion.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Debt service requirements are met through the monthly transfer of vehicle and gasoline tax revenues from the State Road Fund. The Department may transfer interest earned on the other bond issues to their respective debt service funds. These funds do not receive state general fund appropriations that are subject to reversion.

1998A WIPP Bond Debt Service Fund (Fund #97200). The fund was created when the \$100,000,000 New Mexico State Highway Commission Subordinate Lien Tax Revenue Highway Bond Series 1998B were issued in October 1998.

1998A CHAT Bond Debt Service Fund (Fund #54800). The fund was created when the \$105,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1998A were issued in October 1998.

1999 CHAT Bond Debt Service Fund (Fund #43400). The fund was created when the \$100,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 1999 were issued in November 1999.

2000 CHAT Bond Debt Service Fund (Fund #43200). The fund was created when the \$201,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2000A were issued in May 2001.

2001A CHAT Bond Debt Service Fund (Fund #00700). The fund was created when the \$198,800,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2001A were issued in March 2001.

2002A CHAT Bond Debt Service Fund (Fund #54700). The fund was created when the \$95,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002A were issued in January 2002.

2002B WIPP Bond Debt Service Fund (Fund #75000). The fund was created when the \$79,920,000 New Mexico State Highway Commission Lien Tax Revenue Bonds Series 2002B were issued in January 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Debt Service Funds - continued

2002C HIF Bond Debt Service Fund (Fund #36300). The fund was created when the \$67,750,000 New Mexico State Highway Commission Infrastructure Fund Revenue Bonds Series 2002C were issued in May 2002.

2002D CHAT Bond Debt Service Fund (Fund #18700). The fund was created when the \$16,000,000 New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Bonds Series 2002D were issued in December 2002.

2004A GRIP Bond Debt Service Fund (Fund #10080). The fund was created when the \$700,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bond Series 2004A were issued through the New Mexico Finance Authority in 2004.

2004B GRIP Bond Debt Service Fund (Fund #10090). The fund was created when the \$237,950,000 and \$200,000,000 New Mexico State Transportation Subordinate Lien Refunding Revenue Bonds Series 2004B and Series 2004C were issued through the New Mexico Finance Authority in May 2004. The 2004C Revenue Bond was refunded in 2008 by the 2008A and 2008C Refunding Revenue Bonds.

2006A GRIP Bond Debt Service Fund (Fund #10220). The fund was created when the \$150,000,000 New Mexico State Highway Commission Revenue Bonds Series 2006A were issued in September 2006.

2006B GRIP Bond Debt Service Fund (Fund #10240). The fund was created when the \$40,085,000 New Mexico State Highway Commission Revenue Bonds Series 2006B were issued in September 2006.

2008A GRIP Bond Debt Service Fund (Fund #10410). The fund was created when the \$115,200,000 New Mexico State Transportation Commission Revenue Bonds Series 2008A were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

2008B GRIP Bond Debt Service Fund (Fund #10420). The fund was created when the \$220,000,000 New Mexico State Transportation Commission Revenue Bonds Series 2008B were issued in April 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Debt Service Funds - continued

2008C GRIP Bond Debt Service Fund (Fund #10430). The fund was created when the \$84,800,000 New Mexico State Transportation Commission Revenue Bonds Series 2008C were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

2008D GRIP Bond Debt Service Fund (Fund #10440). The fund was created when the \$50,400,000 New Mexico State Transportation Commission Revenue Bonds Series 2008D were issued in May 2008 to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation.

2009A Bond Debt Service Fund (Fund #11130). The fund was created when the \$112,345,000 NMFA's State Transportation Senior Lien Refunding Revenue Bonds, Series 2009A were issued in November 2009 to refund portions of series 1998A, 1998B, 2001A, 2002A and 2002C.

2010A Bond Debt Service Fund (Fund #11140). The fund was created when the \$174,625,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds Series 2010A were issued in October 2010 to refund a portion of a borrowing under a tax-exempt line of credit with Bank of America N.A. and finance the costs of certain State Transportation Projects for the Department.

2010B Bond Debt Service Fund (Fund #20450). The fund was created when the \$461,075,000 NMFA State Transportation Senior Lien Refunding Revenue Bonds Series 2010B were issued in October 2010 to refund portions of series 2002A, 2002C, 2002D and 2004A GRIP.

2012 Refunding Bond Debt Service Fund (Fund #30850). The fund was created when the \$220,400,000 NMFA State Transportation Refunding Revenue Bonds Series 2012 were issued in December of 2012 to refund certain outstanding bonds of the State Transportation Commission and of the Finance Authority which were issued for the purpose of financing or refinancing projects administered by the New Mexico Department of Transportation.

Capital Project Funds - Capital Project Funds are used to account for the purchase or construction of facilities used in the operation of the Department or other long term Department projects specifically appropriated by the state. Expenditures are incurred to build and improve the transportation system within the State of New Mexico.

Capital Projects Fund (Fund #10050). The Capital Projects Fund is used to account for the purchase or construction of facilities used in the operation of the Department. It is a non-major fund. This fund reverts to the State Road Fund upon completion of the appropriation project or appropriation period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Capital Project Funds - continued

Severance Tax Bond Appropriations Fund (Fund #10060). The Severance Tax Bond Appropriations Fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable. This is a capital projects fund.

General Fund Appropriations Fund (Fund #10070). The General Fund Appropriations Fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period. This is a capital projects fund.

STB Capital Outlay Fund (Fund #89200). This fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore only budgetary reversions are made when applicable. This is a capital projects fund. The existing Fund 10060 will be phased out.

GF Capital Outlay Fund (Fund #93100). This fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the transfer of funds from the State General Fund. This fund reverts to the State General Fund upon completion of the appropriation project or upon expiration of the appropriation period. This is a capital projects fund. The existing Fund 10070 will be phased out.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Budgets and Budgetary Accounting

Per the General Appropriations Act of 2012, Section 3M, "For the purpose of administering the General Appropriation Act of 2012, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses, and encumbrances can no longer be charged to that budget.

The legal level of budgetary control is at the appropriation unit level at the entity-wide level, except for multiyear funds.

Interfund and Interagency Transactions

Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue, are recorded as operating transfers in (out) under the other financing sources (uses) category (Note 11) in the governmental fund financial statements.

Restricted Cash and Cash Equivalents

The funds deposited in the debt service funds are restricted to pay future principal and interest payments. The remaining balance of the proceeds from the sale of the debentures, bonds and the NMFA loan are also classified as restricted cash because of the limited use of these funds. Proceeds of the various bond issues are also invested through the State Treasurer's Office in securities repurchase agreements with financial institutions and a money market mutual fund that invests in U.S. Treasury securities. Cash received from the Department of Energy (for the WIPP Project fund) in advance of incurring the eligible expenditures is also reflected as restricted cash because the cash can only be used on specified road projects. Cash held in the State Infrastructure Bank is restricted for use in funding loans (Note 2).

Cash and cash equivalents, for the purpose of the cash flows, has interest in the State General Fund Investment Pool of the State Treasurer's Office.

Taxes Receivable

Taxes receivable represent the amounts due from the New Mexico Taxation and Revenue Department for the Department's June 30 fiscal year user and fuel taxes that are received by the Department after year-end. Accordingly, no allowance for uncollectible amounts is necessary. The revenue related to taxes is recorded when the underlying transaction occurs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Accounts receivable consists of amounts due from various entities: individuals and other state and local agencies located within the State of New Mexico for the sale of maps, brochures and other materials; and for other services performed by the Department. It is the policy of the Department to actively pursue collections of all valid accounts receivable and to comply with Article IV, Section 32 of the New Mexico Constitution that mandates that no amounts owed to the State can be exchanged, transferred, remitted, released or postponed. As a result of this policy, the Department does not write off any receivable balances and, instead, provides an allowance for uncollectible accounts. The Department has specific procedures in place for the treatment and collection of invoices past 30, 60, 90, and 120 days and, any receivables older than 120 days are moved to the allowance account at year end. A detail listing of all uncollectible accounts is maintained and uncollectible accounts are referred to the Department's legal department for possible legal collection actions. The balance of receivables deemed uncollectible through the end of FY13 was \$4,594,523 and a net total of \$459,229 was moved to the uncollectible account during the current fiscal year. A total of \$499,538 was recovered from the uncollectible account during the current fiscal year. (Note 3)

Severance Tax Bonds Proceeds Receivable

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents expenditures incurred by the Department, but not yet reimbursed by the Board of Finance (Note 4).

Notes and Loans Receivable

Loans receivable represent:

Loans to other governmental entities made by the State Infrastructure Bank. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. All loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements. Management's evaluation of the loan portfolio has determined that no allowance for uncollectible loans is required at June 30, 2013. There are no loans past due for more than 90 days as of the end of the fiscal year which require placement on non-accrual status (Note 5).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Due From the U.S. Department of Transportation

Due from the U.S. Department of Transportation represents amounts billed and unbilled in accordance with the various grant agreements. The "billed" portion represents contract expenditures incurred and billed by the Department. The "unbilled" portion represents expenditures included in accounts payable that will be billed when paid by the Department. The "excess project costs" represents costs actually incurred on a project in excess of approved amounts. The Department provides for an allowance for uncollectible accounts in excess of project costs classification. The allowance is based on an analysis of amounts that are reasonably assured of collection (Note 6). There was no allowance for FY 2013.

Due From/To Other Funds

Due from/to other funds represent amounts due from and to other funds within the Department (Note 7) and are included in the governmental fund financial statements. Inter-fund transactions are eliminated in the GAAP-basis governmental-wide financial statements.

Due to State Treasurer's Office

The amount of negative cash balances are reported in the Due to State Treasurer's Office by fund.

Due to State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

Inventory

Inventory is valued at cost using the first-in, first-out method. Special Revenue Fund inventory consists of materials used in the Department's operations.

The inventory costs are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset in the unspendable fund balance, which indicates that it does not constitute "available spendable resources" (Note 9) even though they are a component of current assets.

Prepaid Expense - NM 44 Warranty

The warranty represents the no-fault portion of 3 categories of costs that will meet performance criteria: The pavement, which originally cost \$36,100,000, is being amortized over 20 years. At the end of fiscal year 2013, the unamortized value was \$19,855,000. The structures, which originally cost \$15,916,345 is being amortized over 11 1/2 years. At the end of fiscal year 2013, the unamortized value was \$3,460,075. The remaining amount, which originally cost \$13,564,126, is fully amortized and has no net book value after fiscal year ending June 30, 2006 when it became fully amortized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property Held for Resale

Property held for resale represents excess land acquired through condemnation and is recorded at its estimated fair value. The Department's management estimated the fair value based upon original cost plus inflation using the Consumer Price Index (CPI). Reported property held for resale is equally offset by the fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of assets.

Capital Assets

Capital assets, which include property, plant, equipment, software in the equipment category, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, streets, tunnels and similar infrastructure items), are reported in the governmental activities columns in the government-wide financial statements. The Department has no internally developed software that requires capitalization. As a result of House Bill 1074, effective date June 17, 2005, and Section 12-6-10 NMSA 1978 the State's capitalization policy threshold was changed from \$1,000 to \$5,000, requiring agencies to capitalize acquisitions greater than \$5,000. Assets purchased prior to June 17, 2005 were not removed and will continue to be depreciated. Purchased and constructed capital assets are valued at historical or estimated historical cost. The Department has not capitalized any construction period interest expense. Donated capital assets are recorded at their estimated fair value at the date of donation.

The Department records as capital assets the specific roads, tunnels and other infrastructure it owns or over which it has primary responsibility for maintenance. According to the GASB, if the Department has the primary responsibility for the asset's maintenance, then the capital asset would be recorded on its books.

An estimated historical cost of the entire infrastructure on the Department's government-wide financial statements was determined as of June 2001. The Department calculated the replacement cost as of June 30, 2001 for its entire infrastructure and then deflated the cost by use of a construction price level index maintained by the Federal Highway Administration. Accumulated depreciation at June 30, 2001 was calculated based on the estimated historical cost of the infrastructure, estimated use of the assets and using a 25 to 30-year life of the infrastructure. Current year activity is shown in Note 10 to the financial statements.

The Department follows the depreciation method to record infrastructure assets. This method requires the Department to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. Under this process, the Department does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. If this method was used, it would require the Department to: 1) commit to maintaining and preserving the assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. The Department elected to use the depreciation method as it determined it could not meet the condition to maintain the infrastructure at a predetermined condition level due to an anticipated lack of future funding for maintenance. All major infrastructure has been recorded.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

The Department records its other capital assets (buildings and machinery and equipment) at historical cost and depreciates the assets over their estimated useful lives. Capital assets acquired in the current year in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Department are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and right-of-way land. Generally, estimated useful lives are as follows:

Machinery and Equipment	7 - 14 years
Buildings and Other Improvements	40 years
Infrastructure	25 - 30 years

Unearned Revenue

Unearned revenue occurs when the Department receives funds before the corresponding expense or expenditure has been incurred, or all of the eligibility requirements have been met. The Department has received funds in advance of work done from the Department of Energy (DOE) for road projects and other costs relating to the Waste Isolation Pilot Plant (WIPP). Revenue is recognized when eligible expenditures are incurred for these projects and programs and all eligibility requirements are met.

Compensated Absences

The Department accounts for the accumulated vacation and sick leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2013, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

Long-Term Obligations

Premiums, Discounts and Issuance Costs - In the government-wide financial statements, long-term debt and other long-term obligations are presented in the column for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts are capitalized and amortized straight line over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred per GASB 65.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Long-Term Obligations - continued

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Arbitrage Rebate Liability - Any arbitrage rebate is recorded as a liability when it is determined to be owed to the Internal Revenue Service.

Net Position

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

Investments in Capital Assets - is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. When there is an option, the Department spends restricted resources first.

Unrestricted Assets - are all other net assets that do not meet the definition of "restricted assets" or "investments in capital assets".

Encumbrances

With the General Appropriations Act of 2012, Section 3M establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico, encumbrances related to single year appropriations lapse at fiscal year end. Appropriation periods for periods in excess of twelve months (multiple-year appropriations) lapse at the end of the appropriation period, the budget also lapses, and encumbrances can no longer be charged to that budget. Outstanding encumbrance balances for the Department's Severance Tax Bonds and Special Appropriations are shown in separate supplementary schedules. Significant unexpended encumbrance balances at June 30, 2013 for other multiple year appropriation periods are as follows:

2010A Bond Project Fund	10450	<u>\$ 13,072,584</u>
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Nonspendable Fund Balance

The nonspendable category of fund balance consists of the net financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable categories of fund balances are summarized below:

Inventory - This category was created to represent the portion of fund balance that are noncash assets available for expenditures in future periods.

Property Held for Resale - This category was created to represent the portion of fund balance that are long-term noncash assets available for sale.

Prepaid Expenses - This category was created to represent disbursements made that cannot be reported as expenditures in the current period for GAAP purposes.

Restricted Fund Balance

The restricted category of fund balance consists of the net financial resources that are restricted by either (a) external imposition by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposition by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed category of fund balance consists of the net financial resources that are constrained to be used for a specific purpose as established by the highest level of decision-making authority. This fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying these contractual requirements. The Department's highest level of decision-making authority is the Legislative and Executive branches of the State of New Mexico.

Assigned Fund Balance

The assigned category of fund balance consists of the net financial resources that are constrained to be used for a specific purpose by the Department's intent but the constraint imposed does not satisfy the criteria to be classified as restricted or committed.

Unassigned Fund Balance

The unassigned category of fund balance consists of the net financial resources that are the least constrained. In the general fund, these are amounts that have not been restricted, committed or assigned to specific purposes. In other funds, they are negative fund balances that represent shortfalls which are covered by fund balances not restricted, committed or assigned to other specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pledged Revenue

The Department has pledged future gasoline excise taxes, motor vehicle registration fees, special fuel excise taxes, vehicle transactions fees, driver's license fees, oversize/overweight permit fees, trip (mileage) taxes, weight distance taxes, leased vehicle gross receipts taxes, tire recycling fees and FHWA revenues, to repay \$1.48 billion in State Transportation Revenue and Refunding Bonds issued between 2002 and 2012. Proceeds from the bonds provided funding for various transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable, as well as to provide funds to refund and restructure certain outstanding bonds. The bonds are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 25% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$2.01 billion. Principal and interest paid for the current year and total pledged revenues were \$165,009,570 and \$793,585,618, respectively.

Use of Estimates

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

Eliminations

Total columns in the governmental fund financial statements are captioned "Total (Governmental Funds)" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operation or changes in financial position of the Department as a whole in conformity with generally accepted accounting principles. Eliminations of intra-fund transfers have not been made in the aggregation in the governmental fund financial statements. Due from/to other funds and intra-fund transfers have been eliminated in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The Department has two items that qualify for reporting in this category. They are the deferred gain on refunding and the value of the SWAP agreements.

2. CASH AND CASH EQUIVALENTS

The Department has two types of cash equivalents--those that are deposited with the State Treasurer's Office and those that are held with trustees that are managed by NMFA.

Cash equivalents on deposit with State Treasurer's Office

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent expert diagnostic report revealed that the General Fund Investment Pool balances had not been reconciled at the business unit/fund level since the inception of the Statewide Human Resources, Accounting, and Management Reporting (SHARE) system in July of 2006. The diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance and Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting from the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

Management in FY 2012 recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

2. CASH AND CASH EQUIVALENTS (continued)

The Department is aware that the General Fund Investment Pool balances have not been reconciled at the Agency and Fund level by the Department of Finance and Administration and that any reconciling items, once determined through a future initiative, will not be allocated to the Department or other state agencies. However, the Department has established its own internal reconciliation policies and procedures to mitigate the risk that our cash balances would be misstated as of June 30, 2013. The Department is confident that our reconciliation process ensures all incoming and outgoing cash transactions are properly identified and that they are timely and accurately recorded in the financial system. Deposit transactions originated by our agency are validated and verified to source documents to ensure for accuracy and compliance before they are recorded in the financial system. Recording is not final until approved by the State Treasurer's Office who compares the recorded transactions against validated bank deposit slips provided to them by the State's Fiscal Agent Bank. Our agency then compares all deposits to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded. Similarly, incoming wire cash transfers and operating cash transfers originating outside our agency and received by the State's Fiscal Agent Bank are identified, reviewed and verified to ensure they are properly authorized, recorded, reported and

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

2. CASH AND CASH EQUIVALENTS (continued)

Cash equivalents on deposit with State Treasurer's Office (continued)

At June 30, 2013 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool	\$ 252,094,503
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Interest Rate Risk. The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk. The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

The reconciled balances at June 30, 2013, are as follows:

	<u>Fund Number</u>	<u>Amount (+)</u>	<u>Amount (-)</u>
Cash:			
<i>Unrestricted</i>	20100	\$ 2,100	
Balance Sheet - Governmental Funds Cash, Unrestricted and Statement of Net Assets Cash, Unrestricted		\$ 2,100	

2. CASH AND CASH EQUIVALENTS (continued)

	Fund Number	Amount (+)	Amount (-)
Cash Equivalents:			
<i>Restricted:</i>			
2001A CHAT Bond Project Fund	00600	\$ 4,734,419	\$ -
2001A CHAT Bond Debt Service Fund	00700	234,583	-
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	8,926,294	-
Federal Planning and Development	10030	-	2,028,076
State Road Fund(s)	10040 and 20100	159,172,462	20,199,938
Capital Projects Fund	10050	1,366,565	-
STB Appropriations Fund	10060	-	2,139,961
General Fund Appropriations	10070	598,144	-
2006A GRIP Bond Project Fund	10210	582,089	-
2006B GRIP Bond Project Fund	10230	49,671	-
2010A Bond Project Fund	10450	-	10,624,219
2002D CHAT Bond Project Fund	11500	639,261	-
2002D CHAT Bond Debt Service Fund	18700	12,852	-
HIF Bond Fund	20200	10,345,011	-
Local Government Road Fund	20300	19,508,256	-
2004A GRIP Bond Project Fund	20400	112,078	-
State Aviation Fund	20500	16,786,869	-
2002C HIF Bond Project Fund	36100	1,308,522	-
2002C HIF Bond Debt Service Fund	36300	62,453	-
1993 Bond Project Fund	39400	1,600,121	-
1999A CHAT Bond Project Fund	43000	2,125,051	-
WIPP Bond Project Fund	43100	1,980,339	-
2000 CHAT Bond Debt Service Fund	43200	204,785	-
1999 CHAT Bond Debt Service Fund	43400	267,125	-
2002A CHAT Bond Debt Service Fund	54700	83,859	-
1998A CHAT Bond Debt Service Fund	54800	142,073	-
2002B WIPP Bond Debt Service Fund	75000	111,299	-
ARRA Project Fund	89000	-	640,060

2. CASH AND CASH EQUIVALENTS (continued)

	Fund Number	Amount (+)	Amount (-)
STB Capital Outlay Fund	89200	-	67,745
GF Capital Outlay	93100	188,094	-
1998A WIPP Bond Debt Service Fund	97200	14,559	-
Balance Sheet - Governmental Funds Cash Equivalents, Restricted		<u>231,156,834</u>	
State Infrastructure Bank:			
Restricted Cash Equivalents	89300	<u>20,937,669</u>	
Statement of Net Position Cash Equivalents, Restricted		<u><u>\$ 252,094,503</u></u>	
Balance Sheet-Governmental Funds and Statement of Net Position included in Due to Other Agencies (See Note 12)			<u><u>\$ 35,699,999</u></u>

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department's name. The fair value of the repurchase agreement approximates the cost at June 30, 2013.

Cash equivalents managed by New Mexico Finance Authority

Money market funds are managed by New Mexico Finance Authority (fiscal agent) and held by State Treasurer authorized bank accounts at Bank of Albuquerque and Bank of New York as trustees and paying agents for Department. The sources of funds are bond proceeds 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 Department 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 Department's name.

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

Concentration of Credit Risk. Concentration of credit risk is defined as investments of more than 5% in any one issuer. The Department is not susceptible to concentration of credit risk.

2. CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute. Therefore, funds are not susceptible to interest rate risk as they are all fully collateralized.

	Fund Number	Amount
Cash Equivalents:		
<i>Managed by NMFA:</i>		
State Road Fund(s)	10040 and 20100	65,032
2004A GRIP Bond Debt Service Fund	10080	1,085,041
2004B GRIP Bond Debt Service Fund	10090	33,607,671
2006A GRIP Bond Project Fund	10210	162,255
2006A GRIP Bond Debt Service Fund	10220	1,683,172
2006B GRIP Bond Project Fund	10230	10,384
2006B GRIP Bond Debt Service Fund	10240	662,981
2006C GRIP Bond Project Fund	10250	179,118
2008A GRIP Bond Debt Service Fund	10410	8,615,188
2008B GRIP Bond Debt Service Fund	10420	23,730,932
2008C GRIP Bond Debt Service Fund	10430	4,366,472
2008D GRIP Bond Debt Service Fund	10440	1,874,928
2010A Bond Project Fund	10450	44,760,160
2009A Bond Debt Service Fund	11130	49,143
2010A/LOC Bond Debt Service Fund	11140	41,501
2010B GRIP Bond Debt Service Fund	20450	202,746
2012A Refunding Revenue Bond Debt Service Fund	30850	65,348
Balance Sheet - Governmental Funds and Statement of		
Net Position Cash Equivalents, Managed by NMFA		\$ 121,162,072

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable as of June 30, 2013 is as follows:

<u>Number of Days Outstanding</u>	
0 - 30	\$ 285,144
31 - 60	11,616
61 - 120	405,344
Beyond 120	<u>4,594,873</u>
	5,296,977
Allowance for uncollectible accounts	<u>(4,594,523)</u>
	<u><u>\$ 702,454</u></u>

4. SEVERANCE TAX BOND PROCEEDS RECEIVABLE

Severance tax bonds proceeds receivable as of June 30, 2013, appropriated to the Department, were held by the State Board of Finance to reimburse expenditures incurred by the Department. The activity of this account is as follows:

Balance, beginning of year	\$ 22,260,645
Sale and reauthorization of severance tax bonds	35,936,356
Funding from the State Board of Finance	(13,040,000)
Reversion to the State Board of Finance	<u>(107,311)</u>
Balance, end of year	<u><u>\$ 45,049,690</u></u>

The funding for the year ended June 30, 2013 was received under the Laws of 2007, Chapter 3; Laws of 2008, Chapters 9; Laws of 2009, Chapters 7; Laws of 2010, Chapter 105; Laws of 2011, Chapter 183; and Laws of 2012, Chapter 63 and 64 for projects completed ; Laws of 2013, Chapter 202.

The State of New Mexico Legislature has authorized the State Board of Finance to issue and sell revenue bonds that are to be retired using future taxes levied against the extractive industries in the state. The proceeds from bonds sold are appropriated to the Department to be used for specific programs and are recorded as revenues by the Department. Expenditures incurred by the Department for such programs are reimbursable from the State Board of Finance. The severance tax bonds proceeds receivable represents the amounts due and available from the State Board of Finance as of year-end.

Receivable at year end (Note 8)	<u><u>\$ 1,909,588</u></u>
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5. NOTES AND LOANS RECEIVABLE

Notes receivable as of June 30, 2013 consist of the following:

A note receivable from a private entity, non-interest bearing, in accordance with federal statutes, collateralized by various property.

\$ 2,649

6. DUE FROM U.S. DEPARTMENT OF TRANSPORTATION

Due from U.S. Department of Transportation (USDOT) consists of the following at June 30, 2013:

Agency

Federal Highway Administration	\$ 43,696,592
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Less allowance for uncollectible amounts	<u>-</u>
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Total Federal Highway Administration	43,696,592
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Other USDOT Agencies	<u>9,981,538</u>
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Total USDOT	<u>\$ 53,678,130</u>
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7. DUE FROM AND DUE TO OTHER FUNDS

These amounts represent interfund receivables and payables arising from the interfund transactions within the Department. Due from/to other funds occur for the following reasons:

- 1) The State Road Fund pays expenditures on behalf of other funds.
- 2) Grant and other funds are recorded in the State Road Fund and then transferred to the appropriate funds.

Interfund receivables and payables as of June 30, 2013 consist of the following:

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
Special Revenue Funds:				
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600	\$ 139	\$ 78,607	
Federal Planning and Development	10030	-	114,353	
State Road Fund(s)	10040 and 20100	18,823,201	10,688,049	
HIF Bond Fund	20200	13,600	-	
State Aviation Fund	20500	-	256	
ARRA Project Fund	89000	346,242	414,511	
Total Special Revenue Funds		19,183,182	11,295,776	7,887,406
Debt Service Funds:				
2001A CHAT Bond Debt Service Fund	00700	1,651,520	-	
2004A GRIP Bond Debt Service Fund	10080	-	574,773	
2006A GRIP Bond Debt Service Fund	10220	-	1,649,100	
2006B GRIP Bond Debt Service Fund	10240	-	658,193	
2008AGRIP Bond Debt Service Fund	10410	-	1,370,943	
2008B GRIP Bond Debt Service Fund	10420	-	6,409,295	
2008C GRIP Bond Debt Service Fund	10430	-	1,009,166	
2008D GRIP Bond Debt Service Fund	10440	-	1,267,688	
2012A Bond Debt Service Fund	30850		611	
2000 CHAT Bond Debt Service Fund	43200	1,184,452	-	
1999 CHAT Bond Debt Service Fund	43400	750,144	-	
2002A CHAT Bond Debt Service Fund	54700	690,434	-	
1998A CHAT Bond Debt Service Fund	54800	86,180	-	
2002B WIPP Bond Debt Service Fund	75000	702,644	-	
1998 WIPP Bond Debt Service Fund	97200	199,253	-	
Total Debt Service Funds		5,264,627	12,939,769	(7,675,142)
Capital Projects Funds:				
Gen. Fund Appropriations Fund	10070	-	131,887	
GF Capital Outlay Fund	93100	131,887		
Total Capital Projects Funds		131,887	131,887	-
Enterprise Funds:				
State Infrastructure Fund	89300	-	212,264	
Total Enterprise Funds		-	212,264	(212,264)
Total Interfund Receivables and Payables		\$ 24,579,696	\$ 24,579,696	\$ -

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

7. DUE FROM AND DUE TO OTHER FUNDS - continued

	Fund Number	Due From Other Funds	Due to Other Funds	Net (Sub-totals only)
Summary				
Total Special Revenue Funds - net				\$ 7,887,406
Total Debt Service Funds - net				(7,675,142)
Total Capital Projects Funds – net				-
Total Governmental – net				212,264
Total Enterprise Funds – net				(212,264)
Total All Funds				\$ -

8. DUE FROM OTHER AGENCIES

Fund Description	Fund Number	Sub-total	Total	Due From
State Road Fund	20100	\$ 3,576		Department of Public Safety
Total reauthorizations due			3,576	
2001A CHAT Bond Project Fund	00600	406		State Treasurer's Office
2001A CHAT Bond Debt Service Fund	00700	20		State Treasurer's Office
2002D CHAT Bond Project Fund	11500	55		State Treasurer's Office
2002D CHAT Bond Debt Service Fund	18700	1		State Treasurer's Office
State Road Fund	20100	31,753		State Treasurer's Office
HIF Bond Fund	20200	930		State Treasurer's Office
Local Government Road Fund	20300	1,836		State Treasurer's Office
State Aviation Fund	20500	1,512		State Treasurer's Office
Motorcycle Training Fund	20600	14		State Treasurer's Office
Traffic Safety Fund	20800	105		State Treasurer's Office
2002C HIF Bond Project Fund	36100	113		State Treasurer's Office
2002C HIF Bond Debt Service Fund	36300	5		State Treasurer's Office
1993 Bond Project Fund	39400	138		State Treasurer's Office
1999A CHAT Bond Project Fund	43000	183		State Treasurer's Office
WIPP Bond Project Fund	43100	133		State Treasurer's Office
2000 CHAT Bond Debt Service Fund	43200	18		State Treasurer's Office

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

8. DUE FROM OTHER AGENCIES - continued

Fund Description	Fund Number	Sub-total	Total	Due From
1999 CHAT Bond Debt Service Fund	43400	23		State Treasurer's Office
2002A CHAT Bond Debt Service Fund	54700	7		State Treasurer's Office
1998A CHAT Bond Debt Service Fund	54800	12		State Treasurer's Office
2002B WIPP Bond Debt Service Fund	75000	10		State Treasurer's Office
1998A WIPP Bond Debt Service Fund	97200	1		State Treasurer's Office
Total accrued interest due			37,275	
STB Appropriations Fund	10060	1,060,059		DFA Board of Finance
STB Capital Outlay Fund	89200	849,529		DFA Board of Finance
Total reimbursement due			1,909,588	
State Road Fund	20100	27		Human Services Department
State Road Fund	20100	488		Department of Health
State Road Fund	20100	27		Higher Education Department
State Road Fund	20100	99		Taxation and Revenue Department
Total reimbursement due			641	
Total due from other agencies--government funds only			1,951,080	
SIB Interest accrued from Local Gov't Investment Pool			2,128	
Total due from other agencies--government wide only			<u>\$ 1,953,208</u>	

9. INVENTORY

Inventory as of June 30, 2013 consists of the following:

Highway maintenance materials stockpiled	\$ 7,866,783
Repair Parts and expendable supplies	5,506,811
Fuel, oil and lubricants	1,047,091
	<u>\$ 14,420,684</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

10. CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ended June 30, 2013 follows:

	Beginning Balance		Adjustments &	
	June 30, 2012	Additions	Transfers	Retirements
Non-depreciable assets:				
Construction in Progress	\$ 193,830,627	\$ 394,428,260	\$ -	\$ -
Rail System Infrastructure - Right of Way	77,252,100	-	-	-
Land	5,177,044	-	-	-
Right of Way	408,048,385	-	-	-
Total non-depreciable assets	684,308,156	394,428,260	-	-
Depreciable assets:				
Infrastructure	14,703,925,551	-	-	(484,652,834)
Automotive and Major Road Fund Equipment	205,816,651	10,562,401	347,440	(14,127,231)
Rail System Infrastructure	367,768,679	-	-	-
Buildings	45,823,291	1,201,018	1,620,782	(278,032)
Equipment and furniture	30,453,316	1,967,132	(270,265)	(2,798,684)
Library	102,614	-	-	-
Total depreciable assets	15,353,890,102	13,730,551	1,697,957	(501,856,781)
Total Assets	16,038,198,258	408,158,811	1,697,957	(501,856,781)
Less Accumulated Depreciation:				
Infrastructure	(8,954,955,656)	(597,933,204)	-	484,652,834
Automotive and Major Road Fund Equipment	(151,033,710)	(9,747,415)	(244,487)	14,106,583
Rail System Infrastructure	(61,479,926)	(14,710,748)	-	-
Buildings	(27,135,111)	(819,373)	(15,180)	87,838
Equipment and furniture	(24,508,261)	(1,624,403)	(34,403)	2,754,722
Library	(102,614)	-	-	-
Total Accumulated Depreciation	(9,219,215,278)	(624,835,143)	(294,070)	501,601,977
Net Total	\$ 6,818,982,981	\$ (216,676,332)	\$ 1,403,887	\$ (254,804)

There were no software costs to capitalize as of year-end. Depreciation and amortization was allocated to the following functions:

Depreciation:	
Programs and infrastructure	\$ 601,122,316
Transportation and highway operations	14,710,748
Program support	12,191,190
	<u>628,024,254</u>
Amortization	3,189,030
Total depreciation and amortization	<u><u>\$ 631,213,284</u></u>

10. CAPITAL ASSETS (continued)

CIP Reclassifications	Ending Balance June 30, 2013
\$ (394,495,542)	\$ 193,763,345
-	77,252,100
-	5,177,044
2,833,546	410,881,931
(391,661,996)	687,074,420
391,661,996	14,610,934,713
-	202,599,261
-	367,768,679
-	48,367,059
-	29,351,499
-	102,614
391,661,996	15,259,123,825
(0)	15,946,198,245
-	(9,068,236,026)
-	(146,919,029)
-	(76,190,674)
-	(27,881,826)
-	(23,412,345)
-	(102,614)
-	(9,342,742,514)
\$ (0)	\$ 6,603,455,731

11. OPERATING TRANSFERS

Transfers within the Agency:

	State Road Fund(s) (Multi)	Motorcycle Training Fund (SHARE 20600)	Capital Projects Fund (SHARE 10050)	General Fund Appropriations (SHARE 10070)	GF Capital Outlay (SHARE 93100)	HIF Bond Fund (SHARE 20200)
(1)	\$ (889,803)	\$ -	\$ -	\$ -	\$ -	\$ (2,897,181)
(2)	-	-	-	-	-	-
(3)	-	-	-	-	-	-
(4)	20,057	-	-	-	-	138
(5)	6,656,152	-	(6,656,152)	-	-	-
(6)	-	-	-	(131,887)	131,887	-
(7)	-	-	-	-	-	-
(8)	78,607	(78,607)	-	-	-	-
	<u>\$ 5,865,013</u>	<u>\$ (78,607)</u>	<u>\$ (6,656,152)</u>	<u>\$ (131,887)</u>	<u>\$ 131,887</u>	<u>\$ (2,897,043)</u>

- (1) Transfer from the State Road Fund and HIF Bond Fund to the Non-GRIP Debt Service Funds for debt repayments
- (2) Transfer from 2004B interest earnings to offset interest costs in 2008A and 2008C
- (3) Transfer of 2006D BNSF interest earnings to 2008D
- (4) Reversion of funds on closure of Non-GRIP bond fund bank accounts
- (5) Return of unexpended funds to Road Fund
- (6) Transfer appropriated cash from 10070 to 93100
- (7) Transfer funds from 2006D BNSF to pay off 2008D Principal
- (8) Transfer excess money from the Motorcycle Training Fund to State Road Fund per Section 6-10-10 NMSA 1978

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

11. OPERATING TRANSFERS - continued

	2006D GRIP Bond Project Fund (SHARE 10270)	2001A CHAT Bond Debt Service Fund (SHARE 00700)	2004B GRIP Bond Debt Service Fund (SHARE 10090)	2008A GRIP Bond Debt Service Fund (SHARE 10410)	2008C GRIP Bond Debt Service Fund (SHARE 10430)	2008D GRIP Bond Debt Service Fund (SHARE 10440)
(1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	-	-	(1,114,383)	641,884	472,498	-
(3)	(45,972)	-	-	-	-	45,972
(4)	-	(40)	-	-	-	-
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	(49,998,716)	-	-	-	-	49,998,716
(8)	-	-	-	-	-	-
	<u>\$ (50,044,688)</u>	<u>\$ (40)</u>	<u>\$ (1,114,383)</u>	<u>\$ 641,884</u>	<u>\$ 472,498</u>	<u>\$ 50,044,688</u>

11. OPERATING TRANSFERS - continued

	2002D CHAT Bond Debt Service Fund (SHARE 18700)	2002C HIF Bond Debt Service Fund (SHARE 36300)	2000 CHAT Bond Debt Service Fund (SHARE 43200)	1999 CHAT Bond Debt Service Fund (SHARE 43400)	2002A CHAT Bond Debt Service Fund (SHARE 54700)	1998A CHAT Bond Debt Service (SHARE 54800)
(1)	\$ 889,803	\$ 2,897,181	\$ -	\$ -	\$ -	\$ -
(2)	-	-	-	-	-	-
(3)	-	-	-	-	-	-
(4)	(19,929)	(138)	(29)	(18)	(17)	(2)
(5)	-	-	-	-	-	-
(6)	-	-	-	-	-	-
(7)	-	-	-	-	-	-
(8)	-	-	-	-	-	-
	<u>\$ 869,874</u>	<u>\$ 2,897,043</u>	<u>\$ (29)</u>	<u>\$ (18)</u>	<u>\$ (17)</u>	<u>\$ (2)</u>

- (1) Transfer from the State Road Fund and HIF Bond Fund to the Non-GRIP Debt Service Funds for debt repayments
- (2) Transfer from 2004B interest earnings to offset interest costs in 2008A and 2008C
- (3) Transfer of 2006D BNSF interest earnings to 2008D
- (4) Reversion of funds on closure of Non-GRIP bond fund bank accounts
- (5) Return of unexpended funds to Road Fund
- (6) Transfer appropriated cash from 10070 to 93100
- (7) Transfer funds from 2006D BNSF to pay off 2008D Principal
- (8) Transfer excess money from the Motorcycle Training Fund to State Road Fund per Section 6-10-10 NMSA 1978

11. OPERATING TRANSFERS - continued

	2002B WIPP Bond Debt Service Fund (SHARE 75000)	1998A WIPP Bond Debt Service Fund (SHARE 97200)	Total All Pages Netting Funds Only
(1)	\$ -	\$ -	\$ -
(2)	-	-	-
(3)	-	-	-
(4)	(17)	(5)	-
(5)	-	-	-
(6)	-	-	-
(7)	-	-	-
(8)	-	-	-
	<u>\$ (17)</u>	<u>\$ (5)</u>	<u>\$ -</u>

11. OPERATING TRANSFERS - continued

Transfers outside of Agency:

	State Road Fund(s) (Multi)	Capital Projects Fund (SHARE 10050)	STB Appropriations Fund (SHARE 10060)	2012A Refunding Revenue Bond Fund (SHARE 30850)	Ignition Interlock (SHARE 82600)
(9)	\$ -	\$ -	\$ -	\$ 220,400,000	\$ -
(10)	-	-	-	42,693,105	-
(11)	-	-	-	(653,181)	-
(12)	-	-	-	(261,769,370)	-
(13)	-	-	-	-	300,000
(14)	(5,710,524)	-	-	-	-
(15)	-	(9,500)	-	-	-
(16)	-	-	-	-	-
(17)	-	-	(107,311)	-	-
	<u>\$ (5,710,524)</u>	<u>\$ (9,500)</u>	<u>\$ (107,311)</u>	<u>\$ 670,554</u>	<u>\$ 300,000</u>

- (9) Receipt principal amount of 2012A Refunding Bonds
- (10) Receipt of premium on 2012A Refunding Bonds
- (11) Transfer of cash for Costs of Issuance for 2012A Refunding Bonds
- (12) Transfer proceeds from 2012A Refunding to 2012A Escrow account
- (13) Annual transfer in from Department of Finance
- (14) Transfers made to Department of Public Safety (less reversions)
- (15) Transfer of 1% to DCA from Appropriation 09-3156
- (16) Due to DFA - State General Fund for Unexpended Appropriations
- (17) Reversions scheduled to be sent to DFA in FY14

11. OPERATING TRANSFERS - continued

	GF Capital Outlay	Total all Inter-agency Transfers
	(SHARE 93100)	
(9)	\$ -	\$ 220,400,000
(10)	-	42,693,105
(11)	-	(653,181)
(12)	-	(261,769,370)
(13)	-	300,000
(14)	-	(5,710,524)
(15)	-	(9,500)
(16)	(102,619)	(102,619)
(17)	-	(107,311)
	<u>\$ (102,619)</u>	<u>\$ (4,959,400)</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes to Financial Statements

12. DUE TO OTHER AGENCIES

Fund Description	Fund Number	Due To	Total
Federal Planning and Development	10030	Due to State Treasurer's Office	\$ 2,028,076
STB Appropriations Fund	10060	Due to State Treasurer's Office	2,139,961
STB Appropriations Fund	10060	Board of Finance	113,154
2010A Bond Project Fund	10450	Due to State Treasurer's Office	10,624,219
State Road Fund(s)	10040 and 20100	Department of Finance	2,536
		Administrative Office of the Courts	348
		Due to State Treasurer's Office	20,199,938
		Due to State Treasurer's Office	640,060
ARRA Project Fund	89000	Due to State Treasurer's Office	67,745
STB Capital Outlay Fund	89200	Due to State Treasurer's Office	<u>67,745</u>
Total due to other agencies			<u><u>\$ 35,816,037</u></u>
		Due to State Treasurer's Office	\$ 35,699,999
		Board of Finance	113,154
		Department of Finance	2,536
		Administrative Office of the Courts	348
			<u><u>\$ 35,816,037</u></u>

13. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

Governmental Activities	Balance at June 30, 2012	Increase	Decrease	Ending Balance June 30, 2013	Amounts due within one year
2002C HIF Bonds	\$ 5,930,000	-	(5,930,000)	-	\$ -
2002D CHAT Bonds	1,575,000	-	(1,575,000)	-	-
2004A GRIP Bonds	248,310,000	-	(167,695,000)	80,615,000	19,360,000
2004B GRIP Bonds	63,860,000	-	(34,120,000)	29,740,000	29,740,000
2006A GRIP Bonds	149,760,000	-	(66,235,000)	83,525,000	255,000
2006B GRIP Bonds	26,675,000	-	(1,270,000)	25,405,000	1,320,000
2008A GRIP Bonds	115,200,000	-	-	115,200,000	-
2008B GRIP Bonds	220,000,000	-	-	220,000,000	-
2008C GRIP Bonds	84,800,000	-	-	84,800,000	-
2008D GRIP Bonds	50,400,000	-	(50,400,000)	-	-
2009A Refunding Bonds	49,345,000	-	(23,190,000)	26,155,000	11,075,000
2010A Debt Service	168,580,000	-	(23,120,000)	145,460,000	38,225,000
2010B GRIP Bonds	451,435,000	-	-	451,435,000	6,635,000
2012 Refunding Bonds	-	220,400,000	(2,945,000)	217,455,000	-
Debentures	1,635,870,000	220,400,000	(376,480,000)	1,479,790,000	106,610,000
Compensated absences payable	5,961,995	5,150,948	(5,228,702)	5,884,241	5,884,241
Total obligations	1,641,831,995	\$ 225,550,948	\$ (381,708,702)	1,485,674,241	\$ 112,494,241
Less current portion	(88,274,464)			(112,494,241)	
Net long-term obligations	<u>\$ 1,553,557,531</u>			<u>\$ 1,373,180,000</u>	

As discussed in Note 1, Deferred amount on refunding is presented as a deferred outflow of resources on the financial statements and is not presented net of related debentures.

Governmental Activities	Balance at June 30, 2012	Increase	Decrease	Ending Balance June 30, 2013	Amounts due within one year
Deferred outflow of resources	\$ 76,507,362	15,931,656	(6,787,594)	85,651,424	7,377,654

The State Road Fund (#20100) is used to liquidate other long-term liabilities, such as compensated absences and capital leases. The Department is authorized to issue bonds from time to time, payable from the proceeds of the collection of gasoline excise taxes, motor vehicle registration fees, and other fees that are required by law to be paid into the State Road Fund and not otherwise pledged solely to the payment of outstanding bonds and debentures. The total aggregate outstanding bonds issued are in accordance with the authorizing legislation for the bonds and other debt with the approval of the State Board of Finance, which includes Section 67-3-59.1 of the New Mexico Statutes Annotated (NMSA) (1978), as amended; and the Supplemental Public Securities Act constituting Sections 6-15-8 through 6-14-11 of the NMSA (1978), as amended.

13. LONG-TERM OBLIGATIONS - continued

Series 2002C HIF

The Department issued \$67,750,000 of the New Mexico State Highway Infrastructure Fund Revenue Highway Bonds (additionally secured by a Senior Subordinate Lien on Certain State Road Fund Revenues), Series 2002C, in May 2002. The gross proceeds including accrued interest to the Department were \$69,809,036 including \$2,499,411 of an original issue premium. The cost of issuance including underwriter fees was \$440,375. The bonds are special limited obligations of the State Highway Commission, payable from and secured by a senior pledge of proceeds of the collection of leased vehicle gross receipts tax revenues and tire recycling fees, in each case that are required by law to be paid into the Highway Infrastructure Fund and interest on such amounts in the Highway Infrastructure Fund. The Bonds are additionally payable from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002C Bonds (HIF Bonds) were issued to fund projects identified by the Department and the Legislature.

In October 2010, \$7,270,000 was refunded by the 2010B Senior Lien Refunding Revenue Bonds.

In December 2012, the remaining \$5,930,000 outstanding was refunded, in part, by the 2012 Refunding Revenue Bonds.

13. LONG-TERM OBLIGATIONS - continued

Series 2002D CHAT

The Department issued \$16,000,000 of the New Mexico State Highway Commission Senior Subordinate Lien Tax Revenue Highway Bonds, Series 2002D, in December 2002. The gross proceeds to the Department were \$16,572,740 including \$699,498 of an original issue premium. The cost of issuance including underwriter fees was \$126,758. The Bonds are special limited obligations of the State Highway Commission, payable solely from and secured by a senior subordinate pledge of proceeds of the collection of gasoline excise taxes, special fuel excise taxes, vehicle transaction taxes or fees, drivers license fees, oversize/overweight permit fees, certain Public Regulation Commission fees, trip taxes, weight distance taxes, motor vehicle registration fees, and to the extent authorized to be paid into the State Road Fund in the future, motor vehicle excise taxes, in each case that are required by law to be paid into the State Road Fund and interest on such amounts in the State Road Fund. The Series 2002D Bonds (CHAT Bonds) were issued to fund projects identified by the Department and the Legislature.

In October 2010, \$1,635,000 was refunded by the 2010B Senior Lien Refunding Revenue Bonds.

In December 2012, the remaining \$1,575,000 outstanding was refunded, in part, by the 2012 Refunding Revenue Bonds.

13. LONG-TERM OBLIGATIONS - continued

Series 2004A GRIP

The Department issued \$700,000,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A, in May 2004. The gross proceeds to the Department were \$738,787,815, including \$43,556,815 of an original issue premium. The cost of issuance including underwriter fees was \$6,368,367. The Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the Department has determined to be necessary or desirable.

The Department is responsible for the NMFA issuance costs and must annually pay the NMFA 25 basis points on the outstanding principal balance. Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.80% to 5.25% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

In October 2010, \$451,690,000 was refunded by the 2010B Senior Lien Refunding Revenue Bonds.

In December 2012, \$167,695,000 was refunded by the 2012 Refunding Revenue Bonds.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$7,378,656, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004A GRIP:			
2014	\$ 19,360,000	\$ 4,162,768	\$ 23,522,768
2015	61,255,000	3,215,888	64,470,888
Total	<u>\$ 80,615,000</u>	<u>\$ 7,378,656</u>	<u>\$ 87,993,656</u>

13. LONG-TERM OBLIGATIONS - continued

Series 2004B GRIP

The Department issued \$237,950,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B, in May 2004. The gross proceeds to the Department were \$254,129,187, including \$16,347,187 of an original issue premium. The cost of issuance including underwriter fees was \$2,196,442.

The Series 2004B Bonds are special limited obligations of the Department, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 2.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2014.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$1,483,400, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2004B GRIP:			
2014	29,740,000	1,483,400	31,223,400
Total	<u>\$ 29,740,000</u>	<u>\$ 1,483,400</u>	<u>\$ 31,223,400</u>

13. LONG-TERM OBLIGATIONS - continued

Refundings

NMFA, on behalf of the Department, has issued multiple series of refunding bonds in prior years to advance refund certain older debt issues of the Department. The net proceeds of those issuances less any new amounts borrowed plus, at times, additional funds provided by the Department, were used to purchase U. S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refundings of the older debt are considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$685,425,000 were considered defeased in substance as of June 30, 2013.

The cumulative deferred amount on the refundings of \$85,651,424, recorded, as a deferred outflow, is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Derivative Instruments

At the time of the 2004 GRIP bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, NMFA, on behalf of the Department, receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate" issues.

As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for the Department. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008A through D series).

Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006, issuance, NMFA believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5% or less for a portion of the bonds anticipated to be issued in 2006.

13. LONG-TERM OBLIGATIONS - continued

Significant Terms

2004 Swaps:

<u>Counterparty</u>	<u>Royal Bank of Canada</u>	<u>Goldman Sachs</u>	<u>Deutsche Bank</u>
Notional Amount	\$100,000,000	\$50,000,000	\$50,000,000
Receipt Rate	68 % of 1 month LIBOR	68 % of 1 month LIBOR	68 % of 1 month LIBOR
Payment Rate (Syn- thetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date:	June 15, 2024	June 15, 2024	June 15, 2024

2006 Forward Starting Swaps:

<u>Counterparty</u>	<u>JP Morgan Chase Bank</u>	<u>UBS AG</u>
Notional Amount	\$110,000,000	\$110,000,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	“Knockout” option – Counterparty may cancel if the index remains above 7% for more than 180 days	“Knockout” option – Counterparty may cancel if the index remains above 7% for more than 180 days
Option premium to NMFA	0.34%	0.34%
Net payment rate ("Synthetic Fixed Rate"), equals the payment rate less option premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date:	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the above swaps.

13. LONG-TERM OBLIGATIONS - continued

Fair Value

The estimated fair value of the swaps at June 30, 2013 was as follows:

<u>Counterparty</u>	<u>Notional Value</u>	<u>Fair Value *</u>
Goldman Sachs	\$ 50,000,000	\$ (9,982,790)
Deutsche	50,000,000	(9,982,790)
Royal Bank of Canada	100,000,000	(19,965,581)
JPMorgan Chase Bank	110,000,000	(29,222,732)
UBS AG	110,000,000	(29,222,732)
	<u>\$ 420,000,000</u>	<u>\$ (98,376,625)</u>

* The Fair Value is the estimated amount that would have been received by or paid by the Department if the agreements had been terminated at June 30, 2013 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2013. Negative amounts indicate payments that would have been made by the Department to the counterparties.

These swaps have been deemed a hedge, and as such, the total amount entered as a liability for the year ended June 30, 2013 was \$98,376,625.

During fiscal year 2013, management evaluated the effectiveness of the SWAP agreements and found a portion to be ineffective. As a result the ineffective portion was expensed in the amount of \$39,931,161 and the asset was reduced to \$58,445,464, which consists of the JP Morgan Chase Bank and UBS AG SWAP agreements.

Associated Debt

Variable Rate Debt*	Par Value	<u>2013 Debt Service</u>		Net Variable Made (Received)	Total Net Interest Paid	Effective Interest Rate
		Principal	Fixed Interest			
Series 2008A and C	\$ 200,000,000	\$ -	\$ 7,911,711	\$ 1,072,048	\$ 8,983,759	4.492%
Series 2008B	220,000,000	-	11,220,391	16,719	11,237,110	5.108%

* The interest and swap payments for these bonds include the payments for the 2004 and 2006 Series bonds that that the 2008 series bonds replaced during the prior fiscal year.

The interest includes amounts paid within the fiscal year without regard to the costs associated with the swap collateral (Taxable) Line of Credit.

13. LONG-TERM OBLIGATIONS - continued

Risks

Credit Risk. Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at June 30, 2013, were:

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Royal Bank of Canada	Aa3	AA-	AA
Goldman Sachs	Aa2	AAA	N/A
Deutsche Bank	A2	A+	A+
JP Morgan Chase	Aa3	A+	A+
UBS AG	A2	A	A

Presently, the Department has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Department if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. Termination values currently exceeded these limits, and, accordingly, collateral was posted for \$11,820,000 as of 6/30/2013 at UBS. The swap agreements permit the netting of amounts owed between the Department and a counterparty, mitigating, to some extent, the level of credit risk. The Department believes it has an adequate degree of diversification with regard to counterparties.

Swap Collateral Requirements – Taxable Line of Credit

Negative balances at the end of the fiscal year were such that collateral needed to be posted. For that purpose a short-term Taxable Line of Credit was established. There was \$23,000,000 outstanding on the line of credit at the end of the fiscal year, with \$35,000,000 borrowed and \$5,000,000 borrowed and \$17,000,000 repaid during the year.

SHARE fund 10410 - 2008A GRIP Bond Debt Service Fund	\$ 3,587,466
SHARE fund 10420 - 2008B GRIP Bond Debt Service Fund	16,771,760
SHARE fund 10430 - 2008C GRIP Bond Debt Service Fund	2,640,774
Total Short-term Notes Payable (Taxable Line of Credit)	<u>\$ 23,000,000</u>

During the year, the Department paid off a \$50,000,000 balance on the 2008D GRIP bonds that the BNSF had previously required as collateral. The new agreement, as discussed above, requires the department to have an available Line of Credit for \$50,000,000 as an insurance in case certain conditions occur.

Interest Rate Risk.

The knock-out option in the 2006 swaps leaves the Department open to interest rate risk. If the SIFMA municipal swap index averages above 7% for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Department would have outstanding unhedged variable rate debt in a 7% interest rate environment.

13. LONG-TERM OBLIGATIONS - continued

Basis Risk.

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Department has little or no such risk with respect to the 2006 bonds as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The Department has basis risk, however, with respect to the 2004 swaps. The variable rate the Department receives with respect to the 2004 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices would be a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Department's variable rate debt.

Termination Risk

The unplanned termination of one or more of the swaps exposes the Department to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Department, but not the counterparties, can terminate the swaps at any time with 30-day notice.

13. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA

The following bonds were issued by the New Mexico Finance Authority (Authority) in an agency capacity on behalf of the Department of Transportation during the fiscal year:

Series 2006A GRIP

On September 19, 2006, the Authority issued \$150,000,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.6% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2027.

In December 2012, \$66,040,000 was refunded by the 2012 Refunding Revenue Bonds.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$48,403,808, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006A GRIP:			
2014	255,000	4,152,413	\$ 4,407,413
2015	3,715,000	4,053,163	7,768,163
2016	3,535,000	3,871,913	7,406,913
2017	3,550,000	3,699,888	7,249,888
2018	3,570,000	3,527,275	7,097,275
2019-2023	650,000	17,155,406	17,805,406
2024-2027	68,250,000	11,943,750	80,193,750
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 83,525,000</u>	<u>\$ 48,403,808</u>	<u>\$ 131,928,808</u>

13. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2006B GRIP

On September 19, 2006, the Authority issued \$39,005,000 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is reflected by the New Mexico Department of Transportation and not the books of the Authority. The Authority serves in an agency capacity with respect to this bond issue.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 3.5% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2027.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$9,724,087, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2006B GRIP:			
2014	\$ 1,320,000	\$ 1,188,261	\$ 2,508,261
2015	1,375,000	1,135,288	2,510,288
2016	1,435,000	1,073,744	2,508,744
2017	1,500,000	1,010,044	2,510,044
2018	1,565,000	942,875	2,507,875
2019-2023	9,110,000	3,435,125	12,545,125
2024-2027	9,100,000	938,750	10,038,750
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 25,405,000</u>	<u>\$ 9,724,087</u>	<u>\$ 35,129,087</u>

13. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008A GRIP

The Department issued \$115,200,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008A in April of 2008. There was no original issue premium. The cost of issuance was \$457,260.

The \$115,200,000 Series 2008A Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$49,970,254, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008A GRIP:			
2014	\$ -	\$ 5,051,968	\$ 5,051,968
2015	-	5,051,968	5,051,968
2016	-	5,051,968	5,051,968
2017	-	4,549,301	4,549,301
2018	-	4,531,968	4,531,968
2019-2023	37,080,000	22,659,840	59,739,840
2024-2027	78,120,000	3,073,241	81,193,241
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 115,200,000</u>	<u>\$ 49,970,254</u>	<u>\$ 165,170,254</u>

13. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008B GRIP

The Department issued \$220,000,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008B in April of 2008. There was no original issue premium. The cost of issuance was \$873,240.

The \$220,000,000 Series 2008B Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2027.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$131,876,108, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008B GRIP:			
2014	\$ -	\$ 11,190,400	\$ 11,190,400
2015	-	11,190,400	11,190,400
2016	-	11,190,400	11,190,400
2017	-	10,436,400	10,436,400
2018	-	10,410,400	10,410,400
2019-2023	11,200,000	52,052,000	63,252,000
2024-2027	208,800,000	25,406,108	234,206,108
Total	<u>\$ 220,000,000</u>	<u>\$ 131,876,108</u>	<u>\$ 351,876,108</u>

13. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008C GRIP

The Department issued \$84,800,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008C in May of 2008. There was no original issue premium. The cost of issuance was \$448,194.

The \$84,800,000 Series 2008C Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$37,294,540, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2008C GRIP:			
2014	\$ -	\$ 3,887,232	\$ 3,887,232
2015	-	3,887,232	3,887,232
2016	-	3,887,232	3,887,232
2017	-	3,354,405	3,354,405
2018	-	3,336,032	3,336,032
2019-2023	27,295,000	16,680,160	43,975,160
2024-2027	57,505,000	2,262,247	59,767,247
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 84,800,000</u>	<u>\$ 37,294,540</u>	<u>\$ 122,094,540</u>

13. LONG-TERM OBLIGATIONS - continued

Bonds Issued by NMFA - continued

Series 2008D GRIP

The Department issued \$50,400,000 NMFA Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2008D in May of 2008. There was no original issue premium. The cost of issuance was \$264,930.

The \$50,400,000 Series 2008D Bonds, are payable wholly and solely from moneys derived from sources other than general taxation revenues. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for an escrow as required by BNSF Railway Company in the Joint Use Agreement with the New Mexico Department of Transportation to cover costs of additional uninsured liabilities on the part of BNSF which would not exist but for the commuter rail service and related activities.

On June 17, 2013 the Series 2008D Bonds were retired with the \$50,400,000 principal payment.

13. LONG-TERM OBLIGATIONS - continued

Series 2009A Refunding

The Department issued \$112,345,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2009A in November 2009. The gross proceeds to the Department were \$120,756,035, including \$8,411,035 of an original issue premium. The cost of issuance, including the underwriter's discount, was \$899,329.

The Series 2009A Bonds, together with additional bonds hereafter issued, are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds were issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund certain outstanding bonds of the NMFA which were issued for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest is payable semi-annually on June 15 and December 15 through the year 2017.

The Department's future estimated scheduled annual requirement to amortize the Bonds, including interest payments of \$2,358,800, based on interest rates from 2.0% to 5.0%, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2009A Refunding:			
2014	\$ 11,075,000	\$ 1,094,400	\$ 12,169,400
2015	4,820,000	651,400	5,471,400
2016	5,195,000	410,400	5,605,400
2017	5,065,000	202,600	5,267,600
Total	<u>\$ 26,155,000</u>	<u>\$ 2,358,800</u>	<u>\$ 28,513,800</u>

13. LONG-TERM OBLIGATIONS - continued

2010A Revenue and Refundings

The Department issued \$174,625,000 NMFA State Transportation Revenue and Refunding Revenue Bonds (Subordinate and Senior Lien) Series 2010A in September 2010. The gross proceeds to the Department were \$200,494,152 including an original issuance premium of \$26,745,858. The cost of issuance, including the underwriters' discount, was \$1,320,666.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on December 15. Interest, with rates ranging from 1.5% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$30,928,000, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010A Refunding			
2014	\$ 38,225,000	\$ 5,915,475	\$ 44,140,475
2015	12,015,000	4,764,650	16,779,650
2016	12,595,000	4,202,600	16,797,600
2017	13,265,000	3,585,375	16,850,375
2018	8,770,000	3,060,625	11,830,625
2019-2023	53,705,000	8,901,200	62,606,200
2024-2027	6,885,000	498,075	7,383,075
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 145,460,000</u>	<u>\$ 30,928,000</u>	<u>\$ 176,388,000</u>

13. LONG-TERM OBLIGATIONS - continued

2010B Revenue and Refundings

The Department issued \$461,075,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2010B in October 2010. The gross proceeds to the Department were \$543,315,911 including an original issuance premium of \$84,632,805. The cost of issuance, including the underwriters' discount, was \$3,096,740.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the GRIP plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail, park and ride, airport improvements, bike paths and hiking trails.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 3.0% to 5.0% per annum, is payable semi-annually on June 15 and December 15 through the year 2024.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$141,766,200, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010B Refunding			
2014	\$ 6,635,000	\$ 22,067,500	\$ 28,702,500
2015	-	21,832,100	21,832,100
2016	395,000	21,832,100	22,227,100
2017	69,180,000	21,820,250	91,000,250
2018	78,075,000	18,361,250	96,436,250
2019-2023	286,210,000	35,306,000	321,516,000
2024-2027	10,940,000	547,000	11,487,000
Total	<u>\$ 451,435,000</u>	<u>\$ 141,766,200</u>	<u>\$ 593,201,200</u>

13. LONG-TERM OBLIGATIONS - continued

2012 Revenue and Refundings

The Department issued \$220,400,000 NMFA State Transportation Refunding Revenue Bonds (Senior Lien) Series 2012 in December 2012. The gross proceeds to the Department were \$261,769,370 including an original issuance premium of \$42,693,105. The cost of issuance, including the underwriters' discount, was \$1,259,026.

Proceeds from the sale of the Series 2012 Bonds, together with other legally available funds from current year principal set asides, were used to refund (i) all of the New Mexico State Highway Commission Highway Infrastructure Fund Revenue Bonds, in the current outstanding amount of \$5,930,000 (The "Series 2002C Bonds"), (ii) all of the New Mexico State Transportation Commission Senior Subordinate Lien Tax Revenue Highway Bonds, in the current outstanding amount of \$1,575,000 (The "Series 2002D Bonds"), (iii) a portion of the Finance Authority State Transportation Revenue Bonds totaling \$167,695,000 currently outstanding in the aggregate amount of \$248,310,000 (The "Series 2004A Bonds"), and (iv) a portion of the Finance Authority State Transportation Revenue Bonds totaling \$66,040,000 currently outstanding in the aggregate amount of \$149,760,000 (The "Series 2006A Bonds"). Proceeds from the Series 2012 Bonds were also be used to pay costs of issuing the Series 2012 Bonds.

Principal of the Bonds is payable as follows on June 15. Interest, with rates ranging from 1.25% to 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2026.

The Department's future scheduled annual requirements to amortize the Bonds, including interest payments of \$76,294,615, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2010B Refunding			
2014	\$ -	\$ 8,791,663	\$ 8,791,663
2015	900,000	8,791,663	9,691,663
2016	45,485,000	8,764,663	54,249,663
2017	1,095,000	7,454,963	8,549,963
2018	1,305,000	7,411,163	8,716,163
2019-2023	121,860,000	30,531,650	152,391,650
2024-2027	46,810,000	4,548,850	51,358,850
Total	<u>\$ 217,455,000</u>	<u>\$ 76,294,615</u>	<u>\$ 293,749,615</u>

13. LONG-TERM OBLIGATIONS - continued

Total future principal and interest obligation repayments for all long-term payables are as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2014	\$ 175,595,480
2015	\$ 148,653,752
2016	\$ 128,925,020
2017	\$ 149,768,226
2018	\$ 144,866,588
2019-2023	\$ 733,831,381
2024-2027	\$ 535,628,021
Total	\$ 2,017,268,467

Long-Term Debt Interest Expense

The total amount of interest expense included in direct expenses in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds is \$76,561,388 for the year-ended June 30, 2013.

Capital Leases

There are no future minimum lease obligations to report as of June 30, 2013.

Compensated Absences

An obligation amounting to \$5,884,241 at June 30, 2013 has been recorded to the government-wide financial statements representing the Department's commitment for accrued vacation, sick leave and other compensated absences.

14. NEGATIVE FUND BALANCES

The Department had negative fund balances at the end of the fiscal year as follows:

Fund 43100: WIPP Bond Project Fund \$2,669,367

This amount represents revenue deferred to the following fiscal year due to DOE grant monies received in advance and not recognized as revenue until actually expended.

Fund 10030: Federal Planning and Development Fund \$1,290,446

This amount represents unreimbursed expenditures awaiting administrative processing requirements.

Fund 10060: Severance Tax Bond Appropriations Fund \$3,217,883

This amount represents unreimbursed expenditures awaiting administrative processing requirements.

15. REVERSIONS

Reversions are calculated based on an original appropriation amount less total expenditures until the appropriation is expired or closed by the capital projects division.

Current year reversions due to the State General Fund as of June 30, 2013 were as follows:

Fund 93100	<u>\$ 102,619</u>
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Current year reversions due to the State Board of Finance of June 30, 2013 were as follows:

Fund 10060	<u>\$ 107,311</u>
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Total of all reversions	<u>\$ 209,930</u>
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16. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2013, 2012 and 2011 were \$12,635,831, \$11,046,477, and \$13,459,033, respectively, equal to the amount of the required contribution for each year.

17. OTHER POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

17. OTHER POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN - continued

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2013, 2012, 2011 were \$1,676,656, \$1,505,141, and \$1,472,272, respectively, which equal the required contributions for each year.

18. RISK MANAGEMENT

The Department, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the state of New Mexico. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the state of New Mexico.
2. Coverage to protect the state of New Mexico's property and assets.
3. Fringe benefit coverage's for state of New Mexico employees.

During the 2010-2011 fiscal year, the Department paid Risk Management \$4,013,600 in insurance premiums. During the 2011-2012 fiscal year, the Department paid Risk Management \$4,283,653 in insurance premiums. During the 2012-2013 fiscal year, the Department paid Risk Management \$3,122,902 in insurance premiums. The Department's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2011, 2012 and 2013, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

19. LITIGATION

The Department is subject to various legal proceedings, claims and liabilities, including right-of-way condemnation proceedings, contractor claims and employee claims, which arise in the ordinary course of the Department's operations. There are various contractor lawsuits and claims against the Department for various reasons. The Department contests these claims and if a likelihood of a loss is probable and can be reasonably estimated, the Department accrues the loss in the accompanying financial statements. In the opinion of the Department's management and legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

20. OPERATING LEASE COMMITMENT

The Department leases certain equipment and premises under numerous operating leases. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. Rental expense for the year ended June 30, 2013 was \$1,099,647.

The future minimum lease payments under operating leases as of June 30, 2013 are as follows:

Years ending June 30:	Lease Amounts
2013	\$ 148,195
2014	115,315
2015	115,315
2016	115,315
2017-2021	201,385
2022	12,000
	<u>\$ 707,525</u>

21. COMMITMENTS AND CONTINGENCIES

Grant Revenue

The Department participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

22. BUDGETED VS. ACTUAL EXPENDITURES

Transfers, which are shown in the expenditure portion of the Budget and Actual presentation, are the intra-agency transfers only and these net to zero across the entire agency. Any one fund presentation will show a variance over or under budget since in general transfers are not budgeted. See Note 11 for the Transfers Schedule Footnote.

22. BUDGETED VS. ACTUAL EXPENDITURES - continued

Debt expenditures, which are reported in the Other category for budget purposes, and which include principal, interest and fees related to debt, were budgeted to be \$159,060,000. The actual expenditures, measured in the same way, were \$218,014,768.

Expenditures related to debt which was incurred during or after 2004 are budgeted and expensed primarily in the fund which generates the revenue for the payments, specifically State Road Fund (#20100), HIF Bond Fund (#20200) and WIPP Bond Project Fund (#43100). This is for several reasons, not the least of which, it is needed in order to capture the costs for billing entities when the debt costs are reimbursable. If actual debt costs, paid out of the debt trustee accounts, exceed the cash transferred from the primary fund, the debt service fund which records the trustee cash that was used in addition to the cash transferred, then records the debt expenditures.

Expenditures related to debt which was incurred before 2004 are also budgeted in the fund which generates the revenue for payments, but presented as an expenditure for GAAP purposes in the debt service fund. The recording of the cash transferred to the debt service funds is a transfer out in the sending fund and as a transfer in for the debt service funds. These transfer amounts are not formally budgeted.

23. SUBSEQUENT EVENTS

Updated Fair Value of Swaps

The estimated fair value of the swaps at November 26, 2013 was as follows:

Counterparty	Notional Value	Fair Value	Collateral Posted
Goldman Sachs	\$ 50,000,000	\$ (10,400,651)	\$ -
Deutsche	50,000,000	(10,400,651)	-
Royal Bank of Canada	100,000,000	(20,801,302)	1,410,000
JPMorgan Chase Bank	110,000,000	(29,623,881)	1,640,000
UBS AG	110,000,000	(29,623,881)	1,650,000
Total	<u>\$ 420,000,000</u>	<u>\$ (100,850,366)</u>	<u>\$ 4,700,000</u>

The date of the Collateral Posting Report is November 26, 2013.

23. SUBSEQUENT EVENTS - continued

Projects - Paseo Del Norte

In September of 2013, the State Transportation Commission approved a capital budget adjustment request authorizing the additional funding of \$50,442,894 for a major reconstruction of the I25/Paseo Del Norte Interchange in the City of Albuquerque. Funding for this request was provided by the City of Albuquerque in the amount of \$45,442,894 and the County of Bernalillo for \$5,000,000. Other funding for this project had been authorized by the Federal Highway Administration in the amount of \$18,317,394 and the New Mexico Legislature through Severance tax bond funds in the amount of \$29,768,000. The total funding for the project was \$98,528,288 and the project will predominately focus on improving traffic flow for northbound I-25 to westbound Paseo Del Norte (NM423) and eastbound Paseo Del Norte to southbound I-25 movements.

24. INSURANCE COVERAGE

The Department obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2012, through June 30, 2013.

25. ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

In fiscal year 2013, the Department implemented Governmental Accounting Standards Board (GASB) Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement 65 "Items Previously Reported as Assets and Liabilities". Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods and resulted in the adjustment below:

Net Position at June 30, 2012	\$ 5,638,365,755
Change in reporting for deferred charges for debt issuance costs	(8,005,176)
Net Position at June 30, 2013, restated	<u><u>\$ 5,630,360,579</u></u>

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SUPPLEMENTARY INFORMATION

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

DEPARTMENT OF TRANSPORTATION				
agency wide including enterprise fund excluding multi-year funds				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 400,449,000	\$ 404,905,029	\$ 455,084,403	\$ 50,179,374
Other state funds	164,800,000	424,559,000	435,763,877	11,204,877
Interest revenue	30,000	30,000	3,871,508	3,841,423
Total Revenues:	<u>565,279,000</u>	<u>829,494,029</u>	<u>894,719,788</u>	<u>\$ 65,225,674</u>
Prior Year Funds Rebudgeted	<u>384,974,384</u>	<u>384,974,384</u>		
	<u>\$ 950,253,384</u>	<u>\$ 1,214,468,413</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 894,719,788</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure:				
Personal services/employee benefits	\$ 25,417,800	\$ 25,417,800	\$ 22,373,045	\$ 3,044,755
Contractual services	686,170,782	686,606,356	498,760,822	187,845,534
Other	232,213,136	245,969,165	250,018,223	(4,049,058)
Intra-agency transfers (in) out	-	-	(4,306,349)	4,306,349
Reversions	-	-	-	449
	<u>943,801,718</u>	<u>957,993,321</u>	<u>766,845,741</u>	<u>191,148,029</u>
Transportation and Highway Ops:				
Personal services/employee benefits	96,531,600	96,531,600	88,641,961	7,889,639
Contractual services	51,392,462	83,008,190	2,322,652	80,685,538
Other	117,428,704	118,842,040	106,905,916	11,936,124
	<u>265,352,766</u>	<u>298,381,830</u>	<u>197,870,529</u>	<u>100,511,301</u>
Program Support:				
Personal services/employee benefits	22,978,600	22,978,600	20,276,449	2,702,151
Contractual services	3,910,700	3,910,700	2,769,759	1,140,941
Other	13,788,500	13,788,500	15,891,837	(2,103,337)
Intra-agency transfers (in) out	5,764,100	5,700,900	2,232,954	3,467,946
	<u>46,441,900</u>	<u>46,378,700</u>	<u>41,170,999</u>	<u>5,207,701</u>
Total Annual Budgeted Expenditures	<u>\$ 1,255,596,384</u>	<u>\$ 1,302,753,851</u>	<u>1,005,887,269</u>	<u>\$ 296,867,031</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			2,073,395	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 1,007,960,664</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

STATE ROAD FUND(S) (SHARE 10040 and, 20100)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 372,571,700	\$ 375,571,700	\$ 412,775,461	\$ 37,203,761
Other state funds	125,411,000	385,170,000	397,564,324	12,394,324
Transfers outside the agency	-	-	-	-
Interest revenue	-	-	241,171	241,171
Total Revenues:	<u>497,982,700</u>	<u>760,741,700</u>	<u>810,580,956</u>	<u>\$ 49,839,256</u>
Prior Year Funds Rebudgeted	<u>335,333,028</u>	<u>335,333,028</u>		
	<u>\$ 833,315,728</u>	<u>\$ 1,096,074,728</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 810,580,956</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 23,894,300	\$ 23,894,300	\$ 20,990,546	\$ 2,903,754
Contractual services	672,811,351	673,246,925	442,568,965	230,677,960
Other	162,024,932	162,024,932	148,713,633	13,311,299
Intra-agency transfers (in) out	-	-	(6,824,785)	6,824,785
Reversions	-	-	-	-
	<u>858,730,583</u>	<u>859,166,157</u>	<u>605,448,359</u>	<u>253,717,798</u>
Transportation and Highway Ops:				
Personal services/employee benefits	96,531,600	96,531,600	88,641,961	7,889,639
Contractual services	51,392,462	83,008,190	2,322,652	80,685,538
Other	77,965,890	79,379,226	82,841,410	(3,462,184)
	<u>225,889,952</u>	<u>258,919,016</u>	<u>173,806,023</u>	<u>85,112,993</u>
Program Support				
Personal services/employee benefits	22,978,600	22,978,600	20,276,449	2,702,151
Contractual services	3,910,700	3,910,700	2,769,759	1,140,941
Other	13,788,500	13,788,500	14,749,474	(960,974)
Intra-agency transfers (in) out	5,764,100	5,700,900	6,670,296	(969,396)
	<u>46,441,900</u>	<u>46,378,700</u>	<u>44,465,978</u>	<u>1,912,722</u>
Total Annual Budgeted Expenditures	<u>\$ 1,131,062,435</u>	<u>\$ 1,164,463,873</u>	<u>823,720,360</u>	<u>\$ 340,743,513</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			154,489	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 823,874,849</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

	DEPARTMENTAL SERVICES-INVENTORIES FUND (SHARE 10040)				
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts	Over (Under)	
			(Modified Accrual)		
Revenues:					
Federal funds	\$	-	\$	-	-
Other state funds		-	1,051,977		1,051,977
Interest revenue		-	-		-
Total Revenues:		-	1,051,977	\$	1,051,977
Prior Year Funds Rebudgeted		-			
	\$	-	\$	-	-
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	1,051,977	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$	-	\$	-	-
Contractual services		-	-		-
Other		-	-		-
Intra-agency transfers (in) out		-	-		-
Reversions		-	-		-
		-	-		-
Transportation and Highway Ops:					
Personal services/employee benefits		-	-		-
Contractual services		-	-		-
Other		-	-		-
		-	-		-
Program Support					
Personal services/employee benefits		-	-		-
Contractual services		-	-		-
Other		-	-		-
Intra-agency transfers (in) out		-	-		-
		-	-		-
Total Annual Budgeted Expenditures	\$	-	\$	-	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

STATE ROAD FUND (SHARE 20100)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 372,571,700	\$ 375,571,700	\$ 412,775,461	\$ 37,203,761
Other state funds	125,411,000	385,170,000	396,512,347	11,342,347
Transfers outside the agency	-	-	-	-
Interest revenue	-	-	241,171	241,171
Total Revenues:	<u>497,982,700</u>	<u>760,741,700</u>	<u>809,528,979</u>	<u>\$ 48,787,279</u>
Prior Year Funds Rebudgeted	<u>335,333,028</u>	<u>335,333,028</u>		
	<u>\$ 833,315,728</u>	<u>\$ 1,096,074,728</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 809,528,979</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 23,894,300	\$ 23,894,300	\$ 20,990,546	\$ 2,903,754
Contractual services	672,811,351	673,246,925	442,568,965	230,677,960
Other	162,024,932	162,024,932	148,713,634	13,311,298
Intra-agency transfers (in) out	-	-	(6,824,785)	6,824,785
	<u>858,730,583</u>	<u>859,166,157</u>	<u>605,448,360</u>	<u>253,717,797</u>
Transportation and Highway Ops:				
Personal services/employee benefits	96,531,600	96,531,600	88,641,961	7,889,639
Contractual services	51,392,462	83,008,190	2,322,651	80,685,539
Other	77,965,890	79,379,226	82,841,410	(3,462,184)
	<u>225,889,952</u>	<u>258,919,016</u>	<u>173,806,022</u>	<u>85,112,994</u>
Program Support				
Personal services/employee benefits	22,978,600	22,978,600	20,276,449	2,702,151
Contractual services	3,910,700	3,910,700	2,769,759	1,140,941
Other	13,788,500	13,788,500	14,749,474	(960,974)
Intra-agency transfers (in) out	5,764,100	5,700,900	6,670,296	(969,396)
	<u>46,441,900</u>	<u>46,378,700</u>	<u>44,465,978</u>	<u>1,912,722</u>
Total Annual Budgeted Expenditures	<u>\$ 1,131,062,435</u>	<u>\$ 1,164,463,873</u>	<u>\$ 823,720,360</u>	<u>\$ 340,743,513</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			154,489	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 823,874,849</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013	NON MAJOR GOVERNMENTAL FUNDS			
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	
			(Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 27,877,300	\$ 29,333,329	\$ 42,308,942	\$ 12,975,613
Other state funds	39,389,000	39,389,000	38,199,553	(1,189,447)
Interest revenue	30,000	30,000	2,518,910	2,488,825
Total Revenues:	67,296,300	68,752,329	83,027,405	\$ 14,274,991
Prior Year Funds Rebudgeted	49,641,356	49,641,356		
	\$ 116,937,656	\$ 118,393,685		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			\$ 83,027,405	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 1,523,500	\$ 1,523,500	\$ 1,382,499	\$ 141,001
Contractual services	13,359,431	13,359,431	56,191,857	(42,832,426)
Other	70,188,204	83,944,233	101,304,590	(17,360,357)
Intra-agency transfers (in) out	-	-	2,518,436	(2,518,436)
Reversions	-	-	-	449
	85,071,135	98,827,164	161,397,382	(62,569,770)
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	39,462,814	39,462,814	24,064,506	15,398,308
Reversions	-	-	-	-
	39,462,814	39,462,814	24,064,506	15,398,308
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	1,293	(1,293)
Intra-agency transfers (in) out	-	-	(4,437,342)	4,437,342
	-	-	(4,436,049)	4,436,049
Total Annual Budgeted Expenditures	\$ 124,533,949	\$ 138,289,978	181,025,839	\$ (42,735,413)
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			1,918,906	
Amortization and reversions			-	
Total GAAP Expenditures			\$ 182,944,745	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

TRAFFIC SAFETY FUND(S) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 15,742,400	\$ 15,742,400	\$ 7,697,791	\$ (8,044,609)
Other state funds	4,124,000	4,124,000	3,056,404	(1,067,596)
Transfers outside the agency	-	-	-	-
Interest revenue	-	-	2,616	2,616
Total Revenues:	<u>19,866,400</u>	<u>19,866,400</u>	<u>10,756,811</u>	<u>\$ (9,109,589)</u>
Prior Year Funds Rebudgeted	<u>6,956,335</u>	<u>6,956,335</u>		
	<u>\$ 26,822,735</u>	<u>\$ 26,822,735</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 10,756,811</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 684,700	\$ 684,700	\$ 583,145	\$ 101,555
Contractual services	32,550	32,550	32,550	-
Other	27,125,485	27,125,485	12,735,423	14,390,062
Intra-agency transfers (in) out	-	-	(378,607)	378,607
Reversions	-	-	-	-
	<u>27,842,735</u>	<u>27,842,735</u>	<u>12,972,511</u>	<u>14,870,224</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 27,842,735</u>	<u>\$ 27,842,735</u>	<u>12,972,511</u>	<u>\$ 14,870,224</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			378,607	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 13,351,118</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

FEDERAL TRAFFIC SAFETY FUND (SHARE 10010)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 15,742,400	\$ 15,742,400	\$ 7,697,791	\$ (8,044,609)
Other state funds	-	-	333	333
Interest revenue	-	-	-	-
Total Revenues:	<u>15,742,400</u>	<u>15,742,400</u>	<u>7,698,124</u>	<u>\$ (8,044,276)</u>
Prior Year Funds Rebudgeted	<u>4,677,411</u>	<u>4,677,411</u>		
	<u>\$ 20,419,811</u>	<u>\$ 20,419,811</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 7,698,124</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 545,800	\$ 545,800	\$ 527,063	\$ 18,737
Contractual services	32,550	32,550	32,550	-
Other	19,861,461	19,861,461	9,456,049	10,405,412
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>20,439,811</u>	<u>20,439,811</u>	<u>10,015,662</u>	<u>10,424,149</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 20,439,811</u>	<u>\$ 20,439,811</u>	<u>10,015,662</u>	<u>\$ 10,424,149</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 10,015,662</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

DRIVER IMPROVEMENT FUND (SHARE 10020)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	330,000	330,000	320,217	(9,783)
Interest revenue	-	-	-	-
Total Revenues:	330,000	330,000	320,217	\$ (9,783)
Prior Year Funds Rebudgeted	137,328	137,328		
	<u>\$ 467,328</u>	<u>\$ 467,328</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 320,217</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	467,328	467,328	282,125	185,203
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>467,328</u>	<u>467,328</u>	<u>282,125</u>	<u>185,203</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 467,328</u>	<u>\$ 467,328</u>	<u>282,125</u>	<u>\$ 185,203</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 282,125</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

MOTORCYCLE TRAINING FUND (SHARE 20600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	130,000	130,000	135,156	5,156
Interest revenue	-	-	233	233
Total Revenues:	<u>130,000</u>	<u>130,000</u>	<u>135,389</u>	<u>\$ 5,389</u>
Prior Year Funds Rebudgeted	-	-		
	<u>\$ 130,000</u>	<u>\$ 130,000</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 135,389</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	130,000	130,000	130,000	-
Intra-agency transfers (in) out	-	-	(78,607)	78,607
Reversions	-	-	-	-
	<u>130,000</u>	<u>130,000</u>	<u>51,393</u>	<u>78,607</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>51,393</u>	<u>\$ 78,607</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			78,607	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 130,000</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

DWI PREVENTION AND EDUCATION FUND (SHARE 20700)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	475,000	475,000	513,498	38,498
Interest revenue	-	-	-	-
Total Revenues:	475,000	475,000	513,498	\$ 38,498
Prior Year Funds Rebudgeted	613,344	613,344		
	\$ 1,088,344	\$ 1,088,344		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			\$ 513,498	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 80,900	\$ 80,900	\$ -	\$ 80,900
Contractual services	-	-	-	-
Other	1,007,444	1,007,444	877,212	130,232
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	1,088,344	1,088,344	877,212	211,132
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	-	-	-	-
Total Annual Budgeted Expenditures	\$ 1,088,344	\$ 1,088,344	877,212	\$ 211,132
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			\$ 877,212	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

TRAFFIC SAFETY FUND (SHARE 20800)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	1,189,000	1,189,000	1,334,087	145,087
Interest revenue	-	-	2,383	2,383
Total Revenues:	<u>1,189,000</u>	<u>1,189,000</u>	<u>1,336,470</u>	<u>\$ 147,470</u>
Prior Year Funds Rebudgeted	<u>1,524,993</u>	<u>1,524,993</u>		
	<u>\$ 2,713,993</u>	<u>\$ 2,713,993</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 1,336,470</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	2,713,993	2,713,993	1,613,796	1,100,197
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>2,713,993</u>	<u>2,713,993</u>	<u>1,613,796</u>	<u>1,100,197</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 2,713,993</u>	<u>\$ 2,713,993</u>	<u>1,613,796</u>	<u>\$ 1,100,197</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 1,613,796</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

IGNITION INTERLOCK FUND (SHARE 82600)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	2,000,000	2,000,000	753,113	(1,246,887)
State general fund	-	-	-	-
Total Revenues:	<u>2,000,000</u>	<u>2,000,000</u>	<u>753,113</u>	<u>\$ (1,246,887)</u>
Prior Year Funds Rebudgeted	<u>3,259</u>	<u>3,259</u>		
	<u>\$ 2,003,259</u>	<u>\$ 2,003,259</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 753,113</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 58,000	\$ 58,000	\$ 56,082	\$ 1,918
Contractual services	-	-	-	-
Other	2,945,259	2,945,259	376,241	2,569,018
Intra-agency transfers (in) out	-	-	(300,000)	300,000
Reversions	-	-	-	-
	<u>3,003,259</u>	<u>3,003,259</u>	<u>132,323</u>	<u>2,870,936</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 3,003,259</u>	<u>\$ 3,003,259</u>	<u>132,323</u>	<u>\$ 2,870,936</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			300,000	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 432,323</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

FEDERAL PLANNING AND DEVELOPMENT FUND (SHARE 10030)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ 12,134,900	\$ 13,590,929	\$ 13,182,849	\$ (408,080)
Other state funds	-	-	-	-
Interest revenue	-	-	-	-
Total Revenues:	<u>12,134,900</u>	<u>13,590,929</u>	<u>13,182,849</u>	<u>\$ (408,080)</u>
Prior Year Funds Rebudgeted	<u>8,374,738</u>	<u>8,374,738</u>		
	<u>\$ 20,509,638</u>	<u>\$ 21,965,667</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 13,182,849</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 445,400	\$ 445,400	\$ 418,328	\$ 27,072
Contractual services	-	-	-	-
Other	20,064,238	21,520,267	12,937,101	8,583,166
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>20,509,638</u>	<u>21,965,667</u>	<u>13,355,429</u>	<u>8,610,238</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 20,509,638</u>	<u>\$ 21,965,667</u>	<u>13,355,429</u>	<u>\$ 8,610,238</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 13,355,429</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

HIF BOND FUND (SHARE 20200)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	7,610,000	7,610,000	7,021,317	(588,683)
Interest revenue	10,000	10,000	25,452	15,452
Total Revenues:	<u>7,620,000</u>	<u>7,620,000</u>	<u>7,046,769</u>	<u>\$ (573,231)</u>
Prior Year Funds Rebudgeted	<u>-</u>	<u>-</u>		
	<u>\$ 7,620,000</u>	<u>\$ 7,620,000</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 7,046,769</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	9,083,000	9,083,000	6,009,100	3,073,900
Intra-agency transfers (in) out	-	-	2,897,043	(2,897,043)
Reversions	-	-	-	-
	<u>9,083,000</u>	<u>9,083,000</u>	<u>8,906,143</u>	<u>176,857</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 9,083,000</u>	<u>\$ 9,083,000</u>	<u>8,906,143</u>	<u>\$ 176,857</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			(2,897,043)	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 6,009,100</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

LOCAL GOVERNMENT ROAD FUND (SHARE 20300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	22,430,000	22,430,000	21,495,503	(934,497)
Interest revenue	20,000	20,000	46,243	26,243
Total Revenues:	<u>22,450,000</u>	<u>22,450,000</u>	<u>21,541,746</u>	<u>\$ (908,254)</u>
Prior Year Funds Rebudgeted	<u>16,899,521</u>	<u>16,899,521</u>		
	<u>\$ 39,349,521</u>	<u>\$ 39,349,521</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 21,541,746</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	39,462,814	39,462,814	24,064,506	15,398,308
	<u>39,462,814</u>	<u>39,462,814</u>	<u>24,064,506</u>	<u>15,398,308</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 39,462,814</u>	<u>\$ 39,462,814</u>	<u>24,064,506</u>	<u>\$ 15,398,308</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 24,064,506</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

STATE AVIATION FUND (SHARE 20500)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	5,225,000	5,225,000	5,911,691	686,691
Interest revenue	-	-	35,887	35,887
Total Revenues:	<u>5,225,000</u>	<u>5,225,000</u>	<u>5,947,578</u>	<u>\$ 722,578</u>
Prior Year Funds Rebudgeted	<u>5,343,733</u>	<u>5,343,733</u>		
	<u>\$ 10,568,733</u>	<u>\$ 10,568,733</u>		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			<u>\$ 5,947,578</u>	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ 393,400	\$ 393,400	\$ 381,026	\$ 12,374
Contractual services	1,259,852	1,259,852	115,814	1,144,038
Other	13,915,481	13,915,481	3,335,731	10,579,750
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	<u>15,568,733</u>	<u>15,568,733</u>	<u>3,832,571</u>	<u>11,736,162</u>
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Annual Budgeted Expenditures	<u>\$ 15,568,733</u>	<u>\$ 15,568,733</u>	<u>3,832,571</u>	<u>\$ 11,736,162</u>
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			<u>\$ 3,832,571</u>	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

1993 BOND PROJECT FUND (SHARE 39400)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	3,577		3,577
Total Revenues:	-	-	3,577	\$	3,577
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	3,577	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

1999A CHAT BOND PROJECT FUND (SHARE 43000)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	4,751		4,751
Total Revenues:	-	-	4,751	\$	4,751
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	4,751	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

WIPP BOND PROJECT FUND (SHARE 43100)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ 11,197,644	\$	11,197,644
Other state funds	-	-	-		-
Interest revenue	-	-	14,036		14,036
Total Revenues:	-	-	11,211,680	\$	11,211,680
Prior Year Funds Rebudgeted	12,067,029	12,067,029			
	\$ 12,067,029	\$ 12,067,029			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 11,211,680		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$	-
Contractual services	12,067,029	12,067,029	11,197,644		869,385
Other	-	-	-		-
Intra-agency transfers (in) out	-	-	-		-
Reversions	-	-	-		-
	12,067,029	12,067,029	11,197,644		869,385
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
Program Support					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
Intra-agency transfers (in) out	-	-	-		-
Total Annual Budgeted Expenditures	\$ 12,067,029	\$ 12,067,029	11,197,644	\$	869,385
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 11,197,644		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2001A CHAT BOND PROJECT FUND (SHARE 00600)					
	Budgeted Amounts		Actual		Variance
	Original	Final	Amounts (Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	10,583	10,583	
Total Revenues:	-	-	10,583	\$ 10,583	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-	-	
Total GAAP Revenues			\$ 10,583		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$ -	-
Reconciliation to GAAP expenditures:					
Accruals			-	-	
Transfers in (out)			-	-	
Amortization and reversions			-	-	
Total GAAP Expenditures			\$ -		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2002C HIF BOND PROJECT FUND (SHARE 36100)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	2,925		2,925
Total Revenues:	-	-	2,925	\$	2,925
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	2,925	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2002D CHAT BOND PROJECT FUND (SHARE 11500)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	1,429		1,429
Total Revenues:	-	-	1,429	\$	1,429
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	1,429	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2004A GRIP BOND PROJECT FUND (SHARE 20400)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	603,777		603,777
Interest revenue	-	-	-		-
Total Revenues:	-	-	603,777	\$	603,777
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	603,777	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2006A GRIP BOND PROJECT FUND (SHARE 10210)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	100,000	100,000
Interest revenue	-	-	28	28
Total Revenues:	-	-	100,028	\$ 100,028
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			\$ 100,028	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	-	-
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	4	(4)
	-	-	4	(4)
Total Annual Budgeted Expenditures	\$ -	\$ -	4	\$ (4)
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			-	
Amortization and reversions			-	
Total GAAP Expenditures			\$ 4	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2006B GRIP BOND PROJECT FUND (SHARE 10230)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	2		2
Total Revenues:	-	-	2	\$	2
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 2	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$ -	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures				\$ -	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2006C GRIP BOND PROJECT FUND (SHARE 10250)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	30		30
Total Revenues:	-	-	30	\$	30
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 30		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	4		(4)
Intra-agency transfers (in) out	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	4	\$	(4)
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 4		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2006D GRIP BOND PROJECT FUND (SHARE 10270)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	38,982		38,982
Total Revenues:	-	-	38,982	\$	38,982
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	38,982	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	1,285		(1,285)
Intra-agency transfers (in) out	-	-	50,044,688		(50,044,688)
Total Annual Budgeted Expenditures	\$ -	\$ -	50,045,973	\$	(50,045,973)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)			(50,044,688)		
Amortization and reversions				-	
Total GAAP Expenditures			\$	1,285	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

ARRA PROJECT FUND (SHARE 89000)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ 10,230,658	\$ 10,230,658	
Other state funds	-	-	10,851	10,851	
Interest revenue	-	-	-	-	
Total Revenues:	-	-	10,241,509	\$ 10,241,509	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 10,241,509		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	
Contractual services	-	-	8,793,297	(8,793,297)	
Other	-	-	2	(2)	
Intra-agency transfers (in) out	-	-	-	-	
Reversions	-	-	-	-	
	-	-	8,793,299	(8,793,299)	
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	
Contractual services	-	-	-	-	
Other	-	-	-	-	
	-	-	-	-	
Program Support					
Personal services/employee benefits	-	-	-	-	
Contractual services	-	-	-	-	
Other	-	-	-	-	
Intra-agency transfers (in) out	-	-	-	-	
	-	-	-	-	
Total Annual Budgeted Expenditures	\$ -	\$ -	8,793,299	\$ (8,793,299)	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 8,793,299		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

1998A WIPP BOND DEBT SERVICE (SHARE 97200)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	33		33
Total Revenues:	-	-	33	\$	33
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 33		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	5		(5)
Total Annual Budgeted Expenditures	\$ -	\$ -	5	\$	(5)
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			(5)		
Amortization and reversions			-		
Total GAAP Expenditures			\$ -		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

1998A CHAT BOND DEBT SERVICE (SHARE 54800)					
	Budgeted Amounts		Actual Amounts		Variance Over (Under)
	Original	Final	(Modified Accrual)		
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	318		318
Total Revenues:	-	-	318	\$	318
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 318	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	2		(2)
	-	-	2		(2)
Total Annual Budgeted Expenditures	\$ -	\$ -	2	\$	(2)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				(2)	
Amortization and reversions				-	
Total GAAP Expenditures				\$ -	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

1999 CHAT BOND DEBT SERVICE (SHARE 43400)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	597		597
Total Revenues:	-	-	597	\$	597
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 597		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	18		(18)
	-	-	18		(18)
Total Annual Budgeted Expenditures	\$ -	\$ -	18	\$	(18)
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			(18)		
Amortization and reversions			-		
Total GAAP Expenditures			\$ -		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2000 CHAT BOND DEBT SERVICE (SHARE 43200)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	458		458
Total Revenues:	-	-	458	\$	458
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 458	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	29		(29)
	-	-	29		(29)
Total Annual Budgeted Expenditures	\$ -	\$ -	29	\$	(29)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				(29)	
Amortization and reversions				-	
Total GAAP Expenditures				\$ -	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2001A CHAT BOND DEBT SERVICE (SHARE 00700)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	524		524
Total Revenues:	-	-	524	\$	524
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	524	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	40		(40)
	-	-	40		(40)
Total Annual Budgeted Expenditures	\$ -	\$ -	40	\$	(40)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)			(40)		
Amortization and reversions			-		
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2002A CHAT BOND DEBT SERVICE (SHARE 54700)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	187		187
Total Revenues:	-	-	187	\$	187
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 187		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	17		(17)
	-	-	17		(17)
Total Annual Budgeted Expenditures	\$ -	\$ -	17	\$	(17)
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			(17)		
Amortization and reversions			-		
Total GAAP Expenditures			\$ -		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2002B WIPP BOND DEBT SERVICE (SHARE 75000)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	249		249
Total Revenues:	-	-	249	\$	249
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	249	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	17		(17)
Total Annual Budgeted Expenditures	\$ -	\$ -	17	\$	(17)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)			(17)		
Amortization and reversions			-		
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2002C HIF BOND DEBT SERVICE (SHARE 36300)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	-	-
Interest revenue	-	-	228	228
Total Revenues:	-	-	228	\$ 228
Prior Year Funds Rebudgeted	-	-		
	\$ -	\$ -		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			\$ 228	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	2,897,181	(2,897,181)
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	2,897,181	(2,897,181)
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	(2,897,043)	2,897,043
Reversions	-	-	-	-
	-	-	(2,897,043)	2,897,043
Total Annual Budgeted Expenditures	\$ -	\$ -	138	\$ (138)
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			2,897,043	
Amortization and reversions			-	
Total GAAP Expenditures			\$ 2,897,181	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2002D CHAT BOND DEBT SERVICE (SHARE 18700)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	90		90
Total Revenues:	-	-	90	\$	90
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 90		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	889,804		(889,804)
Intra-agency transfers (in) out	-	-	-		-
Reversions	-	-	-		-
	-	-	889,804		(889,804)
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
	-	-	-		-
Program Support					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
Intra-agency transfers (in) out	-	-	(869,874)		869,874
	-	-	(869,874)		869,874
Total Annual Budgeted Expenditures	\$ -	\$ -	19,930	\$	(19,930)
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			869,874		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 889,804		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2004A GRIP BOND DEBT SERVICE (SHARE 10080)					
Budgeted Amounts		Actual		Variance	
Original	Final	Amounts		Over (Under)	
		(Modified Accrual)			
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	449		449
Total Revenues:		-	-	449	\$ 449
Prior Year Funds Rebudgeted		-	-		
		\$ -	\$ -		
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 449	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
		-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
		-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
		-	-	-	-
Total Annual Budgeted Expenditures		\$ -	\$ -	-	\$ -
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures				\$ -	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2004B GRIP BOND DEBT SERVICE (SHARE 10090)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	
Other state funds	-	-	-	-	
Interest revenue	-	-	1,937,351	1,937,351	
Total Revenues:	-	-	1,937,351	\$ 1,937,351	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 1,937,351		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	
Contractual services	-	-	-	-	
Other	-	12,300,000	11,140,541	1,159,459	
Intra-agency transfers (in) out	-	-	-	-	
Reversions	-	-	-	-	
	-	12,300,000	11,140,541	1,159,459	
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	
Contractual services	-	-	-	-	
Other	-	-	-	-	
Program Support					
Personal services/employee benefits	-	-	-	-	
Contractual services	-	-	-	-	
Other	-	-	-	-	
Intra-agency transfers (in) out	-	-	1,114,383	(1,114,383)	
	-	-	1,114,383	(1,114,383)	
Total Annual Budgeted Expenditures	\$ -	\$ 12,300,000	12,254,924	\$ 45,076	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			(1,114,383)		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 11,140,541		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2006A GRIP BOND DEBT SERVICE (SHARE 10220)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	255	255	
Total Revenues:	-	-	255	\$ 255	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 255		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$ -	-
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ -		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2006B GRIP BOND DEBT SERVICE (SHARE 10240)					
Budgeted Amounts		Actual		Variance	
Original	Final	Amounts		Over (Under)	
		(Modified Accrual)			
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	125		125
Total Revenues:		-	-	125	\$ 125
Prior Year Funds Rebudgeted		-	-		
		\$ -	\$ -		
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 125	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
		-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
		-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
		-	-	-	-
Total Annual Budgeted Expenditures		\$ -	\$ -	-	\$ -
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures				\$ -	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2008A GRIP BOND DEBT SERVICE (SHARE 10410)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	180,354	180,354	
Total Revenues:	-	-	180,354	\$ 180,354	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 180,354		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	198,282	(198,282)	
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	198,282	(198,282)	
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	(641,884)	641,884	
	-	-	(641,884)	641,884	
Total Annual Budgeted Expenditures	\$ -	\$ -	(443,602)	\$ 443,602	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			641,884		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 198,282		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2010A BOND PROJECT FUND (SHARE 10450)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	8,228		8,228
Total Revenues:	-	-	8,228	\$	8,228
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 8,228	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	36,052,552		(36,052,552)
Other	-	-	-		-
Intra-agency transfers (in) out	-	-	-		-
Reversions	-	-	-		-
	-	-	36,052,552		(36,052,552)
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
	-	-	-		-
Program Support					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
Intra-agency transfers (in) out	-	-	-		-
	-	-	-		-
Total Annual Budgeted Expenditures	\$ -	\$ -	36,052,552	\$	(36,052,552)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures				\$ 36,052,552	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2008C GRIP BOND DEBT SERVICE (SHARE 10430)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	132,458	132,458	
Total Revenues:	-	-	132,458	\$ 132,458	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 132,458		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	149,880	(149,880)	
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	149,880	(149,880)	
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	(472,498)	472,498	
	-	-	(472,498)	472,498	
Total Annual Budgeted Expenditures	\$ -	\$ -	(322,618)	\$ 322,618	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			472,498		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 149,880		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2008D GRIP BOND DEBT SERVICE (SHARE 10440)				
	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Modified Accrual)	Over (Under)
Revenues:				
Federal funds	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	-	-
Interest revenue	-	-	419	419
Total Revenues:	-	-	419	\$ 419
Prior Year Funds Rebudgeted				
	-	-		
	\$ -	\$ -		
Reconciliations to GAAP Revenues:				
Transfers outside the Agency			-	
Total GAAP Revenues			\$ 419	
Expenditures - current and capital outlay:				
Programs and Infrastructure				
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	50,400,000	(50,400,000)
Intra-agency transfers (in) out	-	-	-	-
Reversions	-	-	-	-
	-	-	50,400,000	(50,400,000)
Transportation and Highway Ops:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Program Support				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Intra-agency transfers (in) out	-	-	(50,044,688)	50,044,688
	-	-	(50,044,688)	50,044,688
Total Annual Budgeted Expenditures	\$ -	\$ -	355,312	\$ (355,312)
Reconciliation to GAAP expenditures:				
Accruals			-	
Transfers in (out)			50,044,688	
Amortization and reversions			-	
Total GAAP Expenditures			\$ 50,400,000	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2009A BOND DEBT SERVICE (SHARE 11130)					
Budgeted Amounts			Actual	Variance	
Original	Final		Amounts	Over (Under)	
			(Modified Accrual)		
Revenues:					
Federal funds	\$	-	\$	-	-
Other state funds		-		10	10
Interest revenue		-		1,656	1,656
Total Revenues:				1,666	\$ 1,666
Prior Year Funds Rebudgeted					
		-			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ 1,666	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$	-	\$	-	-
Contractual services		-		-	-
Other		-		-	-
Intra-agency transfers (in) out		-		-	-
Reversions		-		-	-
				-	-
Transportation and Highway Ops:					
Personal services/employee benefits		-		-	-
Contractual services		-		-	-
Other		-		-	-
				-	-
Program Support					
Personal services/employee benefits		-		-	-
Contractual services		-		-	-
Other		-		-	-
Intra-agency transfers (in) out		-		-	-
				-	-
Total Annual Budgeted Expenditures				-	\$ -
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures				\$ -	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2010A BOND DEBT SERVICE (SHARE 11140)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	1,067	1,067	
Total Revenues:	-	-	1,067	\$ 1,067	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 1,067		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	3,800	(3,800)	
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	3,800	(3,800)	
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	3,800	\$ (3,800)	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 3,800		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2010B GRIP BOND DEBT SERVICE FUND (SHARE 20450)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	713		713
Total Revenues:	-	-	713	\$	713
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	713	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	1,900		(1,900)
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	1,900		(1,900)
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	1,900	\$	(1,900)
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	1,900	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

2012A REFUNDING BOND DEBT SERVICE FUND (SHARE 30850)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	85		85
Total Revenues:	-	-	85	\$	85
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 85		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	605,845		(605,845)
Intra-agency transfers (in) out	-	-	-		-
Reversions	-	-	-		-
	-	-	605,845		(605,845)
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	(670,554)		670,554
Reversions	-	-	-	-	-
	-	-	(670,554)		670,554
Total Annual Budgeted Expenditures	\$ -	\$ -	(64,709)	\$	64,709
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			670,554		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 605,845		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

STATE INFRASTRUCTURE BANK (SHARE 89300)					
		Actual			
Budgeted Amounts		Amounts	Variance		
Original	Final	(Modified Accrual)	Over (Under)		
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	66,525	66,525	
Total Revenues:		-	-	66,525	\$ 66,525
Prior Year Funds Rebudgeted		-	-		
		\$ -	\$ -		
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			-		
Total GAAP Revenues			\$ 66,525		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
		-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
		-	-	-	-
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
		-	-	-	-
Total Annual Budgeted Expenditures		\$ -	\$ -	-	\$ -
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ -		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

CAPITAL PROJECTS FUND (SHARE 10050)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Interest revenue	-	-	-	-	-
Total Revenues:	-	-	-	\$ -	-
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ -	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	124,019	(124,019)	
Other	-	-	832,531	(832,531)	
Intra-agency transfers (in) out	-	-	9,500	(9,500)	
Reversions	-	-	6,656,152	(6,656,152)	
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	7,622,202	\$ (7,622,202)	
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)			(6,665,652)		
Amortization and reversions			-		
Total GAAP Expenditures				\$ 956,550	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

STB APPROPRIATIONS FUND (SHARE 10060)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	1,059,495	1,059,495	
Transfers outside the agency	-	-	11,132,328	11,132,328	
Total Revenues:	-	-	12,191,823	\$ 12,191,823	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			(11,132,328)		
Total GAAP Revenues			\$ 1,059,495		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	10,588,624	(10,588,624)	
Other	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	10,588,624	(10,588,624)	
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	10,588,624	\$ (10,588,624)	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 10,588,624		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

GENERAL FUND APPROPRIATIONS FUND (SHARE 10070)					
Budgeted Amounts		Actual Amounts		Variance	
Original	Final	(Modified Accrual)		Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	1,343		1,343
Interest revenue	-	-	-		-
Total Revenues:	-	-	1,343	\$	1,343
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues			\$	1,343	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	-		-
Other	-	-	-		-
Intra-agency transfers (in) out	-	-	-		-
Reversions	-	-	-		-
	-	-	-		-
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
Reversions	-	-	-		-
	-	-	-		-
Program Support					
Personal services/employee benefits	-	-	-		-
Contractual services	-	-	-		-
Other	-	-	-		-
	-	-	-		-
Total Annual Budgeted Expenditures	\$ -	\$ -	-	\$	-
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)				-	
Amortization and reversions				-	
Total GAAP Expenditures			\$	-	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

STB CAPITAL OUTLAY FUND (SHARE 89200)					
	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts (Modified Accrual)	Over (Under)	
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Transfers outside the agency	-	-	1,907,670	1,907,670	
Total Revenues:	-	-	1,907,670	\$ 1,907,670	
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency			(1,907,670)		
Total GAAP Revenues			\$ -		
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	425	(425)	
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	425	(425)	
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	769,202	(769,202)	
Other	-	-	1,138,043	(1,138,043)	
Reversions	-	-	-	-	-
	-	-	1,907,245	(1,907,245)	
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	1,907,670	\$ (1,907,670)	
Reconciliation to GAAP expenditures:					
Accruals			-		
Transfers in (out)			-		
Amortization and reversions			-		
Total GAAP Expenditures			\$ 1,907,670		

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Statement of Revenues and Expenditures-Budget and Actual
(Modified Accrual Basis)

For the Year Ended June 30, 2013

GF CAPITAL OUTLAY FUND (SHARE 93100)					
	Budgeted Amounts		Actual Amounts		Variance
	Original	Final	(Modified Accrual)		Over (Under)
Revenues:					
Federal funds	\$ -	\$ -	\$ -	\$ -	-
Other state funds	-	-	-	-	-
Transfers outside the agency	-	-	-	-	-
Total Revenues:	-	-	-	\$ -	-
Prior Year Funds Rebudgeted	-	-			
	\$ -	\$ -			
Reconciliations to GAAP Revenues:					
Transfers outside the Agency				-	
Total GAAP Revenues				\$ -	
Expenditures - current and capital outlay:					
Programs and Infrastructure					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	-
Contractual services	-	-	248,979		(248,979)
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	248,979		(248,979)
Transportation and Highway Ops:					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	39,566		(39,566)
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	(131,887)		131,887
Reversions	-	-	102,619		(102,619)
	-	-	10,298		(10,298)
Program Support					
Personal services/employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Intra-agency transfers (in) out	-	-	-	-	-
Reversions	-	-	-	-	-
	-	-	-	-	-
Total Annual Budgeted Expenditures	\$ -	\$ -	259,277	\$ (259,277)	
Reconciliation to GAAP expenditures:					
Accruals				-	
Transfers in (out)			131,887		
Amortization and reversions			(102,619)		
Total GAAP Expenditures				\$ 288,545	

The legal level of budgetary compliance is at the appropriation unit level at the entity-wide level, except for multiyear funds.

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-State Road Fund(s)

As of June 30, 2013

	Departmental Services- Inventories (SHARE 10040)	State Road Fund (SHARE 20100)	State Road Fund(s) (SHARE 10040 and 20100)
Assets:			
Cash:			
Unrestricted	\$ -	\$ 2,100	\$ 2,100
Restricted	-	-	-
Cash Equivalents: investment in state general fund investment pool)			
Unrestricted	-	159,172,462	159,172,462
Restricted	-	-	-
Managed by NMFA	-	65,032	65,032
Receivables:			
Taxes receivable, net	-	57,376,319	57,376,319
Accounts receivable, net	-	702,104	702,104
Interest receivable	-	-	-
Notes and loans receivable	-	2,649	2,649
Other receivables	-	20,106	20,106
Due from:			
U.S. Department of Transportation	-	43,123,426	43,123,426
Other funds	10,071,859	8,751,342	18,823,201
Other state agencies	-	35,970	35,970
Inventories	14,420,684	-	14,420,684
Prepaid expenses - other	-	2,753	2,753
Prepaid expenses - risk management	-	-	-
Prepaid expense - NM44 warranty	-	23,315,075	23,315,075
Property held for resale	-	9,007,214	9,007,214
Total Assets	<u>\$ 24,492,543</u>	<u>\$ 301,576,552</u>	<u>\$ 326,069,095</u>
Liabilities and Net Position:			
Liabilities:			
Accounts payable	\$ 678,169	\$ 73,846,500	\$ 74,524,669
Due to other funds	256,454	10,431,595	10,688,049
Due to other agencies	20,199,938	2,884	20,202,822
Due to state general fund	-	-	-
Unearned revenue	-	2,059,567	2,059,567
Other accrued expenses	-	2,371,242	2,371,242
Other liabilities	292,293	34,212	326,505
Short-term notes payable (taxable line of credit)	-	-	-
Total Liabilities	<u>21,426,854</u>	<u>88,746,000</u>	<u>110,172,854</u>
Non-spendable	14,420,684	32,325,025	46,745,709
Restricted	-	-	-
Committed	-	180,505,527	180,505,527
Assigned	-	-	-
Unassigned	(11,354,995)	-	(11,354,995)
Total Net Position	<u>3,065,689</u>	<u>212,830,552</u>	<u>215,896,241</u>
Total Liabilities and Net Position	<u>\$ 24,492,543</u>	<u>\$ 301,576,552</u>	<u>\$ 326,069,095</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance-State Road Fund(s)

For the Year Ended June 30, 2013

	Departmental Services- Inventories (SHARE 10040)	State Road Fund (SHARE 20100)	State Road Fund(s) (SHARE 10040, and 20100)
Revenues:			
User and fuel taxes	\$ -	\$ 365,446,818	\$ 365,446,818
U.S. Department of Transportation	-	412,775,461	412,775,461
U.S. Department of Energy	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	8,077,279	8,077,279
Charges for services	-	3,290,000	3,290,000
DWI interlock device	-	-	-
Other revenue	1,051,977	19,698,250	20,750,227
Interest earnings	-	241,171	241,171
Total Revenues	<u>1,051,977</u>	<u>809,528,979</u>	<u>810,580,956</u>
Expenditures:			
Current:			
Operating costs	-	12,158,344	12,158,344
Personal services	-	88,948,727	88,948,727
Out-of-state travel	-	62,527	62,527
Grants and services	-	1,907,233	1,907,233
Travel	-	19,788,122	19,788,122
Maintenance and repairs	-	9,220,011	9,220,011
Supplies	-	40,077,795	40,077,795
Contractual services	-	120,098,503	120,098,503
Other costs	-	6,769,036	6,769,036
Employee benefits	-	40,960,229	40,960,229
Capital outlay	-	340,357,194	340,357,194
Debt service:			
Principal	-	70,608,884	70,608,884
Interest	-	72,918,244	72,918,244
Trustee and broker fees	-	-	-
Debt issuance costs	-	-	-
Total Expenditures	<u>-</u>	<u>823,874,849</u>	<u>823,874,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,051,977</u>	<u>(14,345,870)</u>	<u>(13,293,893)</u>
Other Financing Sources (Uses):			
Appropriations, net of reversions	-	-	-
Transfers: severance	-	-	-
tax bond appropriation	-	-	-
Transfers from (to) other agencies	-	(5,710,524)	(5,710,524)
Transfers from (to) escrow agent	-	-	-
Transfers: intra-agency	-	5,865,013	5,865,013
Proceeds from LT notes payable	-	-	-
Face value of debentures payable	-	-	-
Premiums of debentures payable	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>154,489</u>	<u>154,489</u>
Net Changes in Net Position	<u>1,051,977</u>	<u>(14,191,381)</u>	<u>(13,139,404)</u>
Net Position, June 30, 2012	<u>2,013,712</u>	<u>227,021,933</u>	<u>229,035,645</u>
Net Position, June 30, 2013	<u>\$ 3,065,689</u>	<u>\$ 212,830,552</u>	<u>\$ 215,896,241</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-Traffic Safety Fund(s)

As of June 30, 2013

	Federal Traffic Safety Fund (SHARE 10010)	Driver Improvement Fund (SHARE 10020)	Motorcycle Training Fund (SHARE 20600)	DWI Prevention and Education Fund (SHARE 20700)	Traffic Safety Fund (SHARE 20800)	Ignition Interlock (SHARE 82600)	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)
Assets:							
Cash:							
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-
Cash Equivalents: investment in state general fund investment pool)							
Unrestricted	2,222,384	627,723	159,129	1,499,169	1,018,739	3,399,150	8,926,294
Restricted	-	-	-	-	-	-	-
Managed by NMFA	-	-	-	-	-	-	-
Receivables:							
Taxes receivable, net	-	-	15,638	38,320	101,482	40,350	195,790
Accounts receivable, net	-	350	-	-	-	-	350
Interest receivable	-	-	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Due from:							
U.S. Department of Transportation	5,682,446	-	-	-	-	-	5,682,446
Other funds	139	-	-	-	-	-	139
Other state agencies	-	-	14	-	105	-	119
Inventories	-	-	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-
Total Assets	\$ 7,904,969	\$ 628,073	\$ 174,781	\$ 1,537,489	\$ 1,120,326	\$ 3,439,500	\$ 14,805,138
Liabilities and Net Position:							
Liabilities:							
Accounts payable	\$ 2,272,957	\$ 52,005	\$ 96,170	\$ 154,127	\$ 404,291	\$ 29,311	\$ 3,008,861
Due to other funds	-	-	78,607	-	-	-	78,607
Due to other agencies	-	-	-	-	-	-	-
Due to state general fund	-	-	-	-	-	-	-
Unearned revenue	4,437,639	-	-	-	-	-	4,437,639
Other accrued expenses	9,789	-	-	-	1	1,059	10,849
Other liabilities	-	-	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-	-	-
Total Liabilities	6,720,385	52,005	174,777	154,127	404,292	30,370	7,535,956
Non-spendable	-	-	-	-	-	-	-
Restricted	1,184,584	-	5	1,383,362	716,034	3,409,129	6,693,114
Committed	-	576,068	-	-	-	-	576,068
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Net Position	1,184,584	576,068	5	1,383,362	716,034	3,409,129	7,269,182
Total Liabilities and Net Position	\$ 7,904,969	\$ 628,073	\$ 174,782	\$ 1,537,489	\$ 1,120,326	\$ 3,439,499	\$ 14,805,138

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Traffic Safety Fund(s)

For the Year Ended June 30, 2013

	Federal Traffic Safety Fund (SHARE 10010)	Driver Improvement Fund (SHARE 10020)	Motorcycle Training Fund (SHARE 20600)	DWI Prevention and Education Fund (SHARE 20700)
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	7,697,791	-	-	-
U.S. Department of Energy	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	320,217	135,156	513,498
Charges for services	-	-	-	-
DWI interlock device	-	-	-	-
Other revenue	333	-	-	-
Interest earnings	-	-	233	-
Total Revenues	7,698,124	320,217	135,389	513,498
Expenditures:				
Current:				
Operating costs	-	-	-	-
Personal services	391,198	-	-	-
Out-of-state travel	3,785	-	-	-
Grants and services	9,452,264	282,125	130,000	877,212
Travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	32,550	-	-	-
Other costs	-	-	-	-
Employee benefits	135,865	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Trustee and broker fees	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	10,015,662	282,125	130,000	877,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,317,538)	38,092	5,389	(363,714)
Other Financing Sources (Uses):				
Appropriations, net of reversions	-	-	-	-
Transfers: severance	-	-	-	-
tax bond appropriation	-	-	-	-
Transfers from (to) other agencies	-	-	-	-
Transfers from (to) escrow agent	-	-	-	-
Transfers: intra-agency	-	-	(78,606)	-
Proceeds from LT notes payable	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(78,606)	-
Net Changes in Fund Balances	(2,317,538)	38,092	(73,217)	(363,714)
Fund Balance, June 30, 2012	3,502,122	537,976	73,222	1,747,076
Fund Balance, June 30, 2013	\$ 1,184,584	\$ 576,068	\$ 5	\$ 1,383,362

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Traffic Safety Fund(s)

Traffic Safety Fund (SHARE 20800)	Ignition Interlock (SHARE 82600)	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)
\$ -	\$ -	\$ -
-	-	7,697,791
-	-	-
-	-	-
1,334,087	753,113	3,056,071
-	-	-
-	-	-
-	-	333
2,383	-	2,616
<u>1,336,470</u>	<u>753,113</u>	<u>10,756,811</u>
-	-	-
-	34,790	425,988
-	-	3,785
1,613,796	376,241	12,731,638
-	-	-
-	-	-
-	-	-
-	-	32,550
-	-	-
-	21,292	157,157
-	-	-
-	-	-
-	-	-
-	-	-
<u>1,613,796</u>	<u>432,323</u>	<u>13,351,118</u>
<u>(277,326)</u>	<u>320,790</u>	<u>(2,594,307)</u>
-	-	-
-	-	-
-	300,000	300,000
-	-	-
-	-	(78,606)
-	-	-
-	-	-
<u>-</u>	<u>300,000</u>	<u>221,394</u>
<u>(277,326)</u>	<u>620,790</u>	<u>(2,372,913)</u>
<u>993,360</u>	<u>2,788,339</u>	<u>9,642,095</u>
<u>\$ 716,034</u>	<u>\$ 3,409,129</u>	<u>\$ 7,269,182</u>

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

As of June 30, 2013

	Traffic Safety Fund(s) (SHARE 10010, 10020,20600, 20700, 20800, 82600)	Federal Planning and Development Fund (SHARE 10030)	HIF Bond Fund (SHARE 20200)	Local Government Road Fund (SHARE 20300)	State Aviation Fund (SHARE 20500)
Assets:					
Cash:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Cash Equivalents: investment in state general fund investment pool]					
Unrestricted	8,926,294	-	10,345,011	19,508,256	16,786,869
Restricted	-	-	-	-	-
Managed by NMFA	-	-	-	-	-
Receivables:					
Taxes receivable, net	195,790	-	894,695	3,358,782	894,417
Accounts receivable, net	350	-	-	-	-
Interest receivable	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from:					
U.S. Department of Transportation	5,682,446	4,163,929	-	-	-
Other funds	139	-	13,600	-	-
Other state agencies	119	-	930	1,836	1,511
Inventories	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total Assets	\$ 14,805,138	\$ 4,163,929	\$ 11,254,236	\$ 22,868,874	\$ 17,682,797
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 3,008,860	\$ 2,857,232	\$ -	\$ 3,210,506	\$ 306,794
Due to other funds	78,607	114,353	-	-	256
Due to other agencies	-	2,028,076	-	-	-
Due to state general fund	-	-	-	-	-
Unearned revenue	4,437,639	445,817	-	-	-
Other accrued expenses	10,849	8,897	-	-	8,185
Other liabilities	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-
Total Liabilities	7,535,955	5,454,375	-	3,210,506	315,235
Non-spendable	-	-	-	-	-
Restricted	6,693,114	-	11,254,236	-	-
Committed	576,068	-	-	19,658,368	17,367,562
Assigned	-	-	-	-	-
Unassigned (deficit)	-	(1,290,446)	-	-	-
Total Fund Balances (deficit)	7,269,182	(1,290,446)	11,254,236	19,658,368	17,367,562
Total Liabilities and Fund Balances	\$ 14,805,137	\$ 4,163,929	\$ 11,254,236	\$ 22,868,874	\$ 17,682,797

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

1993 Bond Project Fund (SHARE 39400)	1999A CHAT Bond Project Fund (SHARE 43000)	WIPP Bond Project Fund (SHARE 43100)	2001A CHAT Bond Project Fund (SHARE 00600)	2002C HIF Bond Project Fund (SHARE 36100)					
\$ -	\$ -	\$ -	\$ -	\$ -					
-	-	-	-	-					
1,600,121	2,125,051	1,980,339	4,734,419	1,308,522					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
137	183	132	406	112					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
<u>\$ 1,600,258</u>	<u>\$ 2,125,234</u>	<u>\$ 1,980,471</u>	<u>\$ 4,734,825</u>	<u>\$ 1,308,634</u>					
\$ -	\$ -	\$ 94,411	\$ -	\$ -					
-	-	-	-	-					
-	-	-	-	-					
-	-	4,555,427	-	-					
-	-	-	-	-					
-	-	-	-	-					
-	-	-	-	-					
-	-	4,649,838	-	-					
-	-	-	-	-					
1,600,258	2,125,234	-	4,734,826	1,308,634					
-	-	-	-	-					
-	-	(2,669,367)	-	-					
<u>1,600,258</u>	<u>2,125,234</u>	<u>(2,669,367)</u>	<u>4,734,826</u>	<u>1,308,634</u>					
<u>\$ 1,600,258</u>	<u>\$ 2,125,234</u>	<u>\$ 1,980,471</u>	<u>\$ 4,734,826</u>	<u>\$ 1,308,634</u>					

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

As of June 30, 2013

	2002D CHAT Bond Project Fund (SHARE 11500)	2004A GRIP Bond Project Fund (SHARE 20400)	2006A GRIP Bond Project Fund (SHARE 10210)	2006B GRIP Bond Project Fund SHARE (10230)
Assets:				
Cash:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Cash Equivalents: investment in state general fund investment pool]				
Unrestricted	639,261	112,078	582,089	49,671
Restricted	-	-	-	-
Managed by NMFA	-	-	162,255	10,384
Receivables:				
Taxes receivable, net	-	-	-	-
Accounts receivable, net	-	-	-	-
Interest receivable	-	-	3	-
Notes and loans receivable	-	-	-	-
Other receivables	-	-	-	-
Due from:				
U.S. Department of Transportation	-	-	-	-
Other funds	-	-	-	-
Other state agencies	55	-	-	-
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Prepaid expenses - risk management	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-
Property held for resale	-	-	-	-
Total Assets	\$ 639,316	\$ 112,078	\$ 744,347	\$ 60,055
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	257,114	\$ -
Due to other funds	-	-	-	-
Due to other agencies	-	-	-	-
Due to state general fund	-	-	-	-
Unearned revenue	-	-	-	-
Other accrued expenses	-	-	-	-
Other liabilities	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-
Total Liabilities	-	-	257,114	-
Non-spendable	-	-	-	-
Restricted	639,316	-	487,233	60,055
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	-	112,078	-	-
Total Fund Balances (deficit)	639,316	112,078	487,233	60,055
Total Liabilities and Fund Balances	\$ 639,316	\$ 112,078	\$ 744,347	\$ 60,055

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

2006C GRIP Bond Project Fund (SHARE 10250)	2006D GRIP Bond Project Fund (SHARE 10270)	2010A Bond Project Fund (SHARE 10450)	ARRA Project Fund (SHARE 89000)	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	68,697,981
179,118	-	44,760,159	-	45,111,916
-	-	-	-	5,343,684
-	-	-	-	350
3	-	743	-	749
-	-	-	-	-
-	-	-	-	-
-	-	-	708,330	10,554,705
-	-	-	346,242	359,981
-	-	-	-	5,421
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 179,121</u>	<u>\$ -</u>	<u>\$ 44,760,902</u>	<u>\$ 1,054,572</u>	<u>\$ 130,074,787</u>
\$ -	\$ -	\$ 4,251,848	\$ 1	\$ 13,986,766
-	-	-	414,511	607,727
-	-	10,624,219	640,060	13,292,355
-	-	-	-	-
-	-	-	-	9,438,883
-	-	-	-	27,931
-	-	-	-	-
-	-	-	-	-
-	-	14,876,067	1,054,572	37,353,662
-	-	-	-	-
179,121	-	29,884,835	-	58,966,862
-	-	-	-	37,601,998
-	-	-	-	-
-	-	-	-	(3,847,735)
<u>179,121</u>	<u>-</u>	<u>29,884,835</u>	<u>-</u>	<u>92,721,125</u>
<u>\$ 179,121</u>	<u>\$ -</u>	<u>\$ 44,760,902</u>	<u>\$ 1,054,572</u>	<u>\$ 130,074,787</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

As of June 30, 2013

	General Fund Appropriations (SHARE 10070)	Capital Projects Fund (SHARE 10050)	STB Appropriations Fund (SHARE 10060)	STB Capital Outlay Fund (SHARE 89200)	GF Capital Outlay Fund (SHARE 93100)	Total Capital Projects Funds
Assets:						
Cash:						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-
Cash Equivalents: investment in state general fund investment pool]						
Unrestricted	598,144	1,366,565	-	-	188,094	2,152,803
Restricted	-	-	-	-	-	-
Managed by NMFA	-	-	-	-	-	-
Receivables:						
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Notes and loans receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from:						
U.S. Department of Transportation	-	-	-	-	-	-
Other funds	-	-	-	-	131,887	131,887
Other state agencies	-	-	1,060,059	849,529	-	1,909,588
Inventories	-	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-
Total Assets	\$ 598,144	\$ 1,366,565	\$ 1,060,059	\$ 849,529	\$ 319,981	\$ 4,194,278
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 207,524	\$ 182,039	\$ 2,024,827	\$ 781,784	\$ 52,380	\$ 3,248,554
Due to other funds	131,887	-	-	-	-	131,887
Due to other agencies	-	-	2,253,115	67,745	-	2,320,860
Due to state general fund	-	-	-	-	102,619	102,619
Unearned revenue	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-	-
Total Liabilities	339,411	182,039	4,277,942	849,529	154,999	5,803,920
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	164,982	164,982
Committed	258,733	1,184,526	-	-	-	1,443,259
Assigned	-	-	-	-	-	-
Unassigned (deficit)	-	-	(3,217,883)	-	-	(3,217,883)
Total Fund Balances (deficit)	258,733	1,184,526	(3,217,883)	-	164,982	(1,609,642)
Total Liabilities and Fund Balances	\$ 598,144	\$ 1,366,565	\$ 1,060,059	\$ 849,529	\$ 319,981	\$ 4,194,278

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

1998A WIPP Bond Debt Service Fund (SHARE 97200)	1998A CHAT Bond Debt Service Fund (SHARE 54800)	1999 CHAT Bond Debt Service Fund (SHARE 43400)	2000 CHAT Bond Debt Service Fund (SHARE 43200)	2001A CHAT Bond Debt Service Fund (SHARE 00700)	2002A CHAT Bond Debt Service Fund (SHARE 54700)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
14,559	142,073	267,125	204,785	234,583	83,859
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
199,253	86,180	750,144	1,184,452	1,651,520	690,434
1	14	23	17	20	6
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 213,813</u>	<u>\$ 228,267</u>	<u>\$ 1,017,292</u>	<u>\$ 1,389,254</u>	<u>\$ 1,886,123</u>	<u>\$ 774,299</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
213,813	228,267	1,017,292	1,389,254	1,886,123	774,299
-	-	-	-	-	-
-	-	-	-	-	-
<u>213,813</u>	<u>228,267</u>	<u>1,017,292</u>	<u>1,389,254</u>	<u>1,886,123</u>	<u>774,299</u>
<u>\$ 213,813</u>	<u>\$ 228,267</u>	<u>\$ 1,017,292</u>	<u>\$ 1,389,254</u>	<u>\$ 1,886,123</u>	<u>\$ 774,299</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

As of June 30, 2013

	2002B WIPP Bond Debt Service Fund (SHARE 75000)	2002C HIF Bond Debt Service Fund (SHARE 36300)	2002D CHAT Bond Debt Service Fund (SHARE 18700)	2004A GRIP Bond Debt Service Fund (SHARE 10080)	2004B GRIP Bond Debt Service Fund (SHARE 10090)
Assets:					
Cash:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Cash Equivalents: investment in state general fund investment pool]					
Unrestricted	111,299	62,453	12,852	-	-
Restricted	-	-	-	-	-
Managed by NMFA	-	-	-	1,085,041	33,607,671
Receivables:					
Taxes receivable, net	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	-	-	-	35	229
Notes and loans receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from:					
U.S. Department of Transportation	-	-	-	-	-
Other funds	702,644	-	-	-	-
Other state agencies	10	6	1	-	-
Inventories	-	-	-	-	-
Prepaid expenses - other	-	-	-	-	-
Prepaid expenses - risk management	-	-	-	-	-
Prepaid expense - NM44 warranty	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total Assets	\$ 813,953	\$ 62,459	\$ 12,853	\$ 1,085,076	\$ 33,607,900
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	574,773	-
Due to other agencies	-	-	-	-	-
Due to state general fund	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Other accrued expenses	-	-	-	-	-
Other liabilities	-	-	-	-	-
Short-term notes payable (taxable line of credit)	-	-	-	-	-
Total Liabilities	-	-	-	574,773	-
Non-spendable	-	-	-	-	-
Restricted	813,953	62,459	12,853	510,303	33,607,900
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total Fund Balances (deficit)	813,953	62,459	12,853	510,303	33,607,900
Total Liabilities and Fund Balances	\$ 813,953	\$ 62,459	\$ 12,853	\$ 1,085,076	\$ 33,607,900

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

2006A GRIP Bond Debt Service Fund (SHARE 10220)	2006B GRIP Bond Debt Service Fund (SHARE 10240)	2008A GRIP Bond Debt Service Fund (SHARE 10410)	2008C GRIP Bond Debt Service Fund (SHARE 10430)	2008D GRIP Bond Debt Service Fund (SHARE 10440)
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
1,683,172	662,981	8,615,188	4,366,472	1,874,928
-	-	-	-	-
45	15	287	178	36
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,683,217</u>	<u>\$ 662,996</u>	<u>\$ 8,615,475</u>	<u>\$ 4,366,650</u>	<u>\$ 1,874,964</u>
\$ -	\$ -	\$ 62,289	\$ -	\$ 93,020
1,649,100	658,193	1,370,943	1,009,166	1,267,688
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	3,587,465	2,640,774	-
<u>1,649,100</u>	<u>658,193</u>	<u>5,020,697</u>	<u>3,649,940</u>	<u>1,360,708</u>
-	-	-	-	-
34,117	4,803	3,594,778	716,710	514,256
-	-	-	-	-
-	-	-	-	-
<u>34,117</u>	<u>4,803</u>	<u>3,594,778</u>	<u>716,710</u>	<u>514,256</u>
<u>\$ 1,683,217</u>	<u>\$ 662,996</u>	<u>\$ 8,615,475</u>	<u>\$ 4,366,650</u>	<u>\$ 1,874,964</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

As of June 30, 2013

	2009A Bond Debt Service Fund (SHARE 11130)	2010A Bond Debt Service Fund (SHARE 11140)	2010B Bond Debt Service Fund (SHARE 20450)
Assets:			
Cash:			
Unrestricted	\$ -	\$ -	\$ -
Restricted	-	-	-
Cash Equivalents: investment in state general fund investment pool]			
Unrestricted	-	-	-
Restricted	-	-	-
Managed by NMFA	49,143	41,501	202,746
Receivables:			
Taxes receivable, net	-	-	-
Accounts receivable, net	-	-	-
Interest receivable	203	22	91
Notes and loans receivable	-	-	-
Other receivables	-	-	-
Due from:			
U.S. Department of Transportation	-	-	-
Other funds	-	-	-
Other state agencies	-	-	-
Inventories	-	-	-
Prepaid expenses - other	-	-	-
Prepaid expenses - risk management	-	-	-
Prepaid expense - NM44 warranty	-	-	-
Property held for resale	-	-	-
Total Assets	<u>\$ 49,346</u>	<u>\$ 41,523</u>	<u>\$ 202,837</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to other agencies	-	-	-
Due to state general fund	-	-	-
Unearned revenue	-	-	-
Other accrued expenses	-	-	-
Other liabilities	-	-	-
Short-term notes payable	-	-	-
(taxable line of credit)	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Non-spendable	-	-	-
Restricted	49,346	41,523	202,837
Committed	-	-	-
Assigned	-	-	-
Unassigned (deficit)	-	-	-
Total Fund Balances (deficit)	<u>49,346</u>	<u>41,523</u>	<u>202,837</u>
Total Liabilities and Fund Balances	<u>\$ 49,346</u>	<u>\$ 41,523</u>	<u>\$ 202,837</u>

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Balance Sheet-By Fund Type-Non Major Funds

2012A Refunding Revenue Bond Debt Service Fund (SHARE 30850)	Total Debt Service Funds	Total Government Funds
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	1,133,588	71,984,372
-	-	-
65,348	52,254,191	97,366,107
-	-	-
-	-	5,343,684
-	-	350
57	1,198	1,947
-	-	-
-	-	-
-	-	-
-	-	10,554,705
-	5,264,627	5,756,495
-	98	1,915,107
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 65,405</u>	<u>\$ 58,653,702</u>	<u>\$ 192,922,767</u>
\$ -	\$ 155,308	\$ 17,390,628
611	6,530,474	7,270,088
-	-	15,613,215
-	-	102,619
-	-	9,438,883
-	-	27,931
-	-	-
-	-	-
-	6,228,240	6,228,240
<u>611</u>	<u>12,914,022</u>	<u>56,071,604</u>
-	-	-
64,794	45,739,680	104,871,524
-	-	39,045,257
-	-	-
-	-	(7,065,618)
<u>64,794</u>	<u>45,739,680</u>	<u>136,851,163</u>
<u>\$ 65,405</u>	<u>\$ 58,653,702</u>	<u>\$ 192,922,767</u>

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

For the Year Ended June 30, 2013

	Traffic Safety Fund(s) (SHARE 10010, 10020, 20600, 20700, 20800, 82600)	Federal Planning and Development Fund (SHARE 10030)	HIF Fund (SHARE 20200)	Local Government Road Fund (SHARE 20300)
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ 5,214,495	\$ 13,640,615
U.S. Department of Transportation	7,697,791	13,182,849	-	-
U.S. Department of Energy	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	3,056,071	-	1,806,822	7,854,888
Charges for services	-	-	-	-
DWI interlock device	-	-	-	-
Other revenue	333	-	-	-
Interest earnings	2,616	-	25,452	46,243
Total Revenues	10,756,811	13,182,849	7,046,769	21,541,746
Expenditures:				
Current:				
Operating costs	-	6,478	-	-
Personal services	425,988	322,013	-	-
Out-of-state travel	3,785	5,069	-	-
Grants and services	12,731,638	12,810,482	-	24,064,506
Travel	-	73	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	1,000	-	-
Contractual services	32,550	-	-	-
Other costs	-	114,000	-	-
Employee benefits	157,157	96,314	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	4,044,632	-
Interest	-	-	1,964,468	-
Trustee and broker fees	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	13,351,118	13,355,429	6,009,100	24,064,506
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,594,307)	(172,580)	1,037,669	(2,522,760)
Other Financing Sources (Uses):				
Appropriations, net of reversions	-	-	-	-
Transfers: severance	-	-	-	-
tax bond appropriation	-	-	-	-
Transfers from (to) other agencies	300,000	-	-	-
Transfers from (to) escrow agent	-	-	-	-
Transfers: intra-agency	(78,606)	-	(2,897,043)	-
Proceeds from LT notes payable	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	221,394	-	(2,897,043)	-
Net Changes in Net Position	(2,372,913)	(172,580)	(1,859,374)	(2,522,760)
Net Position (deficit), June 30, 2012	9,642,095	(1,117,866)	13,113,610	22,181,128
Net Position (deficit), June 30, 2013	\$ 7,269,182	\$ (1,290,446)	\$ 11,254,236	\$ 19,658,368

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

State Aviation Fund (SHARE 20500)	1993 Bond Project Fund (SHARE 39400)	1999A CHAT Project Fund (SHARE 43000)	WIPP Bond Project Fund (SHARE 43100)	2001A CHAT Project Fund (SHARE 00600)	2002C HIF Project Fund (SHARE 36100)
\$ 5,847,284	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	11,197,644	-	-
-	-	-	-	-	-
59,416	-	-	-	-	-
-	-	-	-	-	-
660	-	-	-	-	-
-	-	-	-	-	-
4,331	-	-	-	-	-
35,887	3,577	4,751	14,036	10,583	2,925
5,947,578	3,577	4,751	11,211,680	10,583	2,925
29,775	-	-	-	-	-
277,178	-	-	-	-	-
2,760	-	-	-	-	-
3,192,423	-	-	-	-	-
2,293	-	-	-	-	-
88,238	-	-	-	-	-
19,005	-	-	-	-	-
115,814	-	-	-	-	-
1,237	-	-	-	-	-
103,848	-	-	-	-	-
-	-	-	11,197,644	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,832,571	-	-	11,197,644	-	-
2,115,007	3,577	4,751	14,036	10,583	2,925
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,115,007	3,577	4,751	14,036	10,583	2,925
15,252,555	1,596,681	2,120,483	(2,683,403)	4,724,243	1,305,709
\$ 17,367,562	\$ 1,600,258	\$ 2,125,234	\$ (2,669,367)	\$ 4,734,826	\$ 1,308,634

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

For the Year Ended June 30, 2013

	2002D CHAT Project Fund (SHARE 11500)	2004A GRIP Project Fund (SHARE 20400)	2006A GRIP Project Fund (SHARE 10210)	2006B GRIP Project Fund SHARE (10230)
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-	-
U.S. Department of Energy	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
DWI interlock device	-	-	-	-
Other revenue	-	603,777	100,000	-
Interest earnings	1,429	-	28	2
Total Revenues	1,429	603,777	100,028	2
Expenditures:				
Current:				
Operating costs	-	-	-	-
Personal services	-	-	-	-
Out-of-state travel	-	-	-	-
Grants and services	-	-	-	-
Travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	4	-
Employee benefits	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Trustee and broker fees	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	-	-	4	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,429	603,777	100,024	2
Other Financing Sources (Uses):				
Appropriations, net of reversions	-	-	-	-
Transfers: severance	-	-	-	-
tax bond appropriation	-	-	-	-
Transfers from (to) other agencies	-	-	-	-
Transfers from (to) escrow agent	-	-	-	-
Transfers: intra-agency	-	-	-	-
Proceeds from LT notes payable	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Changes in Net Position	1,429	603,777	100,024	2
Net Position (deficit), June 30, 2012	637,887	(491,699)	387,209	60,053
Net Position (deficit), June 30, 2013	\$ 639,316	\$ 112,078	\$ 487,233	\$ 60,055

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

2006C GRIP Project Fund (SHARE 10250)	2006D GRIP Project Fund (SHARE 10270)	2010A Project Fund (SHARE 10450)	ARRA Project Fund (SHARE 89000)	Total Special Revenue Funds	General Fund Appropriations (SHARE 10070)	Capital Projects Fund (SHARE 10050)
\$ -	\$ -	\$ -	\$ -	24,702,394	\$ -	\$ -
-	-	-	10,230,658	42,308,942	-	-
-	-	-	-	-	-	-
-	-	-	-	59,416	-	-
-	-	-	-	12,717,781	-	-
-	-	-	-	660	-	-
-	-	-	-	-	-	-
-	-	-	10,851	719,292	1,343	-
30	38,982	8,228	-	194,769	-	-
30	38,982	8,228	10,241,509	80,703,254	1,343	-
-	-	-	-	36,253	-	-
-	-	-	-	1,025,179	-	-
-	-	-	-	11,614	-	-
-	-	-	-	52,799,049	-	-
-	-	-	-	2,366	-	-
-	-	-	-	88,238	-	-
-	-	-	-	20,005	-	-
-	-	97,028	241,154	486,546	-	124,019
4	1,285	-	-	116,530	-	-
-	-	-	-	357,319	-	-
-	-	35,955,524	8,552,145	55,705,313	-	832,531
-	-	-	-	4,044,632	-	-
-	-	-	-	1,964,468	-	-
-	-	-	-	-	-	-
4	1,285	36,052,552	8,793,299	116,657,512	-	956,550
26	37,697	(36,044,324)	1,448,210	(35,954,258)	1,343	(956,550)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	300,000	-	(9,500)
-	(50,044,688)	-	-	(53,020,337)	(131,887)	(6,656,152)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(50,044,688)	-	-	(52,720,337)	(131,887)	(6,665,652)
26	(50,006,991)	(36,044,324)	1,448,210	(88,674,595)	(130,544)	(7,622,202)
179,095	50,006,991	65,929,159	(1,448,210)	181,395,720	389,277	8,806,728
\$ 179,121	\$ -	\$ 29,884,835	\$ -	\$ 92,721,125	\$ 258,733	\$ 1,184,526

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

For the Year Ended June 30, 2013

	STB Capital Improvements Projects (SHARE 10060)	STB Capital Outlay (SHARE 89200)	GF Capital Outlay (SHARE 93100)	Total Capital Projects Funds
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ -	-
U.S. Department of Transportation	-	-	-	-
U.S. Department of Energy	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
DWI interlock device	-	-	-	-
Other revenue	1,059,495	-	-	1,060,838
Interest earnings	-	-	-	-
Total Revenues	1,059,495	-	-	1,060,838
Expenditures:				
Current:				
Operating costs	-	-	-	-
Personal services	-	-	-	-
Out-of-state travel	-	-	-	-
Grants and services	-	-	-	-
Travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	-	769,627	39,566	933,212
Other costs	-	-	-	-
Employee benefits	-	-	-	-
Capital outlay	10,588,624	1,138,043	248,979	12,808,177
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Trustee and broker fees	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	10,588,624	1,907,670	288,545	13,741,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,529,129)	(1,907,670)	(288,545)	(12,680,551)
Other Financing Sources (Uses):				
Appropriations, net of reversions	(107,311)	-	(102,619)	(209,930)
Transfers: severance				
tax bond appropriation	11,132,328	1,907,670	-	13,039,998
Transfers from (to) other agencies	-	-	-	(9,500)
Transfers from (to) escrow agent	-	-	-	-
Transfers: intra-agency	-	-	131,887	(6,656,152)
Proceeds from LT notes payable	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	11,025,017	1,907,670	29,268	6,164,416
Net Changes in Net Position	1,495,888	-	(259,277)	(6,516,135)
Net Position (deficit), June 30, 2012	(4,713,771)	-	424,259	4,906,493
Net Position (deficit), June 30, 2013	\$ (3,217,883)	\$ -	\$ 164,982	\$ (1,609,642)

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

1998A WIPP Debt Service (SHARE 97200)	1998A CHAT Debt Service (SHARE 54800)	1999 CHAT Debt Service (SHARE 43400)	2000 CHAT Debt Service (SHARE 43200)	2001A CHAT Debt Service (SHARE 00700)	2002A CHAT Debt Service (SHARE 54700)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
33	318	597	458	524	187
33	318	597	458	524	187
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
33	318	597	458	524	187
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(5)	(2)	(18)	(29)	(40)	(17)
-	-	-	-	-	-
-	-	-	-	-	-
(5)	(2)	(18)	(29)	(40)	(17)
28	316	579	429	484	170
213,785	227,951	1,016,713	1,388,825	1,885,639	774,129
\$ 213,813	\$ 228,267	\$ 1,017,292	\$ 1,389,254	\$ 1,886,123	\$ 774,299

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

For the Year Ended June 30, 2013

	2002B WIPP Debt Service (SHARE 75000)	2002C HIF Debt Service (SHARE 36300)	2002D CHAT Debt Service (SHARE 18700)	2004A GRIP Debt Service (SHARE 10080)
Revenues:				
User and fuel taxes	\$ -	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-	-
U.S. Department of Energy	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
DWI interlock device	-	-	-	-
Other revenue	-	-	-	-
Interest earnings	249	228	90	449
Total Revenues	249	228	90	449
Expenditures:				
Current:				
Operating costs	-	-	-	-
Personal services	-	-	-	-
Out-of-state travel	-	-	-	-
Grants and services	-	-	-	-
Travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Employee benefits	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	2,749,091	859,091	-
Interest	-	148,090	30,713	-
Trustee and broker fees	-	-	-	-
Debt issuance costs	-	-	-	-
Total Expenditures	-	2,897,181	889,804	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	249	(2,896,953)	(889,714)	449
Other Financing Sources (Uses):				
Appropriations, net of reversions	-	-	-	-
Transfers: severance	-	-	-	-
tax bond appropriation	-	-	-	-
Transfers from (to) other agencies	-	-	-	-
Transfers from (to) escrow agent	-	-	-	-
Transfers: intra-agency	(17)	2,897,043	869,874	-
Proceeds from LT notes payable	-	-	-	-
Face value of debentures payable	-	-	-	-
Premiums of debentures payable	-	-	-	-
Total Other Financing Sources (Uses)	(17)	2,897,043	869,874	-
Net Changes in Net Position	232	90	(19,840)	449
Net Position (deficit), June 30, 2012	813,721	62,369	32,693	509,854
Net Position (deficit), June 30, 2013	\$ 813,953	\$ 62,459	\$ 12,853	\$ 510,303

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

2004B GRIP Debt Service (SHARE 10090)	2006A GRIP Debt Service (SHARE 10220)	2006B GRIP Debt Service (SHARE 10240)	2008A GRIP Debt Service (SHARE 10410)	2008C GRIP Debt Service (SHARE 10430)	2008D GRIP Debt Service (SHARE 10440)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,937,351	255	125	180,354	132,458	419
1,937,351	255	125	180,354	132,458	419
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,900	-	-	198,282	100	-
-	-	-	-	-	-
-	-	-	-	-	-
10,186,484	-	-	-	-	50,400,000
952,157	-	-	-	149,780	-
-	-	-	-	-	-
-	-	-	-	-	-
11,140,541	-	-	198,282	149,880	50,400,000
(9,203,190)	255	125	(17,928)	(17,422)	(50,399,581)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,114,383)	-	-	641,884	472,498	50,044,688
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,114,383)	-	-	641,884	472,498	50,044,688
(10,317,573)	255	125	623,956	455,076	(354,893)
43,925,473	33,862	4,678	2,970,822	261,634	869,150
\$ 33,607,900	\$ 34,117	\$ 4,803	\$ 3,594,778	\$ 716,710	\$ 514,257

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

For the Year Ended June 30, 2013

	2009A Bond Debt Service Fund (SHARE 11130)	2010A Bond Debt Service Fund (SHARE 11140)	2010B Bond Debt Service Fund (SHARE 20450)
Revenues:			
User and fuel taxes	\$ -	\$ -	\$ -
U.S. Department of Transportation	-	-	-
U.S. Department of Energy	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	-
Charges for services	-	-	-
DWI interlock device	-	-	-
Other revenue	10	-	-
Interest earnings	1,656	1,067	713
Total Revenues	1,666	1,067	713
Expenditures:			
Current:			
Operating costs	-	-	-
Personal services	-	-	-
Out-of-state travel	-	-	-
Grants and services	-	-	-
Travel	-	-	-
Maintenance and repairs	-	-	-
Supplies	-	-	-
Contractual services	-	-	-
Other costs	-	3,800	1,900
Employee benefits	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Trustee and broker fees	-	-	-
Debt issuance costs	-	-	-
Total Expenditures	-	3,800	1,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,666	(2,733)	(1,187)
Other Financing Sources (Uses):			
Appropriations, net of reversions	-	-	-
Transfers: severance	-	-	-
tax bond appropriation	-	-	-
Transfers from (to) other agencies	-	-	-
Transfers from (to) escrow agent	-	-	-
Transfers: intra-agency	-	-	-
Proceeds from LT notes payable	-	-	-
Face value of debentures payable	-	-	-
Premiums of debentures payable	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Changes in Net Position	1,666	(2,733)	(1,187)
Net Position (deficit), June 30, 2012	47,680	44,255	204,024
Net Position (deficit), June 30, 2013	\$ 49,346	\$ 41,522	\$ 202,837

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

2012A Refunding Revenue Bond Debt Service Fund (SHARE 30850)		Total Debt Service Funds	Total Government Funds
\$	-	\$ -	\$ 24,702,394
	-	-	42,308,942
	-	-	-
	-	-	59,416
	-	-	12,717,781
	-	-	660
	-	-	-
	-	10	1,780,140
	85	2,257,616	2,452,385
	85	2,257,626	84,021,718
	-	-	36,253
	-	-	1,025,179
	-	-	11,614
	-	-	52,799,049
	-	-	2,366
	-	-	88,238
	-	-	20,005
	-	-	1,419,758
	-	205,982	322,512
	-	-	357,319
	-	-	68,513,490
	-	-	-
	-	64,194,666	68,239,298
	-	1,280,740	3,245,208
	-	-	-
	605,845	605,845	605,845
	605,845	66,287,233	196,686,134
	(605,760)	(64,029,607)	(112,664,416)
	-	-	(209,930)
	-	-	13,039,998
	670,554	670,554	961,054
	-	-	-
	-	53,811,476	(5,865,013)
	-	-	-
	-	-	-
	-	-	-
	670,554	54,482,030	7,926,109
	64,794	(9,547,577)	(104,738,307)
	-	55,287,257	241,589,470
\$	64,794	\$ 45,739,680	\$ 136,851,163

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Type -
Non Major Funds

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OTHER SUPPLEMENTARY INFORMATION

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Capital Projects

As of June 30, 2013

	Budgeted Amounts		Current Year Expenditures
	Original	Final	
Expenditures for 2009 multi-year projects			
Capital outlay	\$ 1,400,000	\$ 1,379,954	\$610,668.88
Expenditures for 2010 multi-year projects			
Capital outlay	350,000	350,000	124,019
Expenditures for 2011 multi-year projects			
Capital outlay	350,000	350,000	213,801
Expenditures for 2012 multi-year projects			
Capital outlay	350,000	350,000	8,061
Total Expenditures	\$ 2,450,000	\$ 2,429,954	\$ 956,550

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Capital Projects

Life-to-Date Outstanding Encumbrances		Total Actual	Prior Year Actual	Total Expenditures	Variance From Final Budget (Over) Under
\$ -		\$ -	\$ 1,081,104	\$ 1,379,954	\$ -
-		-	350,000	124,019	225,981
-		-	83,941	213,801	136,199
-		-	350,000	8,061	341,939
\$ -		\$ -	\$ 1,865,045	\$ 1,725,835	\$ 704,119

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Severance Tax Bonds

As of June 30, 2013

Chapter	Laws	Bonds Appropriated	Bonds Sold	Amounts AIPP	Funds Reauthorized
3	2007	\$ 53,110,992	\$ 53,110,992	\$ -	\$ -
9	2008	150,000,000	150,000,000	-	-
92	2008	19,778,000	19,778,000	(9,600)	(1,732,771)
5	2009	1,500,000	1,500,000	-	-
7	2009	6,032,628	6,032,628	-	-
105	2010	-	-	-	8,635,000
63	2012	-	-	-	188,941
64	2012	34,273,051	34,273,051	-	-
353	2012	-	-	-	247,500
183	2011	-	-	-	16,037
92	2013	-	-	-	473,963
202	2013	-	-	-	-
		<u>\$ 264,694,671</u>	<u>\$ 264,694,671</u>	<u>\$ (9,600)</u>	<u>\$ 7,828,670</u>

See Independent Auditors' Report

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Severance Tax Bonds

Funds Reverted	Bond Balance After Reauthorization	Funds Received	Expended To Date	Balance Available	Due from Board of Finance
\$ (81,434)	\$ 53,029,558	\$ 52,739,436	\$ 52,839,081	\$ 364,137	\$ 99,645
-	150,000,000	142,214,026	143,202,300	7,874,638	287,937
(1,003,495)	17,032,135	17,026,607	17,026,607	1,737	-
(1,500,000)	-	-	-	1,500,000	-
(944,445)	5,088,535	4,415,705	5,088,183	1,028,075	672,478
-	8,635,000	8,603,603	8,603,603	31,397	-
-	188,941	-	67,745	188,941	67,745
-	34,273,051	933,748	1,646,864	33,339,303	713,116
-	247,500	-	-	247,500	-
-	16,037	16,037	16,037	-	-
-	473,963	-	425	473,963	425
-	-	-	-	-	68,244
\$ (3,529,374)	\$ 268,984,720	\$ 225,949,162	\$ 228,490,845	\$ 45,049,691	\$ 1,909,590

Balance Available	\$ 45,049,691
Due from Board of Finance	1,909,590
Total (Note 4)	\$ 46,959,281

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Special Appropriations

As of June 30, 2013

	Appropriation Amount	Expenditures Inception to June 30, 2013
Special Revenue Funds		
Laws of 2011, Chapter 183	\$ -	\$ 334,154
Laws of 2012, Chapter 63	-	33,073
Laws of 2013, Chapter 202	-	-
	-	367,227
Capital Projects Funds		
Laws of 2009, Chapter 125	1,400,000	1,379,954
Laws of 2010 Special Session, Chapter 4	350,000	124,019
Laws of 2011, Chapter 5	350,000	213,801
Laws of 2012, Chapter 64	350,000	8,061
	2,450,000	1,725,835
Total all Fund Types	\$ 2,450,000	\$ 2,093,062

* Note: State House and Senate Memorials are directions on how appropriated monies should be spent. They are not laws.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Special Appropriations

Encumbrances		Re-appropriation		Reversion	Balance
Balance as of		Amount		Amount	as of
June 30, 2013					June 30, 2013
\$	-	\$	436,773	\$	(102,619)
	-		131,886		-
	-		132,335		-
	-		700,994		(102,619)
	-				231,148
	-		-		(20,046)
	-		-		-
	-		-		-
	-		-		-
	-		-		(20,046)
	-				724,165
\$	-	\$	700,994	\$	(122,665)
	-				\$
	-				955,312

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Supplemental Schedule of Special Appropriations

Special Revenue Funds

Under the Laws of 2011, Chapters 183 the Department was appropriated \$502,940 respectively, for highway maintenance and certain infrastructure projects and improvements, respectively. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State General Fund. The appropriation period is for 2 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2012, Chapters 64 the Department was appropriated \$131,887 respectively, for highway maintenance and certain infrastructure projects and improvements, respectively. Any unexpended or unencumbered balance remaining at the end of the 2012 fiscal year will revert to the State General Fund. The appropriation period is for 2 years unless re-authorized or extended by enabling legislation.

Capital Projects Funds

Under the Laws of 2009, Chapter 125, the Department was appropriated \$1,450,000 from the State Road Fund for D3 hilltop building roof replacement. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2010 Special Session, Chapter 4, the Department was appropriated \$350,000 from the State Road Fund for the construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2011 Special Session, Chapter 5, the Department was appropriated \$350,000 from the State Road Fund for the construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

Under the Laws of 2012, Chapter 64, the Department was appropriated \$350,000 from the State Road Fund for the construction of Salt Domes. Any unexpended or unencumbered balance remaining at the end of the 2013 fiscal year will revert to the State Road Fund. The appropriation period is for 5 years unless re-authorized or extended by enabling legislation.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

As of June 30, 2013

	Fund Number		Bank Balance		Book Balance		Book Total
Cash							
State Road Fund	Petty Cash	20100	\$	2,100	\$	2,100	
Total Cash							\$ 2,100
(Restricted)							
2001A CHAT Bond Project Fund	00600		\$	4,734,419	\$	4,734,419	
2001A CHAT Bond Debt Service Fund	00700			234,583		234,583	
Traffic Safety Fund(s)	10010, 10020, 20600, 20700, 20800, 82600			8,926,294		8,926,294	
State Road Fund(s)	10040 and 20100			159,172,462		159,172,462	
Capital Projects Fund	10050			1,366,565		1,366,565	
General Fund Appropriations	10070			598,144		598,144	
2006A GRIP Bond Project Fund	10210			582,089		582,089	
2006B GRIP Bond Project Fund	10230			49,671		49,671	
2002D CHAT Bond Project Fund	11500			639,261		639,261	
2002D CHAT Bond Debt Service Fund	18700			12,852		12,852	
HIF Bond Fund	20200			10,345,011		10,345,011	
Local Government Road Fund	20300			19,508,256		19,508,256	
2004A GRIP Bond Project Fund	20400			112,078		112,078	
State Aviation Fund	20500			16,786,869		16,786,869	
2002C HIF Bond Project Fund	36100			1,308,522		1,308,522	
2002C HIF Bond Debt Service Fund	36300			62,453		62,453	
1993 Bond Project Fund	39400			1,600,121		1,600,121	
1999A CHAT Bond Project Fund	43000			2,125,051		2,125,051	
WIPP Bond Project Fund	43100			1,980,339		1,980,339	
2000 CHAT Bond Debt Service Fund	43200			204,785		204,785	
1999 CHAT Bond Debt Service Fund	43400			267,125		267,125	
2002A CHAT Bond Debt Service Fund	54700			83,859		83,859	
1998A CHAT Bond Debt Service Fund	54800			142,073		142,073	
2002B WIPP Bond Debt Service Fund	75000			111,299		111,299	
GF Capital Outlay	93100			188,094		188,094	
1998A WIPP Bond Debt Service Fund	97200			14,559		14,559	
Total Restricted							\$ 231,156,834

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Individual Bank Accounts

	SHARE Account Number	Bank Balance	Book Balance	Book Total
Managed by NMFA:				
Bank of Albuquerque, trustee account				
State Road Fund	20100	\$ 65,032	\$ 65,032	
2004A GRIP Bond Debt Service Fund	10080	1,085,041	1,085,041	
2004B GRIP Bond Debt Service Fund	10090	33,607,671	33,607,671	
2006A GRIP Bond Project Fund	10210	162,255	162,255	
2006A GRIP Bond Debt Service Fund	10220	1,683,172	1,683,172	
2006B GRIP Bond Project Fund	10230	10,384	10,384	
2006B GRIP Bond Debt Service Fund	10240	662,981	662,981	
2006C GRIP Bond Project Fund	10250	179,118	179,118	
2008A GRIP Bond Debt Service Fund	10410	8,615,188	8,615,188	
2008B GRIP Bond Debt Service Fund	10420	23,730,932	23,730,932	
2008C GRIP Bond Debt Service Fund	10430	4,366,472	4,366,472	
2008D GRIP Bond Debt Service Fund	10440	1,874,928	1,874,928	
2010A Bond Project Fund	10450	44,760,160	44,760,160	
2009A Bond Debt Service Fund	11130	49,143	49,143	
2010A/LOC Bond Debt Service Fund	11140	41,501	41,501	
2010B GRIP Bond Debt Service Fund	20450	202,746	202,746	
2012A Refunding Revenue Bond Debt Service Fund	30850	65,348	65,348	
				121,162,072
Total Managed by NMFA				\$ 121,162,072

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Pledged State Revenues

As of June 30, 2013

Pledged State Revenues

Pledged User & Fuel Taxes

Gasoline Excise	\$ 111,795,357
Motor Vehicle Registrations	74,135,116
Special Fuel	92,549,347
Vehicle Transaction	4,863,654
Drivers License	3,628,082
Trip (Mileage) Tax	5,044,948
Tire recycling fees	1,806,822
Weight/Distance Tax	78,293,968
Total pledged user & fuel taxes	<u>372,117,294</u>

Other Pledged Revenue

Road fund interest income	240,118
HIF interest income	25,360
Leased Vehicles gross receipts tax	5,214,495
PRC fees	3,212,890
Total other pledged revenue	<u>8,692,863</u>

Total Pledged State Revenues	<u><u>\$ 380,810,157</u></u>
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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Debt Service and Coverage

As of June 30, 2013

	2002C-HIF (SHARE 36300)	2002D-CHAT (SHARE 18700)	2004A-GRIP (SHARE 10080)	2004B-GRIP (SHARE 10090)	2006A-GRIP (SHARE 10220)
Gasoline Excise Taxes	\$ 7,985,382	\$ 7,985,382	\$ 7,985,382	\$ 7,985,382	\$ 7,985,382
Motor Vehicle Registration Fees	5,295,366	5,295,366	5,295,366	5,295,366	5,295,366
Special Fuel Excise Taxes	6,610,667	6,610,667	6,610,667	6,610,667	6,610,667
Vehicle Transaction Fees	347,403	347,403	347,404	347,404	347,404
Driver's License Fees	259,148	259,148	259,148	259,148	259,149
Oversize/Oversight Permit Fees	343,193	343,193	343,193	343,193	343,193
Public Regulation Commission Fees	229,493	229,493	229,492	229,492	229,492
Trip (Mileage) Tax	360,354	360,354	360,354	360,354	360,354
Weight/Distance Taxes	5,249,232	5,249,232	5,249,232	5,249,233	5,249,233
Leased Vehicle Gross Receipts Taxes	401,115	-	401,115	401,115	401,115
Tire Recycling Fees	138,986		138,987	138,987	138,987
FHWA Revenues	-	-	34,397,956	34,397,955	34,397,955
	27,220,339	26,680,238	61,618,296	61,618,296	61,618,297
Interest on Cash Balances*	19,102	17,152	19,102	19,102	19,102
Total Pledged Revenues					
Received	\$ 27,239,441	\$ 26,697,390	\$ 61,637,398	\$ 61,637,398	\$ 61,637,399

	2002C-HIF	2002D-CHAT	2004A-GRIP	2004B-GRIP	2006A-GRIP
Debt Service Principal Expenditures	\$ 2,749,091	\$ 859,091	\$ -	\$ 34,120,000	\$ 195,000
Debt Service Interest Expenditures	148,090	30,713	8,424,804	3,186,800	5,813,298
Total Debt Service	\$ 2,897,181	\$ 889,804	\$ 8,424,804	\$ 37,306,800	\$ 6,008,298
Debt Service Coverage	9.40%	30.00%	7.32%	1.65%	10.26%

*NOTE: In addition to state road fund revenues, pledged revenues on the 2002C HIF and 2004A GRIP include interest earned in the HIF fund.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Debt Service and Coverage

2006B-GRIP	2008A-GRIP	2008B-GRIP	2008C-GRIP	2008D-GRIP
(SHARE 10240)	(SHARE 10410)	(SHARE 10420)	(SHARE 10430)	(SHARE 10440)
\$ 7,985,383	\$ 7,985,383	\$ 7,985,383	\$ 7,985,383	\$ 7,985,383
5,295,366	5,295,365	5,295,365	5,295,365	5,295,365
6,610,668	6,610,668	6,610,668	6,610,668	6,610,668
347,404	347,404	347,404	347,404	347,404
259,149	259,149	259,149	259,149	259,149
343,193	343,193	343,194	343,194	343,194
229,492	229,492	229,492	229,492	229,492
360,354	360,353	360,353	360,353	360,353
5,249,233	5,249,233	5,249,233	5,249,233	5,249,233
401,115	401,115	401,115	401,115	401,115
138,987	138,986	138,986	138,986	138,986
34,397,955	34,397,955	34,397,955	34,397,955	34,397,955
61,618,299	61,618,296	61,618,297	61,618,297	61,618,297
19,102	19,102	19,102	19,102	19,102
\$ 61,637,401	\$ 61,637,398	\$ 61,637,399	\$ 61,637,399	\$ 61,637,399

2006B-GRIP	2008A-GRIP	2008B-GRIP	2008C-GRIP	2008D-GRIP
\$ 1,270,000	\$ -	\$ -	\$ -	\$ -
1,237,288	5,276,384	12,455,765	4,059,314	94,570
\$ 2,507,288	\$ 5,276,384	\$ 12,455,765	\$ 4,059,314	\$ 94,570
24.58%	11.68%	4.95%	15.18%	651.76%

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Debt Service and Coverage

As of June 30, 2013

	2009A Refunding (SHARE 11130)	2010A-GRIP (SHARE 11140)	2010B-GRIP (SHARE 20450)	2012 Refunding (SHARE 30850)	TOTAL
Gasoline Excise Taxes	\$ 7,985,383	\$ 7,985,383	\$ 7,985,383	\$ 7,985,383	\$ 111,795,357
Motor Vehicle Registration Fees	5,295,365	5,295,365	5,295,365	5,295,365	74,135,116
Special Fuel Excise Taxes	6,610,668	6,610,668	6,610,668	6,610,668	92,549,347
Vehicle Transaction Fees	347,404	347,404	347,404	347,404	4,863,654
Driver's License Fees	259,149	259,149	259,149	259,149	3,628,082
Oversize/Oversight Permit Fees	343,194	343,194	343,194	343,194	4,804,709
Public Regulation Commission Fees	229,492	229,492	229,492	229,492	3,212,890
Trip (Mileage) Tax	360,353	360,353	360,353	360,353	5,044,948
Weight/Distance Taxes	5,249,233	5,249,233	5,249,233	5,249,233	73,489,259
Leased Vehicle Gross Receipts Taxes	401,115	401,115	401,115	401,115	5,214,495
Tire Recycling Fees	138,986	138,986	138,986	138,986	1,806,822
FHWA Revenues	34,397,955	34,397,955	34,397,955	34,397,955	412,775,461
Subtotal	61,618,297	61,618,297	61,618,297	61,618,297	793,320,140
Interest on Cash Balances*	19,102	19,102	19,102	19,102	265,478
Total Pledged Revenues					
Received	\$ 61,637,399	\$ 61,637,399	\$ 61,637,399	\$ 61,637,399	\$ 793,585,618

	2009A Refunding	2010A-GRIP	2010B-GRIP	2010B-GRIP	
Debt Service Principal Expenditures	23,190,000	23,120,000	-	2,945,000	\$ 88,448,182
Debt Service Interest Expenditures	2,253,900	7,382,700	22,067,500	4,130,262	76,561,388
Total Debt Service	\$ 25,443,900	\$ 30,502,700	\$ 22,067,500	\$ 7,075,262	\$ 165,009,570
Debt Service Coverage	2.42%	2.02%	2.79%	8.71%	4.81%

*NOTE: In addition to state road fund revenues, pledged revenues on the 2002C HIF and 2004A GRIP include interest earned in the HIF fund.

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

The State Legislature and the State Highway Commission have approved certain agreements between the Department and various counties, municipalities and other agencies to construct or improve public highways, school grounds, parking areas, and for the purpose of litter control. The Department's funding responsibility varies from zero to 100%. When related to Public Transportation Services, the Department's funding responsibility is 50% operating and 80% capital. None of these cooperative and joint powers agreements have created legally separate organizations that need to be included as component units or joint ventures in the Department's financial statements.

Contract Number	Contractor	Description	Expended in 2013
J00131	City of Albuquerque	Provide for a bicycle/pedestrian safety program and ensure elements of the program are in compliance with State and Federal Regulations.	\$ 56,369
J00671	City of Albuquerque	Bicycle Travel Demand Management Program	218,666
J00778	Office of Cultural Affairs	The Department and HPD-ARMS will develop and maintain a comprehensive inventory of cultural properties within the State of New Mexico.	25,000
J00769	Navajo Nation	Plan, design and construct a public access road for the Mariano Lake Chapter of the Navajo Nation in McKinley county.	100,000
J00775	Pueblo of Zuni	Gallup Cut-Off Bridge widening (184 feet) Z-4(3)1, 2&4 (ARRA).	199,960
J00782	Office of Cultural Affairs	Provide a Consultant Design Program to assist the State Historic Preservation Officer in the review of NMDOT Cultural Resources documentation.	100,000

**NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements**

Date of Agreement		Total Estimated Amt of Project	Portion Applicable	Party Responsible for Operations	Audit Responsibility	Fiscal Agent (if applicable)	Agency Where Revenues/Expenditures are Reported
Beginning	Ending		To Agency				
5/4/1995	9/30/2014	\$ 466,666	75%	Contractor	Department		Department
8/6/2001	9/30/2014	2,723,469	85%	Contractor	Department		Department
11/19/2009	6/30/2013	75,000	75%	Contractor	Department		Department
5/15/2009	6/30/2013	736,582	100%	Contractor	Department		Department
9/10/2009	6/30/2012	736,582	100%	Contractor	Department		Department
1/28/2010	12/31/2012	225,000	100%	Contractor	Department		Department

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract			Expended
Number	Contractor	Description	in 2013
M00009	Highway & Transportation Dept	Equipment Waiver Program	\$ 254,487
M00369	Mid-Region Council Of Governments	1(41) CN7692	42,381
M00468A	Mid-Region Council Of Governments	Facility & Maintenance Of Tmc-	59,900
M00532	Las Cruces, City Of	125, CNLC115, MP115	49,955
M00616	Mid-Region Council Of Governments	Commuter Rail-Abq/Sf Corridor	2,165,094
M00716	Department Of Cultural Affairs	Van Of Enchantment	109,039
M00734	New Mexico Institute Of Mining & Tech	Flh-Hpp-7553(7) CN L1017	210,270
M00751	Albuquerque Metropolitan Arroyo Flood	Embudo Arroyo Maintenance	150,000
M00775	Las Cruces Public Schools	Safe Routes To School	3,618
M00837	North Central Regional Transit District	Funding For Transit Facility	16,276
M00841	Cimarron, Village Of	Srsf-7700(152) CN W400010	155
M00854	Rio Rancho Public Schools	Srsf-7700(163) CN A300092	2,119
M00857	Albuquerque Public Schools	Srsf-7700(162) CN A300091	5,820
M00869	Clovis, City Of	Public Transportation Svcs	144,609
M00881	Zuni Entrepreneurial Ent Inc	Public Transportation Svcs	16,932
M00885	Riometro Regional Transit District	Public Transportation Svcs	129,005
M00887	Laguna, Pueblo Of	Public Transportation Svcs	31,824
M00895	Taos, Town Of	Public Transportation Svcs	53,681
M00899	Ruidoso Downs, City Of	Public Transportation Svcs	16,650
M00900	Albuquerque, City Of	Construction Management	200,000
M00901	North Central Regional Transit District	Public Transportation Svcs	20,569
M00940	Riometro Regional Transit District	Commuter Rail Service	4,336,091
M00948	Museum Of Indian Arts/Culture	Tpe-7649(5) CN 7834	4,681
M00956	Tw Telecom	Rail Runner Network Maintenanc	22,604
M00958	Good Shepherd Lutheran Church	Use Of Parking Lot	500
M00960	New Mexico Passenger Transportation Assc	Statewide Transit Conference	21,257
M00961	Zia Therapy Ctr Inc	Public Transportation Svcs	6,833
M00966	South Central Council Of Governments	Public Transportation Svcs	1,479
M00967	North Central Regional Transit District	Public Transportation Svc	50,061
M00968	Ben Archer Health Center	Public Transportation Svc	42,412
M00969	Carlsbad, City Of	Public Transportation Svc	8,975
M00970	Riometro Regional Transit District	Public Transportation Svc	67,414
M00971	Milan, Village Of	Public Transportation Svc	9,365
M00972	Nm Municipal League	Nm State Aviation Conference	1,231
M00974	Los Alamos, County Of	Public Transportation Svc	48,214
M00975	Us Geological Survey	Investigation /Analysis Floods	69,456

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion Applicable	Party Responsible	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	To Agency	for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
5/15/1998	9/30/2015	\$ 3,255,430	100%	Contractor	Department		Department
7/21/2004	12/31/2010	8,973,166	80%	Contractor	Department		Department
7/17/2008	12/31/2015	1,062,760	100%	Contractor	Department		Department
1/11/2006	12/31/2010	1,267,323	85%	Contractor	Department		Department
8/31/2006	12/31/2012	128,457,158	100%	Contractor	Department		Department
8/24/2007	9/30/2011	885,240	100%	Contractor	Department		Department
11/28/2007	12/31/2013	2,969,741	80%	Contractor	Department		Department
5/21/2008	11/30/2013	720,000	75%	Contractor	Department		Department
7/16/2008	12/30/2010	15,000	100%	Contractor	Department		Department
4/20/2009	9/30/2011	74,800	80%	Contractor	Department		Department
7/1/2009	6/30/2012	15,000	100%	Contractor	Department		Department
7/2/2009	6/30/2011	15,000	100%	Contractor	Department		Department
7/3/2009	6/30/2011	15,000	100%	Contractor	Department		Department
7/17/2009	6/30/2011	399,848	80%/50%	Contractor	Department		Department
7/17/2009	12/31/2010	160,044	80%/50%	Contractor	Department		Department
7/17/2009	8/31/2011	623,081	80%/50%	Contractor	Department		Department
7/17/2009	6/30/2011	116,250	80%/50%	Contractor	Department		Department
7/29/2009	3/31/2011	507,500	80%/50%	Contractor	Department		Department
7/29/2009	3/31/2011	148,923	80%/50%	Contractor	Department		Department
10/1/2009	9/30/2010	200,000	100%	Contractor	Department		Department
8/15/2009	8/31/2011	2,000,000	80%/50%	Contractor	Department		Department
10/20/2009	10/20/2019	16,440,000	100%	Contractor	Department		Department
12/23/2009	9/30/2013	323,000	67%	Contractor	Department		Department
1/13/2010	1/13/2014	71,300	100%	Contractor	Department		Department
7/1/2010	6/30/2011	9,000	100%	Contractor	Department		Department
6/25/2010	6/30/2011	108,000	100%	Contractor	Department		Department
6/25/2010	9/30/2011	24,750	80%/50%	Contractor	Department		Department
7/22/2010	6/30/2011	62,500	80%/50%	Contractor	Department		Department
7/30/2010	9/30/2011	175,744	80%/50%	Contractor	Department		Department
7/30/2010	9/30/2011	133,318	80%/50%	Contractor	Department		Department
7/30/2010	9/30/2011	39,610	80%/50%	Contractor	Department		Department
7/30/2010	9/30/2011	189,831	80%/50%	Contractor	Department		Department
7/30/2010	9/30/2011	43,750	80%/50%	Contractor	Department		Department
6/16/2010	6/30/2013	1,231	100%	Contractor	Department		Department
8/9/2010	9/30/2011	185,969	80%/50%	Contractor	Department		Department
10/1/2010	9/30/2011	138,912	50%	Contractor	Department		Department

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2013
M00978	National Atomic Museum Foundation	CN A300490 Multi-Use Path	\$ 99,891
M00979	Albuquerque, City Of	Ridesharing/Transportation	790,700
M00980	Las Cruces, City Of	Ridesharing/Transportation	138
M00981	North Central Regional Transit District	Public Transportation Svcs	509,152
M00982	Zia Therapy Ctr Inc	Public Transportation Svcs	135,943
M00983	Golden Spread Rural Frontier	Public Transportation Svcs	30,819
M00984	Roswell, City Of	Public Transportation Svcs	217,501
M00985	Las Vegas, City Of	Public Transportation Svcs	52,790
M00987	Southwest Regional Transit District	Public Transportation Svcs	167,594
M00988	Portales, City Of	Public Transportation Svcs	53,549
M00989	Red River, Town Of	Public Transportation Svcs	31,405
M00992	Milan, Village Of	Public Transportation Svcs	48,182
M00996	Adelante Development Center	Public Transportation Svcs	12,187
M00997	Riometro Regional Transit District	Public Transportation Svcs	334,448
M00998	Zia Therapy Ctr Inc	Public Transportation Svcs	27,375
M01000	Clovis, City Of	Public Transportation Svcs	208,177
M01001	Laguna, Pueblo Of	Public Transportation Svcs	21,665
M01008	Pay N Save Inc	Parking Lot Agreement	3,000
M01009	Carlsbad, City Of	Public Transportation Svcs	5,598
M01010	Carlsbad, City Of	Public Transportation Svcs	145,062
M01011	Ruidoso Downs, City Of	Public Transportation Svcs	72,427
M01012	Hobbs, City Of	Public Transportation Svcs	123,458
M01013	Socorro, City Of	Public Transportation Svcs	52,203
M01014	Nanizhoozhi Center Inc	Public Transportation Svcs	57,610
M01015	Taos, Town Of	Public Transportation Svcs	93,880
M01018	Zuni Entrepreneurial Ent Inc	Public Transportation Svcs	34,355
M01021	Los Alamos, County Of	Public Transportation Svcs	582,855
M01022	Los Alamos, County Of	Public Transportation Svcs	203,200
M01023	Los Alamos, County Of	Public Transportation Svcs	123,686
M01024	Navajo Nation	Public Transportation Svcs	151,681
M01027	The University Of New Mexico	Forecasting Services	2,468
M01028	Mid-Region Council Of Governments	Transportation Plans/Programs	1,353,829
M01029	Northwest New Mexico Council	Transportation Plans/Programs	65,160
M01030	Southwest Nm Cog	Transportation Plans/Programs	69,127
M01031	Southeastern Nm Economic Development Dis	Transportation Plans/Programs	64,183
M01032	El Paso, City Of	Transportation Plans/Programs	36,781

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	Applicable To Agency	Responsible for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
8/27/2010	9/30/2014	\$ 100,000	75%	Contractor	Department		Department
9/2/2010	6/30/2011	805,000	80%	Contractor	Department		Department
9/2/2010	6/30/2011	31,000	80%	Contractor	Department		Department
9/13/2010	9/30/2011	1,182,640	80%/50%	Contractor	Department		Department
9/13/2010	9/30/2011	498,432	80%/50%	Contractor	Department		Department
9/13/2010	9/30/2011	173,284	80%/50%	Contractor	Department		Department
9/15/2010	9/30/2011	687,025	80%/50%	Contractor	Department		Department
9/15/2010	9/30/2011	145,838	80%/50%	Contractor	Department		Department
9/16/2010	9/30/2011	630,823	80%/50%	Contractor	Department		Department
9/15/2010	9/30/2011	149,504	80%/50%	Contractor	Department		Department
9/15/2010	9/30/2011	93,922	80%/50%	Contractor	Department		Department
9/15/2010	9/30/2011	136,853	80%/50%	Contractor	Department		Department
9/16/2010	9/30/2011	33,043	80%/50%	Contractor	Department		Department
9/15/2010	12/31/2011	1,403,655	80%/50%	Contractor	Department		Department
9/15/2010	9/30/2011	40,492	80%/50%	Contractor	Department		Department
9/20/2010	9/30/2011	539,845	80%/50%	Contractor	Department		Department
9/23/2010	9/30/2011	96,516	80%/50%	Contractor	Department		Department
9/20/2010	8/31/2013	9,000	100%	Contractor	Department		Department
9/24/2010	9/30/2011	16,750	80%/50%	Contractor	Department		Department
9/25/2010	9/30/2011	388,296	80%/50%	Contractor	Department		Department
9/27/2010	9/30/2011	207,845	80%/50%	Contractor	Department		Department
9/27/2010	9/30/2011	318,647	80%/50%	Contractor	Department		Department
9/27/2010	9/30/2011	134,667	80%/50%	Contractor	Department		Department
9/27/2010	9/30/2011	266,891	80%/50%	Contractor	Department		Department
9/28/2010	9/30/2011	302,237	80%/50%	Contractor	Department		Department
9/30/2010	9/30/2011	181,378	80%/50%	Contractor	Department		Department
10/4/2010	9/30/2011	1,011,284	80%/50%	Contractor	Department		Department
10/5/2010	11/30/2011	203,200	80%/50%	Contractor	Department		Department
10/6/2010	11/30/2011	317,632	80%/50%	Contractor	Department		Department
10/12/2010	9/30/2011	641,969	80%/50%	Contractor	Department		Department
7/10/2010	6/30/2011	12,792	13%	Contractor	Department		Department
12/23/2010	6/30/2015	3,626,864	80%	Contractor	Department		Department
12/20/2010	6/30/2015	174,004	80%	Contractor	Department		Department
12/20/2010	6/30/2015	176,121	80%	Contractor	Department		Department
12/20/2010	6/30/2015	189,253	80%	Contractor	Department		Department
12/23/2010	6/30/2015	217,359	80%	Contractor	Department		Department

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2013
M01033	Eastern Plains Council Of Governments	Transportation Plans/Programs	\$ 59,780
M01034	Farmington, City Of	Transportation Plans/Programs	194,891
M01035	North Central New Mexico Economic	Transportation Plans/Programs	81,515
M01036	North Central New Mexico Economic	Transportation Plans/Programs	81,042
M01037	Mid-Region Council Of Governments	Transportation Plans/Programs	62,182
M01038	Santa Fe, City Of	Transportation Plans/Program	240,050
M01039	Las Cruces, City Of	Transportation Plans/Programs	267,281
M01040	South Central Council Of Governments	Transportation Plans/Programs	67,962
M01043	Navajo Nation	Public Transportation Svcs	751,334
M01045	Corrales, Village Of	Safe Routes To School Phase Ii	16,189
M01046	Carlsbad, City Of	Safe Routes To Schools Phase 2	10,181
M01047	Santa Fe, City Of	Ridesharing Program	24,979
M01052	North Central Regional Transit District	Public Transportation Services	616,856
M01054	Portales, City Of	Public Transportation Services	40,800
M01057	Milan, Village Of	Public Transportation Services	63,783
M01060	Las Cruces Public Schools	Safe Routes To School	7,088
M01064	Los Alamos, County Of	Public Transportation Services	149,389
M01065	Alamogordo, City Of	Safe Routes To School Phase 2	1,786
M01066	Silver City Consolidated Schools	Safe Routes To Schools Phase 2	8,220
M01068	Regents Of New Mexico State University	5373 Cn 10450 Bins/Bgis Update	11,857
M01071	Good Shepherd Lutheran Church	Use Of Parking Lot Agreement	5,575
M01072	Carlsbad, City Of	Public Transportation Services	27,205
M01074	Socorro, City Of	Public Transportation Services	42,672
M01075	New Mexico Passenger Transportation Assc	Annual Transit Conference	56,031
M01077	Santa Fe, City Of	Promoting Ridesharing	43,121
M01080	Deming Public Schools	Safe Routes To School W100070	2,303
M01082	Farmington, City Of	Safe Routes To School W500011	9,067
M01085	Us Geological Survey	Investigation/Analysis Floods	64,468
M01090	Arca	Public Transportation Services	81,848
M01091	Las Cumbres Community Services Inc	Public Transportation Services	53,718
M01092	North Central Regional Transit District	Public Transportation Services	706,832
M01093	North Central Regional Transit District	Public Transportation Services	105,408
M01096	Golden Spread Rural Frontier	Public Transportation Services	79,343
M01097	Zia Therapy Ctr Inc	Public Transportation Services	9,610
M01098	Zia Therapy Ctr Inc	Public Transportation Services	305,876
M01100	Laguna, Pueblo Of	Public Transportation Services	30,842

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	Applicable To Agency	Responsible for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
12/23/2010	6/30/2015	\$ 174,004	80%	Contractor	Department		Department
12/23/2010	6/30/2015	759,709	80%	Contractor	Department		Department
12/21/2010	6/30/2015	174,331	80%	Contractor	Department		Department
12/20/2010	6/30/2015	188,805	80%	Contractor	Department		Department
1/20/2010	6/30/2015	750,471	80%	Contractor	Department		Department
12/20/2010	6/30/2015	1,370,441	80%	Contractor	Department		Department
1/20/2010	6/30/2015	1,346,233	80%	Contractor	Department		Department
12/23/2010	6/30/2015	174,004	80%	Contractor	Department		Department
2/14/2011	8/31/2011	767,500	80%/50%	Contractor	Department		Department
3/15/2011	6/30/2013	25,000	100%	Contractor	Department		Department
3/25/2011	6/30/2013	38,277	100%	Contractor	Department		Department
3/25/2011	6/30/2011	67,653	80%	Contractor	Department		Department
4/20/2011	9/30/2012	632,000	80%/50%	Contractor	Department		Department
4/19/2011	9/30/2012	41,884	80%/50%	Contractor	Department		Department
4/19/2011	9/30/2012	64,000	80%/50%	Contractor	Department		Department
5/2/2011	6/30/2013	25,000	100%	Contractor	Department		Department
5/2/2011	12/31/2012	1,191,884	80%/50%	Contractor	Department		Department
5/3/2011	6/30/2013	25,000	100%	Contractor	Department		Department
5/20/2011	6/30/2013	25,000	100%	Contractor	Department		Department
5/27/2011	12/31/2012	23,446	100%	Contractor	Department		Department
7/1/2011	6/30/2012	9,000	100%	Contractor	Department		Department
6/15/2011	9/30/2012	28,800	80%/50%	Contractor	Department		Department
7/19/2011	8/31/2011	194,269	80%/50%	Contractor	Department		Department
7/27/2011	6/30/2012	96,050	100%	Contractor	Department		Department
8/2/2011	6/30/2012	71,773	80%	Contractor	Department		Department
8/26/2011	6/30/2013	25,000	100%	Contractor	Department		Department
8/26/2011	6/30/2013	25,000	100%	Contractor	Department		Department
10/1/2011	9/30/2012	128,935	50%	Contractor	Department		Department
9/20/2011	9/30/2012	106,520	80%/50%	Contractor	Department		Department
9/20/2011	9/30/2012	53,718	80%/50%	Contractor	Department		Department
9/28/2011	9/30/2012	1,151,040	80%/50%	Contractor	Department		Department
9/29/2011	9/30/2012	151,955	80%/50%	Contractor	Department		Department
9/29/2011	9/30/2012	102,482	80%/50%	Contractor	Department		Department
10/3/2011	9/30/2012	19,800	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	504,108	80%/50%	Contractor	Department		Department
9/30/2011	9/30/2012	92,116	80%/50%	Contractor	Department		Department

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Contract Number	Contractor	Description	Expended in 2013
M01104	Ruidoso Downs, City Of	Public Transportation Services	\$ 80,526
M01105	Las Vegas, City Of	Public Transportation Services	56,008
M01106	Milan, Village Of	Public Transportation Services	90,888
M01107	Adelante Development Center	Public Transportation Services	15,621
M01108	Milan, Village Of	Public Transportation Services	16,742
M01109	Zuni Entrepreneurial Ent Inc	Public Transportation Services	90,109
M01110	Los Alamos, County Of	Public Transportation Services	35,844
M01113	Socorro, City Of	Public Transportation Services	68,371
M01114	Ben Archer Health Center	Public Transportation Services	67,850
M01115	Portales, City Of	Public Transportation Services	57,768
M01116	Roswell, City Of	Public Transportation Services	489,199
M01117	Red River, Town Of	Public Transportation Services	55,973
M01118	Clovis, City Of	Public Transportation Services	345,000
M01119	Southwest Regional Transit District	Public Transportation Services	344,430
M01120	Southwest Regional Transit District	Public Transportation Services	24,809
M01122	Nanizhoozhi Center Inc	Public Transportation Services	92,684
M01124	Riometro Regional Transit District	Public Transportation Services	776,562
M01125	Riometro Regional Transit District	Public Transportation Services	118,453
M01126	Carlsbad, City Of	Public Transportation Services	195,651
M01127	Carlsbad, City Of	Public Transportation Services	28,099
M01128	Carlsbad, City Of	Public Transportation Services	11,121
M01129	Los Alamos, County Of	Public Transportation Services	178,270
M01130	Los Alamos, County Of	Public Transportation Services	668,741
M01131	Los Alamos, County Of	Public Transportation Services	178,099
M01133	Hobbs, City Of	Public Transportation Services	202,014
M01134	Taos, Town Of	Public Transportation Services	190,417
M01136	The University Of New Mexico	State & Regional Forecasting	12,525
M01138	Navajo Nation	Public Transportation Services	219,954
M01139	Albuquerque, City Of	Rideshare / Tdmp	695,075

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Supplemental Schedule of Joint Powers Agreements

Date of Agreement		Total Estimated	Portion	Party	Audit	Fiscal Agent	Agency Where
Beginning	Ending	Amt of Project	Applicable To Agency	Responsible for Operations	Responsibility	(if applicable)	Revenues/Expenditures are Reported
10/4/2011	9/30/2012	\$ 179,785	80%/50%	Contractor	Department		Department
10/3/2011	9/30/2012	143,038	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	140,853	80%/50%	Contractor	Department		Department
10/3/2011	9/30/2012	35,132	80%/50%	Contractor	Department		Department
10/5/2011	9/30/2012	25,000	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	178,679	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	35,844	80%/50%	Contractor	Department		Department
10/5/2011	9/30/2012	104,967	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	110,878	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	85,486	80%/50%	Contractor	Department		Department
10/3/2011	9/30/2012	808,785	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	93,083	80%/50%	Contractor	Department		Department
10/7/2011	12/31/2012	559,845	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	572,718	80%/50%	Contractor	Department		Department
10/5/2011	9/30/2012	51,000	80%/50%	Contractor	Department		Department
10/4/2011	9/30/2012	198,811	80%/50%	Contractor	Department		Department
10/6/2011	9/30/2012	1,257,848	80%/50%	Contractor	Department		Department
10/7/2011	9/30/2012	188,305	80%/50%	Contractor	Department		Department
10/13/2011	9/30/2012	328,608	80%/50%	Contractor	Department		Department
10/14/2011	9/30/2012	35,679	80%/50%	Contractor	Department		Department
10/15/2011	9/30/2012	16,750	80%/50%	Contractor	Department		Department
10/14/2011	9/30/2012	192,856	80%/50%	Contractor	Department		Department
10/15/2011	9/30/2012	987,684	80%/50%	Contractor	Department		Department
10/16/2011	9/30/2012	291,288	80%/50%	Contractor	Department		Department
10/17/2011	9/30/2012	263,927	80%/50%	Contractor	Department		Department
10/31/2011	9/30/2012	333,987	80%/50%	Contractor	Department		Department
7/7/2011	7/9/2012	17,007	13%	Contractor	Department		Department
11/8/2011	9/30/2012	457,769	80%/50%	Contractor	Department		Department
2/21/2012	6/30/2012	1,008,022	80%	Contractor	Department		Department

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SINGLE AUDIT

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participation Expenditures
Direct Assistance Programs:		
U.S. Department of Energy:		
Waste Isolation Pilot Plant 2004	81.106	11,197,644
Total U.S. Department of Energy		11,197,644
U.S. Department of Transportation:		
Federal Highway Administration		
Highway Planning and Construction:		
Highway Planning and Construction	20.205	412,775,461
Highway Planning and Construction - ARRA	20.205	10,230,658
Total Federal Highway Administration		423,006,119
National Highway Traffic Safety Administration (NHTSA):		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	1,951,195
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	1,166,619
Occupant Protection Incentive Grants	20.602	128,394
State Traffic Safety Information System Improvement Grants	20.610	511,120
Incentive Grant Program to Increase Motorcyclist Safety	20.612	81,204
Total Highway Safety Cluster		3,838,532
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	6,116,118
NHTSA Discretionary Safety Grants	20.614	60,678
Total National Highway Traffic Safety Administration (NHTSA):		10,015,328
Federal Transit Administration (FTA):		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	2,806,115
Transit Services Programs Cluster		
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	383,094
Job Access Reverse Commute Job Access	20.516	1,113,309
New Freedom Program	20.521	299,233
Transit Services Programs Cluster		1,795,636

The accompany notes are an integral part of this schedule.

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participation Expenditures
U.S. Department of Transportation (continued):		
Federal Transit Administration (FTA) (continued):		
Federal Transit Metropolitan Planning Grants	20.505	330,763
Formula Grants for Other Than Urbanized Areas	20.509	8,431,822
		<hr/>
Total Federal Transit Administration		13,364,336
		<hr/>
Total U.S. Department of Transportation		446,385,783
		<hr/>
Total Federal Financial Assistance	\$	457,583,427
		<hr/> <hr/>

The accompany notes are an integral part of this schedule.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the New Mexico Department of Transportation (Department) under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net position of the Department.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues, except for the amounts for the State Infrastructure Bank, which are recorded as contributions when they are received. The Department did not receive non-cash assistance from federal sources during the current year.

Note 3 - Reconciliation of Federal Awards

Statement of Revenues, Expenditures and

Changes in Fund Balances:

U.S. Department of Transportation	\$ 441,549,561
U.S. Department of Energy	11,197,644
Deferred U.S. Department of Transportation (2013)	<u>4,836,222</u>

Supplemental Schedule of Expenditures,
of Federal Awards

\$ 457,583,427

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Schedule of Expenditures of Federal Awards

Note 4 - Subrecipients of Grant Awards

National Highway Traffic Safety Administration (NHTSA):

CFDA	Program Name	Sub Recipient Name	Amount
20.600	State and Community Highway Safety		
		Albuquerque, City Of	\$ 68,717
		Artesia, City of	2,950
		Aztec, City Of	1,534
		Bayard, City Of	1,785
		Belen, City Of	2,586
		Bernalillo, County Of	17,125
		Bernalillo, Town Of	4,970
		Bosque Farms, Village Of	1,998
		Capitan, Village Of	2,793
		Carlsbad, City Of	4,612
		Clayton, Town Of	1,492
		Cloudcroft, Village of	286
		Clovis, City Of	4,508
		Eddy County	9,396
		Espanola, City Of	1,148
		Farmington, City Of	15,848
		Gallup, City Of	5,279
		Grant County Clerk	2,985
		Grants, City Of	148
		Hidalgo County	7,383
		Rio Rancho, City Of	22,500
		Roosevelt, County Of	5,073
		Total CFDA 20.600	185,114
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		
		Albuquerque, City Of	\$ 253,111
		Bayard, City Of	1,504
		Clovis, City Of	22,683
		Eddy County	72,850
		Espanola, City Of	428
		Farmington, City Of	18,042
		Guadalupe County	395
		Hope, Village Of	3,405
		McKinley, County Of	26,599
		San Juan, County Of	2,733
		Socorro, City Of	6,057
		Torrance County	618
		Truth Or Consequences, City Of	5,883
		Total CFDA 20.601	414,309

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NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Schedule of Expenditures of Federal Awards

Note 4 - Subrecipients of Grant Awards (continued)

National Highway Traffic Safety Administration (NHTSA) (continued):

CFDA	Program Name	Sub Recipient Name	Amount
20.608	#REF!		
		Alamogordo, City Of	\$ 19,610
		Albuquerque, City Of	307,009
		Angel Fire, Village Of	1,716
		Artesia, City Of	4,393
		Aztec, City Of	8,630
		Bayard, City Of	11,916
		Belen, City Of	9,709
		Bernalillo, County Of	161,191
		Bernalillo, Town Of	16,923
		Bloomfield, City Of	27,346
		Bosque Farms, Village Of	15,325
		Capitan, Village Of	16,623
		Carlsbad, City Of	11,723
		Carrizozo, Town Of	3,567
		Chaves County	13,383
		Cibola County, Treasurer Of	1,052
		Cimarron, Village Of	3,698
		Clayton, Town Of	4,999
		Cloudcroft, Village Of	680
		Clovis, City Of	12,159
		Colfax County	3,395
		Corrales, Village Of	5,592
		Cuba, Village Of	5,511
		Edgewood, Town Of	1,837
		Espanola, City Of	1,710
		Estancia, Town Of	3,477
		Farmington, City Of	248,749
		Gallup, City Of	43,941

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Schedule of Expenditures of Federal Awards

Note 4 - Subrecipients of Grant Awards (continued)

National Highway Traffic Safety Administration (NHTSA) (continued):

CFDA	Program Name	Sub Recipient Name	Amount
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated (continued)		
		Grant County Clerk	\$ 17,563
		Grants, City Of	6,173
		Guadalupe County	1,828
		Hidalgo County	7,354
		Hobbs, City Of	14,085
		Hope, Village Of	2,604
		Hurley, Town Of	5,178
		Jemez Springs, Village Of	612
		Jemez, Pueblo Of	3,443
		Jicarilla Apache Nation	520
		Las Cruces, City Of	96,496
		Las Vegas, City Of	14,539
		Lordsburg, City Of	4,176
		Los Alamos, County Of	7,468
		Los Lunas, Village Of	22,120
		Lovington, City Of	3,971
		Luna County (Sheriffs Dept)	17,819
		Mckinley, County Of	565,767
		Moriarity, City Of	7,341
		Ohkay Owingeh	12,620
		Otero County	4,659
		Picuris, Pueblo Of	1,370
		Portales, City Of	3,877
		Pueblo Of Isleta	19,136
		Pueblo Of Nambe	1,384
		Pueblo of Pojoaque	3,078
		Raton, City Of	13,408
		Red River, Town Of	19,674
		Rio Arriba, County Of	199,881
		Rio Rancho, City Of	380,426
		Roosevelt, County Of	6,432
		Ruidoso Downs, City Of	1,817
		Ruidoso, Village Of	2,610
		San Ildefonso, Pueblo De	2,223
		San Juan, County Of	27,625
		San Miguel County	5,176

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Schedule of Expenditures of Federal Awards

Note 4 - Subrecipients of Grant Awards (continued)

National Highway Traffic Safety Administration (NHTSA) (continued):

CFDA	Program Name	Sub Recipient Name	Amount
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated (continued)		
		Sandia, Pueblo Of	\$ 1,281
		Sandoval, County Of	9,233
		Santa Ana Pueblo	5,758
		Santa Clara Pueblo	1,836
		Santa Clara, Village Of	4,085
		Santa Fe, City Of	169,539
		Santa Fe, County Of	37,716
		Santa Rosa, City Of	8,198
		Sierra County, Treasurer Of	588
		Silver City/Grant County	7,064
		Socorro County	11,692
		Socorro, City Of	7,424
		Springer, Town Of	1,806
		Sunland Park, Treasurer Of	14,309
		Taos, County Of	13,093
		Taos, Town Of	4,765
		Texico, City Of	3,095
		Torrance County	714
		Treasurer Of Loving	1,647
		Truth Or Consequences, City Of	2,066
		Tucumcari, City Of	421
		Tularosa Police Department	459
		Valencia, County Of	23,820
		Village Of Hatch	2,223
		Zuni, Pueblo Of	4,450
		Total CFDA 20.608	2,807,597
20.614	NHTSA Discretionary Safety Grants		
		Farmington, City Of	1,821
		Gallup, City Of	1,399
		Las Cruces, City Of	3,994
		Total CFDA 20.610	7,213
Total Sub-Recipient Funds passed through NHTSA			\$ 3,414,233

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Schedule of Expenditures of Federal Awards

Note 4 - Subrecipients of Grant Awards (continued)

Federal Transit Administration (FTA):

CFDA	Program Name	Sub Recipient Name	Amount
20.500	Federal Transit Capital Investment Grants		
		Carlsbad, City Of	\$ 42,511
		Clovis, City Of	154,836
		Golden Spread Rural Frontier	4,056
		Hobbs, City Of	225,542
		Laguna, Pueblo Of	88,472
		Los Alamos, County Of	694,229
		Navajo Nation	100,391
		North Central Regional Transit District	40,811
		OhKay Owingeh	4,140
		Portales, City Of	4,224
		Riometro Regional Transit District	503,760
		Roswell, City Of	184,529
		Socorro, City Of	80,469
		Southwest Regional Transit District	158,000
		Taos, Town Of	260,474
		Zia Therapy Ctr Inc	3,615
		Total CFDA 20.500	2,550,058
20.505	Federal Transit Metropolitan Planning Grants		
		El Paso, City Of	\$ 23,226
		Farmington, City Of	35,356
		Las Cruces, City Of	24,923
		Mid-Region Council Of Governments	221,773
		Santa Fe, City Of	25,485
		Total CFDA 20.505	330,763
20.509	Formula Grants for Other Than Urbanized Areas		
		Adelante Development Center	\$ 9,101
		Ben Archer Health Center	99,473
		Carlsbad, City Of	259,725
		Clovis, City Of	449,910
		El Paso, City Of	4,924
		Gallup Independent Co.	62
		Golden Spread Rural Frontier	97,025
		Hobbs, City Of	233,864
		Laguna, Pueblo Of	86,250
		Las Vegas, City Of	133,127
		Los Alamos, County Of	714,926
		Milan, Village Of	135,862
		Navajo Nation	318,587

See Report of Independent Auditors

NEW MEXICO DEPARTMENT OF TRANSPORTATION
Notes To Schedule of Expenditures of Federal Awards

Note 4 - Subrecipients of Grant Awards (continued)

Federal Transit Administration (FTA) (continued):

CFDA	Program Name	Sub Recipient Name	Amount	
20.509	Formula Grants for Other Than Urbanized Areas (continued)			
		North Central Regional Transit District	\$ 1,145,992	
		Ohkay Owingeh	134,033	
		Portales, City Of	94,226	
		Pueblo of Iselta	1,350	
		Red River, Town Of	88,348	
		Riometro Regional Transit District	1,014,824	
		Roswell, City Of	596,899	
		Ruidoso Downs, City Of	165,722	
		Santa Fe, City Of	4,800	
		Socorro, City Of	76,974	
		Southwest Regional Transit District	597,991	
		Taos, Town Of	286,615	
		Zia Therapy Ctr Inc	433,431	
		Zuni Entrepreneurial Ent Inc	11,166	
		Total CFDA 20.509		7,195,206
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities			
		Los Alamos, County Of	\$ 24,754	
		Total CFDA 20.513		24,754
20.516	Job Access Reverse Commute Job Access			
		ARCA	\$ 130,824	
		Ben Archer Health Center	32,833	
		Carlsbad, City Of	37,639	
		Los Alamos, County Of	253,946	
		Milan, Village Of	16,402	
		North Central Regional Transit District	208,762	
		OhKay Owingeh	1,432	
		Riometro Regional Transit District	206,442	
		Southwest Regional Transit District	41,597	
		Zia Therapy Ctr Inc	19,711	
		Total CFDA 20.516		949,587
20.521	New Freedom Program			
		Carlsbad, City Of	\$ 15,556	
		Hobbs, City Of	54,485	
		Los Alamos, County Of	229,193	
		Total CFDA 20.521		299,233
Total Sub-Recipient Funds passed through FTA			\$	11,349,602

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Tom Church, Cabinet Secretary, Designate
State of New Mexico Department of Transportation
and
Mr. Hector H. Balderas, New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the major funds of the State of New Mexico Department of Transportation (Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the non-major governmental funds and the budgetary comparisons for the non-major funds presented as supplementary information, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Mr. Tom Church, Cabinet Secretary, Designate
State of New Mexico Department of Transportation
and
Mr. Hector H. Balderas, New Mexico State Auditor
Santa Fe, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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*.

Purpose of this Report

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

Mess Adams LLP

Albuquerque, New Mexico
December 13, 2013

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE
 MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
 OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mr. Tom Church, Cabinet Secretary, Designate
 State of New Mexico Department of Transportation
 and
 Mr. Hector H. Balderas, New Mexico State Auditor
 Santa Fe, New Mexico

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Department's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on the Major Federal Program

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

Mr. Tom Church, Cabinet Secretary, Designate
State of New Mexico Department of Transportation
and
Mr. Hector H. Balderas, New Mexico State Auditor
Santa Fe, New Mexico

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 Department'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 13, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW MEXICO DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Summary of Auditors' Results

For the Year Ended June 30, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(s) identified?

☐ Yes ☒ None Reported

Non-compliance material to financials statements noted?

☐ Yes ☒ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(s) identified?

☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133

☐ Yes ☒ None Reported

Identification of Major Program:

Name of Federal Program or Cluster

CFDA Number

Highway Planning and Construction

20.205

Highway Planning and Construction - ARRA

20.205

Dollar threshold used to distinguish between Types A and B programs

\$3,000,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

**NEW MEXICO DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit**

C. FINDINGS – FEDERAL AWARDS

None

B. Financial Statement Audit

- 07-07 Accounts Payable (Significant Deficiency) - Resolved
- 07-14 Over-Expended Appropriation Units (Non-Compliance in Accordance with the New Mexico State Audit Rule) - Resolved
- 12-01 Retainage Payable Reconciliation (Non-Compliance in Accordance with the New Mexico State Audit Rule) - Resolved
- 12-02 Notification to the Office of State Auditor of Violation of Criminal Statute (Non-Compliance in Accordance with the New Mexico State Audit Rule) - Resolved

C. Federal Awards

- 11-02 Untimely Reporting (Significant Deficiency & Non-Compliance) - Resolved

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

STATE OF NEW MEXICO DEPARTMENT OF TRANSPORTATION

Tom J. Church, Cabinet Secretary, Designate
Ronald L. Schmeits, Commissioner
Larry L. Viarreal, Accounting Services Director
Bridgette Long, Accounting Services Deputy Director
Anthony Lujan, Deputy Secretary
Julie Atencio, Acting Inspector General

MOSS ADAMS LLP

Scott Eliason, Partner
Jason Galloway, Assurance Senior Manager
Sandy Schwank, Assurance Manager
Ashley Bierner, Assurance Senior

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Department with assistance from Moss Adams LLP and are the responsibility of management.



Timothy Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR
Elected for Better Government

February 4, 2015

SAO Ref. No. 385

Robert Coalter, CEO
New Mexico Finance Authority
207 Shelby Street
Santa Fe, NM 87501

SUBJECT: Audit Report New Mexico Finance Authority—2013-2014 Fiscal Year—Prepared by REDW, LLC

The audit report for your agency was received by the Office of the State Auditor (Office) on December 16, 2014. The State Auditor's review of the audit report required by Section 12-6-14 (B) NMSA 1978 and 2.2.2.13 NMAC has been completed. This letter is your authorization to make the final payment to the independent public accountant (IPA) who contracted to perform your agency's financial and compliance audit. In accordance with Section 2 of the audit contract, the IPA is required to deliver the specified number of copies of the audit report to the agency.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the Office. Once the five-day period has expired or upon the Office's receipt of a written waiver, the audit report shall be:

- released by the Office to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer
- posted by the Office to our website

The IPA's findings and comments are included in the audit report on page none. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments. Section 2.2.2.10(J) NMAC requires that an exit conference be held with representatives of the agency's governing authority and top management.**

A handwritten signature in cursive script that reads "Timothy Keller".

Timothy Keller
State Auditor

cc: REDW, LLC

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

*Financial Statements
and
Independent Auditor's Report
June 30, 2014*

New Mexico Finance Authority

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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2014

Governing Board

John E. McDermott, Chair
William Fulginiti, Vice Chair
David Martin, Secretary
Katherine Ulibarri, Treasurer
Steve Kopelman, Member
Ryan Flynn, Member
Tom Clifford, Member
Jon Barela, Member
Jerry L. Jones, Member
Blake Curtis, Member
Terry White, Member

Chief Executive Officer

Robert P. Coalter

Acting Chief Financial Officer

Robert Brannon

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, in 2014 the Authority changed its method of accounting for bond issuance cost with the adoption of Governmental Accounting Standards Board Statement No. 65. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "REDW LLC". The signature is stylized, with the "R" being particularly large and the "LLC" written in a cursive-like font.

Albuquerque, New Mexico
December 4, 2014

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2014

Introduction

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial position at June 30, 2014 and its financial performance during the fiscal year then ended. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

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

Overview of the Financial Statements

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's basic financial statements are comprised of the following:

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

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

Financial Highlights

- ◆ The Authority's overall financial improved slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.
- ◆ During the fiscal year, unrestricted cash decreased 55.3% or \$64.2 million. Restricted cash decreased by 27.0% or \$29.7 million. Restricted investments increased by 39.6% or \$52.1 million.
- ◆ Loans receivable decreased by \$52.1 million or 4.2% during the fiscal year, primarily as a result of a large amount of prepayments on loans.
- ◆ Bonds payable decreased by \$132.3 million or 11.2% in 2014, the result of issuing of \$62.6 million of new bonds, principal payments on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.6 million.
- ◆ Undisbursed loan proceeds decreased by \$16.7 million or 36.8% during 2014 consistent with reduced loan activity against loan proceeds from borrowers.
- ◆ Appropriation revenue increased by \$9.1 million in fiscal year 2014, representing a 26.6% increase from fiscal year 2013. The addition reflects a subsequent tranche from the initial 2012 appropriation received to continue lending within the State Small Business Credit Initiative program, as well as increased pledged revenues received for payment on intergovernmental receivables.
- ◆ The Authority experienced a \$0.2 million or 5% decrease in administrative fees revenue from \$3.4 million in 2013 to \$3.2 million in 2014. This drop in revenue was in direct relation to the large amount of prepayments on loans experienced during the year, as discussed above.
- ◆ Expenses decreased 8.4% or from \$124.0 million in 2013 to \$113.6 million in 2014 representing an expected decrease of \$10.4 million.
- ◆ Grant revenue and corresponding activity increased 13.4% or \$6.5 million as the Authority experienced increased grant activity within the Water Trust Board, Colonias and Drinking Water programs during the year.
- ◆ No reversions were due to the State General Fund for fiscal year 2014.

Statement of Net Position

The following presents condensed, combined statements of net position as of June 30, 2014 and 2013, with the dollar and percentage change:

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets				
Cash and equivalents				
Unrestricted	\$ 51,834,915	\$ 116,073,324	\$ (64,238,409)	-55.3%
Restricted	80,305,540	109,965,262	(29,659,722)	-27.0%
Investments – restricted	183,692,467	131,565,455	52,127,012	39.6%
Loans receivable, net of allowance	1,179,166,365	1,231,232,043	(52,065,678)	-4.2%
Intergovernmental receivables	118,148,921	125,274,549	(7,125,628)	-5.7%
Other receivables	9,405,694	10,960,455	(1,554,761)	-14.2%
Capital assets	104,378	220,772	(116,394)	-52.7%
Other assets	118,610	118,630	(20)	0.0%
Total assets	\$ 1,622,776,890	\$ 1,725,410,490	\$ (102,633,600)	-5.9%
Deferred Outflows of Resources				
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181	100%
Total deferred outflows of resources	\$ 1,191,181	\$ -	\$ 1,191,181	100%
Liabilities				
Bonds payable, net	\$ 1,048,141,351	\$ 1,180,405,517	\$ (132,264,166)	-11.2%
Undisbursed loan proceeds	28,744,630	45,485,533	(16,740,903)	-36.8%
Advanced loan payments	72,189,707	68,380,111	3,809,596	5.6%
Accounts payable, accrued payroll and compensated absences	627,178	831,236	(204,058)	-24.5%
Line of credit	12,006,298	-	12,006,298	100.0%
Other liabilities	3,706,408	4,998,215	(1,291,807)	-25.8%
Total liabilities	1,165,415,572	1,300,100,612	(134,685,040)	-10.4%
Net Position				
Invested in capital assets	104,378	220,772	(116,394)	-52.7%
Restricted for debt service	71,462,270	68,069,252	3,393,018	5.0%
Restricted for program commitments	114,074,025	143,292,282	(29,218,257)	-20.4%
Unrestricted	272,911,826	213,727,572	59,184,254	27.7%
Total net position	458,552,499	425,309,878	33,242,621	7.8%
Total liabilities and net position	\$ 1,623,968,071	\$ 1,725,410,490	\$ (101,442,419)	-5.9%

The Authority's overall financial position increased slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.

Assets

Loans receivable decreased by \$52.1 million or 4.2% in 2014. New loans made during the year totaled \$120.7 million while loan payments received were \$172.7 million.

New Mexico Finance Authority

Management's Discussion and Analysis

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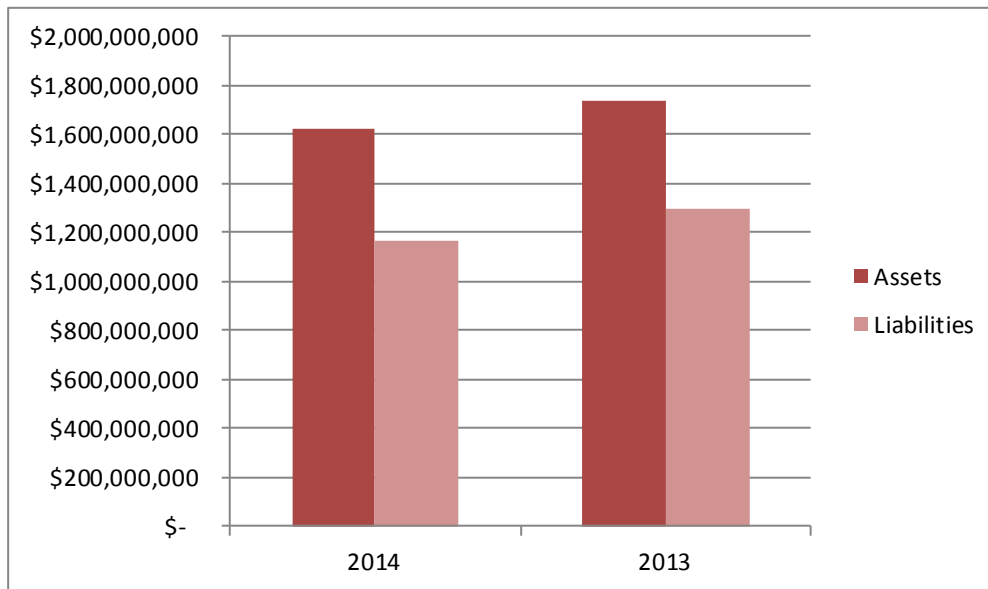
The allowance for uncollectible loans increased \$0.1 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs increased significantly from 2013 as interest rates began to fall.

Total cash and investments decreased 19.5% from \$357.6 million in 2013 to \$315.8 million in 2014 due a large amount of bonds being retired or defeased during the year using prepayments on loans.

Liabilities

Bonds payable decreased by \$132.3 million in 2014 resulting from the issuance of \$62.6 million of new bonds, principal payments and defeasances on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.5 million. Undisbursed loan proceeds decreased by \$16.7 million during 2014 indicating a significant amount of draw requests against loan proceeds from borrowers. Advanced loan payments experienced a \$3.8 million or 5.6% increase from 2013.

The following chart indicates the ratio of assets to liabilities:



Statement of Revenue, Expenses and Changes in Net Position

The following table presents the condensed combined statement of revenue, expenses and changes in net position for 2014 and 2013 fiscal years:

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues				
Administrative and processing fees	\$ 3,209,306	\$ 3,395,491	\$ (186,185)	-5.5%
Interest on loans	48,723,703	52,942,880	(4,219,177)	-8.0%
Interest on investments	<u>488,080</u>	<u>139,403</u>	<u>348,677</u>	<u>250.1%</u>
Total operating revenues	<u>52,421,089</u>	<u>56,477,774</u>	<u>(4,056,685)</u>	<u>-7.2%</u>
Expenses				
Grants to local governments	50,824,441	48,828,884	1,995,557	4.1%
Bond issuance costs	674,398	10,918,272	(10,243,874)	-93.8%
Professional services	2,189,377	2,651,079	(461,702)	-17.4%
Salaries and benefits	4,284,392	3,926,740	357,652	9.1%
Debt service – interest expense	54,319,247	53,026,726	1,292,521	2.4%
Other expense	<u>1,266,776</u>	<u>4,636,406</u>	<u>(3,369,630)</u>	<u>-72.7%</u>
Total operating expenses	<u>113,558,631</u>	<u>123,988,107</u>	<u>(10,429,476)</u>	<u>-8.4%</u>
Net operating loss	<u>(61,137,542)</u>	<u>(67,510,333)</u>	<u>6,372,791</u>	<u>-9.4%</u>
Nonoperating Revenues (Expenses)				
Appropriation revenue	43,086,860	34,033,130	9,053,730	26.6%
Grant revenue	55,224,996	48,692,048	6,532,948	13.4%
Reversions and transfers	<u>(3,931,693)</u>	<u>(2,953,157)</u>	<u>(978,536)</u>	<u>33.1%</u>
	<u>94,380,163</u>	<u>79,772,021</u>	<u>14,608,142</u>	<u>18.3%</u>
Increase in net position	33,242,621	12,261,688	20,980,933	171.1%
Net position, beginning of year, as restated	<u>425,309,878</u>	<u>413,048,190</u>	<u>-</u>	
Net position, end of year	<u>\$ 458,552,499</u>	<u>\$ 425,309,878</u>	<u>\$ 20,980,933</u>	<u>4.9%</u>

Operating revenue decreased 7.2% to \$52.4 million in 2014. Interest on investments began to increase, experiencing 250% incline compared to 2013 due to a larger portion of cash being invested in long-term investments. Appropriation revenue increased 26.6% while grant revenue increased 13.4%. The loan interest decline directly relates to lower outstanding loans receivable.

Overall operating costs decreased 8.4% due to increased grant expenses of \$2.0 million and a decrease of loan loss provision of \$3.1 million. The decrease in loan loss provision was made based on third party review of the risk of the outstanding direct equity loans in which loan ratings improved from 2013. Grant expense increased in 2014 after a grant activity recovery effort in fiscal years 2012 and 2013.

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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 2014, the total amount outstanding was \$1.0 billion (excluding the \$1.4 billion in GRIP bonds which are administered by, but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 7 to the financial statements.

During the fiscal year, the Authority issued \$62.6 million in PPRF bonds, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

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

Public Project Revolving Fund

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for-profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 1,183 loans totaling \$2.5 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.

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Public Project Revolving Fund
Statements of Net Position
June 30

	2014	Restated	2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets					
Cash and equivalents					
Unrestricted	\$ 37,838,342	\$ 79,007,637	\$ (41,169,295)		-52%
Restricted	67,359,957	79,173,378	(11,813,421)		-15%
Restricted investments	122,591,262	130,787,736	(8,196,474)		-6%
Accounts receivable and other	8,794,009	10,367,285	(1,573,276)		-15%
Loans receivable, net of allowance	1,081,631,189	1,138,450,511	(56,819,322)		-5%
Due from the State of New Mexico	104,525,000	108,025,000	(3,500,000)		-3%
Capital assets	70,302	186,696	(116,394)		-62%
Other assets	9,353,716	13,073,586	(3,719,870)		-28%
Total assets	\$ 1,432,163,777	\$ 1,559,071,829	\$ (126,908,052)		-8%
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181		100%
Total deferred outflows of resources	\$ 1,191,181	\$ -	\$ 1,191,181		100%
Liabilities					
Accounts payable and accrued payroll liabilities	\$ 2,751,301	\$ 6,202,814	\$ (3,451,513)		-55.6%
Undisbursed loan proceeds	28,682,538	45,423,441	(16,740,903)		-36.9%
Borrowers' debt service and reserve deposits	86,969,969	72,016,499	14,953,470		20.8%
Bonds payable, net	1,036,144,409	1,165,236,955	(129,092,546)		-11.1%
Total liabilities	1,154,548,217	1,288,879,709	(134,331,492)		-10.4%
Net Position					
Invested in capital assets	70,302	186,696	(116,394)		-62.3%
Restricted for program funds	100,144,808	103,752,754	(3,607,946)		-3.5%
Unrestricted	178,591,631	166,252,670	12,338,961		7.4%
Total net position	278,806,741	270,192,120	8,614,621		3.2%
Total liabilities and net position	\$ 1,433,354,958	\$ 1,559,071,829	\$ (125,716,871)		-8.1%

Loan Volume

	2014	2013	Since Inception
Amount of loans made	\$104.0 million	\$61.2 million	\$2.48 billion
Number of loans made	64	67	1,183
Average loan size	\$1.63 million	\$0.9 million	\$2.1 million

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

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income				
Loans	\$ 46,548,780	\$ 50,708,332	\$ (4,159,552)	-8.2%
Investments	245,422	127,387	118,035	92.7%
Total interest income	<u>46,794,202</u>	<u>50,835,719</u>	<u>(4,041,517)</u>	<u>-8.0%</u>
Interest Expense				
Bonds	53,772,342	52,317,500	1,454,842	2.8%
Short-term borrowing	144,082	94,931	49,151	51.8%
Total interest expense	<u>53,916,424</u>	<u>52,412,431</u>	<u>1,503,993</u>	<u>2.9%</u>
Net Interest Income (Loss)				
Interest income (loss) less interest expense	(7,122,222)	(1,576,712)	(5,545,510)	351.7%
Provision for loan losses	1,900,656	(699,842)	2,600,498	-371.6%
Net interest loss after provision for loan losses	<u>(5,221,566)</u>	<u>(2,276,554)</u>	<u>(2,945,012)</u>	<u>129.4%</u>
Noninterest Income				
Loan administration fees	1,451,116	1,659,473	(208,357)	-12.6%
Appropriation revenues	29,091,277	26,585,797	2,505,480	9.4%
Total noninterest income	<u>30,542,393</u>	<u>28,245,270</u>	<u>2,297,123</u>	<u>8.1%</u>
Noninterest Expense				
Salaries and benefits	2,179,170	2,507,794	(328,624)	-13.1%
Professional services	970,669	874,564	96,105	11.0%
Bond issuance costs	674,398	674,703	(305)	0.0%
Other	1,561,926	10,808,047	(9,246,121)	-85.5%
Total noninterest expense	<u>5,386,163</u>	<u>14,865,108</u>	<u>(9,478,945)</u>	<u>-63.8%</u>
Excess of revenues over expenditures	19,934,664	11,103,608	8,831,056	79.5%
Transfers to other funds or agencies	(11,320,043)	(7,490,781)	(3,829,262)	51.1%
Increase (decrease) in net position	8,614,621	3,612,827	5,001,794	138.4%
Net position, beginning of year, as restated	270,192,120	266,579,293	3,612,827	1.4%
Net position, end of year	\$ 278,806,741	\$ 270,192,120	\$ 8,614,621	3.2%

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 2014, the PPRF had a net interest loss of \$7.1 million, compared to \$1.3 million in 2013. This is a result of market conditions in which \$115.5 million in PPRF loans exercised

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2014

their early call provisions in 2013 and 2014 and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

Governmental Gross Receipts Tax

The Governmental Gross Receipts Tax (GGRT) is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority's share of GGRT collections was \$27.4 million in 2014, a \$0.4 million decrease from the \$27.8 million received in 2013. The GGRT funds are used as follows:

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

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2014, and for the year then ended, the relationships were as follows:

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
Total assets	\$1.4 billion	\$1.6 billion	88%
Net assets	\$278.8 million	\$458.6 million	61%
Revenues	\$77.4 million	\$150.7 million	51%

There are 23 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A rise occurred in grant volume for the Drinking Water Revolving Loan Fund program because of increased grant subsidies being awarded for qualifying drinking water facilities projects in New Mexico. The cause was due to various larger projects being approved during the fiscal year.

Similar to the Drinking Water Revolving Loan Fund program, an increase in the Colonias Infrastructure program grant activity reflects the fact that the program saw an increased number of projects being approved during 2014. This is the result of the Colonias Infrastructure Act taking effect July 1, 2011 and the number of approved projects increasing as more funding is available.

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A for profit limited liability company operated by the Authority has been awarded a total of \$156 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. Prior to 2014, the Authority made ten awards totaling \$133.3 million. During 2014, the Authority has made two additional awards totaling \$18.0 million. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

Contacting the Authority's Financial Management

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

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

Financial Statements

NEW MEXICO FINANCE AUTHORITY
Statement of Net Position
June 30, 2014

Assets

Current assets

Cash and equivalents	
Unrestricted	\$ 51,834,915
Restricted	80,305,540
Interest receivable	7,431,412
Grants and other receivable	1,788,239
Prepaid rent	19,500
Administrative fees receivable	186,043
Investment in Finance New Mexico	99,110
Loans receivable, net of allowance	93,384,387
Intergovernmental receivables	7,341,438
Total current assets	<u>242,390,584</u>

Noncurrent assets

Restricted investments	183,692,467
Loans receivable, net of allowance	1,085,781,978
Intergovernmental receivables	110,807,483
Capital assets, net of accumulated depreciation	104,378
Total assets	<u><u>\$ 1,622,776,890</u></u>

Deferred Outflows of Resources

Deferred charge on refunding	\$ 1,191,181
Total deferred outflows of resources	<u><u>\$ 1,191,181</u></u>

Liabilities

Current liabilities

Accounts payable	\$ 262,198
Accrued payroll	91,540
Compensated absences	273,440
Bond interest payable	3,625,714
Undisbursed loan proceeds	28,744,630
Advanced loan payments	72,189,707
Line of credit	12,006,298
Bonds payable, net	70,430,000
Other liabilities	80,694
Total current liabilities	<u>187,704,221</u>

Noncurrent liabilities

Bonds payable	<u>977,711,351</u>
Total liabilities	<u><u>1,165,415,572</u></u>

Net Position

Invested in capital assets	104,378
Restricted for debt service	71,462,270
Restricted for program commitments	114,074,025
Unrestricted	272,911,826
Total net position	<u>458,552,499</u>
Total liabilities and net position	<u><u>\$ 1,623,968,071</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Operating Revenues

Administrative fees revenue	\$ 2,819,302
Processing fee	390,004
Interest on loans	48,723,703
Interest on investments	488,080
Total operating revenues	<u>52,421,089</u>

Operating Expenses

Grants to others	50,824,441
Bond issuance costs	674,398
Administrative fees	189,383
Professional services	2,189,377
Salaries and benefits	4,284,392
Other operating costs	1,484,748
Depreciation expense	116,394
Bond interest expense	54,319,247
Provision for loan losses	(822,108)
Interest expense	298,359
Total operating expenses	<u>113,558,631</u>
Net operating loss	<u>(61,137,542)</u>

Nonoperating Revenues (Expenses)

Appropriation revenue	43,086,860
Grant revenue	55,224,996
Transfers to the State of New Mexico	(3,931,693)
Increase in net position	<u>33,242,621</u>
Net position, beginning of year, as restated (note 17)	<u>425,309,878</u>
Net position , end of year	<u><u>\$ 458,552,499</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flows from operating activities

Cash paid for employee services	\$ (4,277,609)
Cash paid to vendors for services	(5,030,758)
Intergovernmental payments received	7,125,630
Loans payments received	156,697,761
Loans funded	(116,741,280)
Grants to local governments	(50,824,441)
Cash received from federal government for revolving loan funds	12,448,854
Interest on loans	49,600,877
Proceeds from line of credit	17,536,712
Payments of line of credit	(5,530,414)
Administrative fees received	<u>3,887,651</u>
Net cash provided by operating activities	<u>64,892,983</u>

Cash flows from noncapital financing activities

Appropriations received from the State of New Mexico	43,086,860
Cash transfers from the State of New Mexico	42,775,670
Cash transfers to the State of New Mexico	(3,931,221)
Proceeds from the sale of bonds	62,595,000
Payment of bonds	(197,526,239)
Bond issuance costs	(674,398)
Bond interest expense paid	<u>(53,477,874)</u>
Net cash use in noncapital financing activities	<u>(107,152,202)</u>

Cash flows from investing activities

Purchase of investments	(60,323,486)
Sale of investments	8,196,494
Interest received on investments	<u>488,080</u>
Net cash used in investing activities	<u>(51,638,912)</u>

Net increase (decrease) in cash and cash equivalents	(93,898,131)
Cash and cash equivalents, beginning of year	<u>226,038,586</u>
Cash and cash equivalents, end of year	<u><u>\$ 132,140,455</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Year Ended June 30, 2014

**Reconciliation of net operating income (loss) to net cash
provided by (used in) operating activities**

Net operating income (loss)	\$ (61,137,542)
Adjustments to change in net position	
Depreciation	116,394
Amortization on bond premiums	(2,298,264)
Provision for loan losses	(1,238,151)
Interest on investments	(488,080)
Bond interest paid	56,766,702
Bond issuance costs	674,398
Cash received from federal grants	12,448,854
Interest expense	149,168
Changes in assets and liabilities	
Interest receivable	876,416
Grants and other receivable	652,045
Administrative fees receivable	26,300
Loans receivable, net of allowance	53,303,831
Intergovernmental receivables	7,125,628
Accounts payable	(210,841)
Accrued payroll	7,420
Compensated absences	(637)
Funds held for others	(80,263)
Undisbursed loan proceeds	(16,740,903)
Advanced loan payments	3,809,596
Line of credit	12,006,298
Other liabilities	(875,386)
	<u>\$ 64,892,983</u>

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

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Assets and Liabilities
For the Year Ended June 30, 2014

Assets

Cash held by Trustee	
Program funds	\$ 97,782,134
Expense funds	171,363
Revenue funds	7,135,444
Rebate fund	3,126,037
Bond reserve funds	<u>824,863</u>
Total assets	<u><u>\$ 109,039,841</u></u>

Liabilities

Accounts payable	\$ 1,712,100
Debt service payable	9,545,607
Program funds held for the NM Department of Transportation	<u>97,782,134</u>
Total liabilities	<u><u>\$ 109,039,841</u></u>

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

1) Nature of Organization

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

The Authority’s governing board is composed of eleven members including the Secretary of the Department of Finance and Administration; the Secretary of Economic Development; the Secretary of Energy, Minerals and Natural Resources; and 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, whose membership must include the chief financial officer of an institution of higher education and four other members who are residents of the State. The appointed members serve at the pleasure of the Governor.

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

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

The DWSRF provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State is required to match by 20%.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

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

Other significant programs administered by the Authority include:

- ♦ The Local Transportation Infrastructure Projects Program provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- ♦ The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- ♦ The New Markets Tax Credit Program acts as managing partner in Finance New Mexico LLC, a subsidiary for-profit company which received an allocation of federal tax credits under the New Markets Tax Credit Program.
- ♦ The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.
- ♦ The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- ♦ The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- ♦ The State Capital Improvement Financing Program accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol.
- ♦ The UNM Health Sciences Program administers the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center.
- ♦ The Worker's Compensation Financing Program accounts for the issuance of revenue bonds used to finance the planning, designing, constructing, equipping and furnishing of a state office building for the Workers' Compensation Administration.
- ♦ The Colonias Infrastructure Act appropriates to the Authority 5% of the senior lien severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing.

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- ♦ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received \$13.2 million of federal State Small Business Credit Initiative funds in 2011 to help increase the flow of capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The New Mexico Finance Authority Finance Committee was created by the Act and was appointed by the Legislative Council Service to provide legislative oversight.

The Authority does not have any component units.

2) Summary of Significant Accounting Policies

Accounting Principles

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

Basis of Presentation

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

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

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

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

Agency Funds

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations.

Loans Receivable

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

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

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Intergovernmental Receivables

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

Capital Assets

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

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

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

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

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

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Undisbursed Loan Proceeds

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

Net Position

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Investment in capital assets (net of related debt) is intended to reflect the portion of net position which is associated with capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted net position has third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

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

Income Taxes

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

Use of Estimates

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

Budget

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

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Recently Issued Accounting Standards

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Adopting GASB 65 for fiscal year 2014 resulted in a charge to net position of approximately \$10.2m of previously capitalized debt issuance costs. The implementation of GASBS No. 65 also resulted in the reclassification of the unamortized portion of bond refunding losses. These amounts are now reported as Deferred Outflows of Resources instead of as a reduction of Bonds Payable.

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

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

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

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). This Statement establishes accounting

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and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Authority has not completed the process of evaluating the impact of GASB 69 on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Adopting GASB 70 did not impact the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

3) Cash and Cash Equivalents and Investments

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

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

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

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

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

Credit Risk

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

The New Mexico State Treasurer pools are not rated.

Interest Rate Risk

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

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

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Permitted Investments

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

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

Investment of Bond Proceeds

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

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

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

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

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

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Cash and equivalents at June 30, 2014 were as follows:

Description	Balance at June 30, 2014	Rated	Percentage of Authority Funds ¹
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ 1,023	N/A	<1%
Wells Fargo deposit account	213,482	N/A	<1%
Wells Fargo Repurchase agreement -fully secured ²	248,028	N/A	<1%
Government Money Market Funds	<u>131,677,922</u>	AAA	41.7%
Total cash and equivalents	<u>\$ 132,140,455</u>		
Cash held in agency fund	<u>\$ 109,039,841³</u>		

Maturity Restrictions

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

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2014, are comprised of the following:

Description	Fair Value at June 30, 2014	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	\$ 120,084,268	.98	38.0%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	1,407,522	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>62,200,677</u>	1.33	19.69%
Total restricted investments	<u>\$ 183,692,467</u>		

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

² Wells Fargo accounts FDIC insured for \$250,000. Remaining \$211,510 is secured by a pledge of Agency securities in the name of the State of New Mexico monitored by the New Mexico State Treasurer's Office.

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

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4) Loans Receivable

Loans receivable activity for the fiscal year was as follows:

Program Description	Term (Years)	Rates	2013	Increases	Decreases	2014
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,140,530,507	\$ 104,821,188	\$ 162,646,076	\$ 1,082,705,619
Drinking Water State Revolving Loans	1 to 30	0% to 4%	63,341,227	5,662,622	4,070,491	64,933,358
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,616,809	-	311,131	2,305,678
Primary Care Capital Fund Loans	10 to 20	3%	4,216,376	-	632,069	3,584,307
Water Projects Fund Loan Grants	10 to 20	0%	18,336,546	7,301,228	4,414,778	21,222,996
Smart Money Participation Loans	3 to 20	2% to 5%	4,161,711	576,000	55,947	4,681,764
Behavioral Health Care Loan	15	3%	198,512	-	23,907	174,605
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	441,272	587,230	34,804	993,698
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	108,000	-	55,000	53,000
Colinias Infrastructure Fund Loans	10 to 20	3%	202,731	546,253	87,634	661,350
SSBCI Loans	10 to 20	3%	2,461,746	2,127,931	1,277,150	3,312,527
Child Care Revolving Loans	8	3%	25,970	-	6,160	19,810
			1,236,641,407	121,622,452	173,615,147	1,184,648,712
Less allowance for loan losses			(5,409,364)	(895,092)	822,109	(5,482,347)
Totals			<u>\$ 1,231,232,043</u>	<u>\$ 120,727,360</u>	<u>\$ 174,437,256</u>	<u>\$ 1,179,166,365</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
2015	\$ 93,384,387	\$ 41,501,928	\$ 134,886,315
2016	91,342,260	39,154,650	130,496,910
2017	84,516,759	36,685,197	121,201,956
2018	83,005,755	34,223,254	117,229,009
2019	81,042,883	31,598,294	112,641,177
2020 – 2024	344,420,879	120,448,670	464,869,549
2025 – 2029	238,154,305	63,817,660	301,971,965
2030 – 2034	125,488,846	25,319,255	150,808,101
2035 – 2039	42,919,269	3,785,107	46,704,376
2040 – 2044	373,369	11,387	384,756
Subtotals	1,184,648,712	\$ 396,545,402	\$ 1,581,194,114
Less allowance for loan losses	(5,482,347)		
Loans receivable net	<u>\$ 1,179,166,365</u>		

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5) Intergovernmental Receivables

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

Intergovernmental receivables activity during the year ended June 30, 2014, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2013	Payments	2014	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 40,085,000	\$ 2,525,000	\$ 37,560,000	\$ 2,650,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,565,000	120,000	23,445,000	125,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	44,375,000	855,000	43,520,000	900,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	10,825,000	1,975,000	8,850,000	1,955,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	4,599,549	770,628	3,828,921	766,438
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	1,825,000	880,000	945,000	945,000
			Totals	<u>\$ 125,274,549</u>	<u>\$ 7,125,628</u>	<u>\$ 118,148,921</u>	<u>\$ 7,341,438</u>

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
2015	\$ 7,341,438	\$ 5,773,494	\$ 13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018	7,315,443	4,760,840	12,076,283
2019	7,594,042	4,411,819	12,005,861
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 – 2039	6,675,000	504,750	7,179,750
Intergovernmental receivables	<u>\$ 118,148,921</u>	<u>\$ 53,238,597</u>	<u>\$ 171,387,518</u>

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6) Capital Assets

A summary of changes in capital assets during the fiscal year was as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	731,618	-	-	731,618
Leasehold improvement	8,241	-	-	8,241
	<u>768,524</u>	<u>-</u>	<u>-</u>	<u>768,524</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(510,846)	(116,394)	-	(627,240)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(547,752)</u>	<u>(116,394)</u>	<u>-</u>	<u>(664,146)</u>
Net total	<u>\$ 220,772</u>	<u>\$ (116,394)</u>	<u>\$ -</u>	<u>\$ 104,378</u>

Depreciation expense for the fiscal year was \$116,394.

7) Bonds Payable

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

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

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Bonds payable consist of the following at June 30, 2014:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	\$ 19,015,000	\$ 6,980,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	4,365,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	26,265,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	46,015,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	40,030,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	129,605,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	25,780,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	21,150,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	14,230,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	45,795,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	9,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	36,290,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	19,945,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	7,555,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2013 to June 1, 2035	38,610,000	28,450,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,285,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	6,425,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	32,500,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	12,225,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	46,025,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	22,445,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	41,245,000
2013 B	2.000% to 5.000%	June 1, 2014 to June 1, 2036	16,360,000	15,455,000
			<u>871,790,000</u>	<u>669,225,000</u>
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2005 C	3.625% to 5.000%	June 15, 2013 to June 15, 2025	50,395,000	36,410,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,445,000	23,445,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	16,245,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	42,525,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	27,845,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	18,260,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	24,050,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	96,700,000
2013 C-1	2.000% to 4.000%	June 15, 2014 to June 15, 2028	3,745,000	3,325,000
2013 C-2	.950% to 5.000%	June 15, 2014 to June 15, 2029	10,550,000	9,350,000
2014 A-1	2.000% to 5.000%	June 15, 2014 to June 15, 2033	15,135,000	15,135,000
2014 A-2	.250% to 4.491%	June 15, 2014 to June 15, 2034	16,805,000	16,805,000
			<u>435,775,000</u>	<u>330,095,000</u>
Subtotal - PPRF Bonds			<u>1,307,565,000</u>	<u>999,320,000</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
Pooled Equipment Certificates of Participants				
1995 A	6.30%	October 1, 2015	4,288,000	36,000
1996 A	5.80%	April 1, 2016	<u>1,458,000</u>	<u>17,000</u>
			<u>5,746,000</u>	<u>53,000</u>
State Capitol Building Improvement Revenue Bonds				
1996	7.0%	Sept. 15, 2012 to Mar. 15, 2015	9,315,000	945,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	8,850,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects				
2006	5.51%	May 1, 2012 to May 1, 2026	<u>2,500,000</u>	<u>1,500,000</u>
Total bonds outstanding			<u>\$ 1,364,161,000</u>	1,010,668,000
Add net unamortized premium				37,473,351
Total bonds payable, net				1,048,141,351
Less current portion of bonds payable				<u>(70,430,000)</u>
Noncurrent portion of bonds payable				<u>\$ 977,711,351</u>

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2015	\$ 70,430,000	\$ 47,179,421	\$ 117,609,421
2016	69,968,000	44,280,544	114,248,544
2017	70,100,000	41,386,204	111,486,204
2018	71,275,000	38,300,822	109,575,822
2019 – 2023	332,065,000	144,408,165	476,473,165
2024 – 2028	230,385,000	71,951,554	302,336,554
2029 – 2033	113,610,000	29,714,771	143,324,771
2034 – 2038	52,780,000	5,688,316	58,468,316
2039 – 2040	<u>55,000</u>	<u>3,523</u>	<u>58,523</u>
	<u>1,010,668,000</u>	<u>\$ 422,913,320</u>	<u>\$ 1,433,581,320</u>
Add unamortized premium	<u>37,473,351</u>		
Bonds payable, net	<u>\$ 1,048,141,351</u>		

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

The bonds payable activity for the fiscal year was as follows:

	Balance at June 30, 2013, as restated	Increases	Decreases	Balance at June 30, 2014	Due within One Year
Bonds payable	\$ 1,145,326,000	\$ 62,595,000	\$ (197,253,000)	\$ 1,010,668,000	\$ 70,430,000
Add unamortized premium	36,378,109	3,666,745	(2,571,503)	37,473,351	-
Total	<u>\$ 1,181,704,109</u>	<u>\$ 66,261,745</u>	<u>\$ (199,824,503)</u>	<u>\$ 1,048,141,351</u>	<u>\$ 70,430,000</u>

8) Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was \$72,189,707 at June 30, 2014.

9) Line of Credit

The Authority maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain Public Project Revolving Fund Revenue Bonds and to reimburse the Authority for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. Interest is due monthly on the outstanding balance, and accrues at 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2014, was .154. The Authority pays a 15 basis point fee on the unused portion of the facility. A summary of changes in the line of credit follows:

	Balance, June 30, 2013	Increases	Decreases	Balance, June 30, 2014	Due within One Year
PPRF line of credit	\$ -	\$ 17,536,712	\$ (5,530,414)	\$ 12,006,298	\$ 12,006,298
Total	<u>\$ -</u>	<u>\$ 17,536,712</u>	<u>\$ (5,530,414)</u>	<u>\$ 12,006,298</u>	<u>\$ 12,006,298</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2014, were \$362,044. Future minimum lease payments are \$242,797 in 2015.

11) Retirement Plans

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were \$479,948 for the year ended June 30, 2014. 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 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. The executive plan was not in effect for the year ended June 30, 2014.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

12) Compensated Absences

The following changes occurred during the fiscal year in the compensated absences liabilities:

Balance at June 30, 2013	\$ 274,077
Additions	193,745
Deletions	<u>(194,382)</u>
Balance at June 30, 2014	<u>\$ 273,440</u>
Due within one year	<u>\$ 273,440</u>

13) Agency Transactions

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.4 billion of such bonds are outstanding at June 30, 2014.

Debt service for the bonds is payable solely from certain revenues of the Department of Transportation. In the opinion of legal counsel, there is no claim that could be asserted against the Authority's assets for payment of debt service on the bonds; therefore, these bonds are not reflected in the Authority's financial statements. The Authority receives a biannual fee from the Department of Transportation equal to its overhead costs for management of the bond issues. The fee is recognized on a cost reimbursement basis.

14) Contingencies

Litigation

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

Loan Prepayment and Bond Call Provisions

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

New Mexico Finance Authority
Notes to Financial Statements
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If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately \$577 million and the related bonds total approximately \$539 million at June 30, 2014. During FY 2013, loans totaling \$51.6 million exercised this call provision and \$63.8 million exercised the option during fiscal year 2014.

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

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

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

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

15) Related Party Transactions

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

representative serving on the Board holds a position as Cabinet Secretary of the NM Environmental Department in which the Authority assists the Department in the administration of the State's Drinking Water federal program.

16) Finance New Mexico, LLC

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

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

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

The Authority's interest in NMFLLC is accounted for using the cost method of accounting. The Authority's interest in NMFLLC is reported at its initial investment plus return on equity totaling \$99,110 as of June 30, 2014.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

The financial statements of FNMLLC as of June 30, 2014 and the year then ended are presented using the FASB financial reporting framework. Condensed financial information is as follows:

Balance Sheet

Assets

Cash	\$ 532,300
Due from affiliates	838,737
Investment in limited liability companies	13,569
Total assets	<u>\$ 1,384,606</u>

Liabilities

Accounts payable	\$ 30,756
Due to affiliate	493,938
Total liabilities	<u>524,694</u>

Equity

Members equity	859,726
Noncontrolling interest	186
	<u>859,912</u>
Total equity	<u>\$ 1,384,606</u>

Statement of Operations

Operating Income

Interest income	\$ 597
Sponsor fee income	810,000
Management fee income	612,203
Total operating income	<u>1,422,800</u>

Operating Expense

Sponsor fee expense	743,681
Management fee expense	377,035
Professional fees	80,835
Gross receipt tax	110,104
Miscellaneous administrative expenses	2,506
Total operating expenses	<u>1,314,161</u>
Net operating income	<u>108,639</u>

Nonoperating Expenses

Share of income from investment in limited liability companies	64
Net income	108,703
Less net income attributable to noncontrolling interest	<u>(11)</u>
Net income attributable to controlling interest	<u>\$ 108,692</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2014

Statement of Members Equity

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2013	\$ 751,034	\$ 175	\$ 751,209
Net income	<u>108,692</u>	<u>11</u>	<u>108,703</u>
Balance, June 30, 2014	<u><u>\$ 859,726</u></u>	<u><u>\$ 186</u></u>	<u><u>\$ 859,912</u></u>

17) Implementation of new accounting standard GASB Statement 65

Effective July 1, 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Accordingly, beginning Net Position was reduced by \$10,165,480, for restatement of bond issue costs to fully recognize a period expense (see restatement below). In addition, certain balances are now reported as Deferred Inflows of Resources according to the newly adopted terminology.

	<u>Enterprise Fund</u>
<i>Statement of Revenues, Expenses and Changes in Net Position</i>	
Net position, as previously reported	\$ 435,475,358
Effect of GASB 65 adoption	<u>(10,165,480)</u>
Net position, July 1, 2013, as restated	<u><u>\$ 425,309,878</u></u>

Supplementary Schedules

	PPRF	GRIP	Behavioral Health	Child Care
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ 37,838,342	\$ 230,014	\$ 418,167	\$ -
Restricted	67,359,957	-	-	34,568
Interest receivable	7,050,093	-	4,253	-
Grants and other receivable	1,597,955	188,734	-	-
Due from other funds	4,855,596	-	-	-
Prepaid rent	19,500	-	-	-
Administrative fees receivable	145,961	-	-	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	4,478,620	-	-	-
Loans receivable, net of allowance	87,245,431	-	36,200	6,326
Intergovernmental receivables	3,675,000	-	-	-
Total current assets	214,266,455	418,748	458,620	40,894
Noncurrent assets				
Restricted investments	122,591,262	-	-	-
Loans receivable, net of allowance	994,385,758	-	138,405	13,484
Intergovernmental receivables	100,850,000	-	-	-
Capital assets, net of accumulated depreciation	70,302	34,076	-	-
Total assets	<u>\$ 1,432,163,777</u>	<u>\$ 452,824</u>	<u>\$ 597,025</u>	<u>\$ 54,378</u>
Deferred Outflows of Resources				
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ 1,191,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 262,198	\$ -	\$ -	\$ -
Accrued payroll	91,540	-	-	-
Compensated absences	273,440	-	-	-
Due to other funds	1,474,424	106,101	13,515	116,764
Bond interest payable	3,455,768	-	-	-
Undisbursed loan proceeds	28,682,538	-	-	62,092
Advanced loan payments	71,462,270	-	-	-
Notes payable	649,699	-	-	-
Line of credit	12,006,298	-	-	-
Bonds payable, net	67,380,000	-	-	-
Other liabilities	45,633	-	-	-
Total current liabilities	185,783,808	106,101	13,515	178,856
Noncurrent liabilities				
Bonds payable	968,764,409	-	-	-
Total liabilities	<u>1,154,548,217</u>	<u>106,101</u>	<u>13,515</u>	<u>178,856</u>
Net Position				
Invested in capital assets	70,302	34,076	-	-
Restricted for debt service	71,462,270	-	-	-
Restricted for program commitments	28,682,538	-	165,343	-
Unrestricted	178,591,631	312,647	418,167	(124,478)
Total net position	<u>278,806,741</u>	<u>346,723</u>	<u>583,510</u>	<u>(124,478)</u>
Total liabilities and net position	<u>\$ 1,433,354,958</u>	<u>\$ 452,824</u>	<u>\$ 597,025</u>	<u>\$ 54,378</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position
June 30, 2014

Cigarette Tax	DWSRF	Primary Care	Local Road Program
\$ 436,584	\$ 12,051,356	\$ 53	\$ -
-	738,014	33,946	765,634
-	187,816	10,612	-
-	-	-	-
-	-	-	401
-	-	-	-
-	25,192	-	-
-	-	-	-
-	-	-	-
38,510	3,774,993	381,144	-
-	-	-	-
475,094	16,777,371	425,755	766,035
1,180,392	34,483,874	1,407,522	-
955,188	63,464,043	3,203,163	-
-	-	-	-
-	-	-	-
<u>\$ 2,610,674</u>	<u>\$ 114,725,288</u>	<u>\$ 5,036,440</u>	<u>\$ 766,035</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	195,013	386,324	-
13,775	-	-	-
-	-	-	-
-	708,751	17,190	-
-	-	-	-
-	-	-	-
125,000	-	-	-
-	35,061	-	-
138,775	938,825	403,514	-
1,375,000	-	-	-
<u>1,513,775</u>	<u>938,825</u>	<u>403,514</u>	<u>-</u>
-	-	-	-
-	-	-	-
1,096,899	63,464,043	3,191,405	766,035
-	50,322,420	1,441,521	-
<u>1,096,899</u>	<u>113,786,463</u>	<u>4,632,926</u>	<u>766,035</u>
<u>\$ 2,610,674</u>	<u>\$ 114,725,288</u>	<u>\$ 5,036,440</u>	<u>\$ 766,035</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ 50,830	\$ -	\$ 45,368	\$ -
Restricted	-	-	1,051,274	(231)
Interest receivable	-	-	121,465	-
Grants and other receivable	1,550	-	-	-
Due from other funds	867,191	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	99,110	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,721,438	-
Total current assets	1,018,681	-	3,939,545	(231)
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	9,957,483	-
Capital assets, net of accumulated depreciation	-	-	-	-
Total assets	<u>\$ 1,018,681</u>	<u>\$ -</u>	<u>\$ 13,897,028</u>	<u>\$ (231)</u>
Deferred Outflows of Resources				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	1,093	-	-
Bond interest payable	-	-	140,944	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	3,828,921	-
Line of credit	-	-	-	-
Bonds payable, net	-	-	1,955,000	-
Other liabilities	-	-	-	-
Total current liabilities	-	1,093	5,924,865	-
Noncurrent liabilities				
Bonds payable	-	-	7,543,942	-
Total liabilities	<u>-</u>	<u>1,093</u>	<u>13,468,807</u>	<u>-</u>
Net Position				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	-	-	428,221	-
Unrestricted	1,018,681	(1,093)	-	(231)
Total net position	<u>1,018,681</u>	<u>(1,093)</u>	<u>428,221</u>	<u>(231)</u>
Total liabilities and net position	<u>\$ 1,018,681</u>	<u>\$ -</u>	<u>\$ 13,897,028</u>	<u>\$ (231)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position - continued
June 30, 2014

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 193,701
409,805	2,300,834	1,496	4,390,938
55,023	-	2,150	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	14,890
-	-	-	-
-	-	-	-
-	-	-	1,901,783
945,000	-	-	-
<u>1,409,828</u>	<u>2,300,834</u>	<u>3,646</u>	<u>6,501,312</u>
-	6,220,774	-	12,395,505
-	-	53,000	19,321,213
-	-	-	-
-	-	-	-
<u>\$ 1,409,828</u>	<u>\$ 8,521,608</u>	<u>\$ 56,646</u>	<u>\$ 38,218,030</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	497,039
14,547	-	680	-
-	-	-	-
-	-	1,496	-
-	-	-	-
-	-	-	-
945,000	-	25,000	-
-	-	-	-
<u>959,547</u>	<u>-</u>	<u>27,176</u>	<u>497,039</u>
-	-	28,000	-
<u>959,547</u>	<u>-</u>	<u>55,176</u>	<u>497,039</u>
-	-	-	-
-	-	-	-
450,281	8,521,608	1,470	4,390,938
-	-	-	33,330,053
<u>450,281</u>	<u>8,521,608</u>	<u>1,470</u>	<u>37,720,991</u>
<u>\$ 1,409,828</u>	<u>\$ 8,521,608</u>	<u>\$ 56,646</u>	<u>\$ 38,218,030</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
Assets				
Current assets				
Cash and equivalents				
Unrestricted	\$ -	\$ -	\$ 570,500	\$ -
Restricted	539,467	25	-	548,235
Interest receivable	-	-	-	-
Grants and other receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total current assets	539,467	25	570,500	548,235
Noncurrent assets				
Restricted investments	-	-	1,542,464	-
Loans receivable, net of allowance	-	-	-	936,352
Intergovernmental receivables	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
Total assets	<u>\$ 539,467</u>	<u>\$ 25</u>	<u>\$ 2,112,964</u>	<u>\$ 1,484,587</u>
Deferred Outflows of Resources				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	104,550	1,152,754
Bond interest payable	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Line of credit	-	-	-	-
Bonds payable, net	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	-	-	104,550	1,152,754
Noncurrent liabilities				
Bonds payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>104,550</u>	<u>1,152,754</u>
Net Position				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	539,467	-	-	331,833
Unrestricted	-	25	2,008,414	-
Total net position	<u>539,467</u>	<u>25</u>	<u>2,008,414</u>	<u>331,833</u>
Total liabilities and net position	<u>\$ 539,467</u>	<u>\$ 25</u>	<u>\$ 2,112,964</u>	<u>\$ 1,484,587</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position - continued
June 30, 2014

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Intra Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,834,915
572,619	1,431,619	87,634	39,706	-	80,305,540
-	-	-	-	-	7,431,412
-	-	-	-	-	1,788,239
2,557	-	-	-	(5,725,745)	-
-	-	-	-	-	19,500
-	-	-	-	-	186,043
-	-	-	-	-	99,110
-	-	-	-	(4,478,620)	-
-	-	-	-	-	93,384,387
-	-	-	-	-	7,341,438
575,176	1,431,619	87,634	39,706	(10,204,365)	242,390,584
-	3,870,674	-	-	-	183,692,467
-	2,650,022	661,350	-	-	1,085,781,978
-	-	-	-	-	110,807,483
-	-	-	-	-	104,378
<u>\$ 575,176</u>	<u>\$ 7,952,315</u>	<u>\$ 748,984</u>	<u>\$ 39,706</u>	<u>\$ (10,204,365)</u>	<u>\$ 1,622,776,890</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,181</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,181</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,198
-	-	-	-	-	91,540
-	-	-	-	-	273,440
-	545,545	1,132,623	-	(5,725,745)	-
-	-	-	-	-	3,625,714
-	-	-	-	-	28,744,630
-	-	-	-	-	72,189,707
-	-	-	-	(4,478,620)	-
-	-	-	-	-	12,006,298
-	-	-	-	-	70,430,000
-	-	-	-	-	80,694
-	545,545	1,132,623	-	(10,204,365)	187,704,221
-	-	-	-	-	977,711,351
-	545,545	1,132,623	-	(10,204,365)	1,165,415,572
-	-	-	-	-	104,378
-	-	-	-	-	71,462,270
572,619	1,431,619	-	39,706	-	114,074,025
2,557	5,975,151	(383,639)	-	-	272,911,826
575,176	7,406,770	(383,639)	39,706	-	458,552,499
<u>\$ 575,176</u>	<u>\$ 7,952,315</u>	<u>\$ 748,984</u>	<u>\$ 39,706</u>	<u>\$ (10,204,365)</u>	<u>\$ 1,623,968,071</u>

	PPRF	GRIP	Behavioral Health	Child Care
Operating Revenues				
Administrative fees revenue	\$ 1,061,112	\$ 475,387	\$ 166	\$ -
Processing fee	390,004	-	-	-
Interest on loans	46,548,780	-	(2,932)	689
Interest on investments	<u>245,422</u>	<u>681</u>	<u>1,131</u>	<u>95</u>
Total operating revenues	<u>48,245,318</u>	<u>476,068</u>	<u>(1,635)</u>	<u>784</u>
Operating Expenses				
Grants to others	608,803	-	-	-
Bond issuance costs	674,398	-	-	-
Administrative fees	100,213	-	-	-
Professional services	970,669	154,723	16,306	74
Salaries and benefits	2,179,170	155,396	10,085	46
Other operating costs	736,516	102,029	5,675	120
Depreciation expense	116,394	-	-	-
Bond interest expense	53,772,342	-	-	-
Provision for loan losses	(1,900,656)	-	-	-
Interest expense	<u>144,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>57,401,931</u>	<u>412,148</u>	<u>32,066</u>	<u>240</u>
Net operating income (loss)	(9,156,613)	63,920	(33,701)	544
Nonoperating Revenues (Expenses)				
Appropriation revenue	29,091,277	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	(10,832,068)	-	25,124	-
Transfers to the State of New Mexico	<u>(487,975)</u>	<u>(882)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	8,614,621	63,038	(8,577)	544
Net position, beginning of year, as restated (note 17)	<u>270,192,120</u>	<u>283,685</u>	<u>592,087</u>	<u>(125,022)</u>
Net position, end of year	<u>\$ 278,806,741</u>	<u>\$ 346,723</u>	<u>\$ 583,510</u>	<u>\$ (124,478)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Cigarette Tax	DWSRF	Primary Care	Local Road Program
\$ -	\$ 162,581	\$ -	\$ -
-	-	-	-
22,510	1,088,616	102,497	212
5,572	131,145	852	2,307
<u>28,082</u>	<u>1,382,342</u>	<u>103,349</u>	<u>2,519</u>
-	8,586,162	-	-
-	-	-	-
-	-	-	-
-	150,257	5,706	9
-	409,746	35,188	63
9,475	117,601	114,515	10
-	-	-	-
88,389	-	-	-
-	-	-	-
-	-	-	-
<u>97,864</u>	<u>9,263,766</u>	<u>155,409</u>	<u>82</u>
(69,782)	(7,881,424)	(52,060)	2,437
-	-	-	-
-	12,448,854	-	-
189,414	8,199,645	-	-
-	-	-	-
<u>119,632</u>	<u>12,767,075</u>	<u>(52,060)</u>	<u>2,437</u>
<u>977,267</u>	<u>101,019,388</u>	<u>4,684,986</u>	<u>763,598</u>
<u>\$ 1,096,899</u>	<u>\$ 113,786,463</u>	<u>\$ 4,632,926</u>	<u>\$ 766,035</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Operating Revenues				
Administrative fees revenue	\$ 1,041,666	\$ -	\$ -	\$ -
Processing fee	-	-	-	-
Interest on loans	-	-	672,321	-
Interest on investments	139	-	399	-
Total operating revenues	<u>1,041,805</u>	<u>-</u>	<u>672,720</u>	<u>-</u>
Operating Expenses				
Grants to others	-	-	-	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	85,150	-
Professional services	165,652	-	-	-
Salaries and benefits	335,333	-	-	-
Other operating costs	91,689	-	-	-
Depreciation expense	-	-	-	-
Bond interest expense	-	-	363,619	-
Provision for loan losses	-	-	-	-
Interest expense	-	-	154,277	-
Total operating expenses	<u>592,674</u>	<u>-</u>	<u>603,046</u>	<u>-</u>
Net operating income (loss)	449,131	-	69,674	-
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	3,332,525	-
Grant revenue	-	-	-	-
Inter-fund transfers	(20)	-	(77,778)	-
Transfers to the State of New Mexico	<u>(1,010)</u>	<u>-</u>	<u>(3,053,177)</u>	<u>-</u>
Increase (decrease) in net position	448,101	-	271,244	-
Net position, beginning of year, as restated (note 17)	<u>570,580</u>	<u>(1,093)</u>	<u>156,977</u>	<u>(231)</u>
Net position, end of year	<u>\$ 1,018,681</u>	<u>\$ (1,093)</u>	<u>\$ 428,221</u>	<u>\$ (231)</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position - continued
For the Year Ended June 30, 2014

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 76,722
-	-	-	-
112,525	-	6,556	-
<u>1,043</u>	<u>24,765</u>	<u>-</u>	<u>56,516</u>
<u>113,568</u>	<u>24,765</u>	<u>6,556</u>	<u>133,238</u>
-	-	-	37,186,647
-	-	-	-
4,020	-	-	-
-	-	-	359,999
-	-	-	518,940
-	-	-	143,841
-	-	-	-
89,811	-	5,086	-
-	-	-	-
-	-	-	-
<u>93,831</u>	<u>-</u>	<u>5,086</u>	<u>38,209,427</u>
19,737	24,765	1,470	(38,076,189)
(1,931)	2,319,434	-	4,000,000
-	-	-	39,206,563
-	-	-	-
<u>80,263</u>	<u>(468,428)</u>	<u>-</u>	<u>(472)</u>
98,069	1,875,771	1,470	5,129,902
<u>352,212</u>	<u>6,645,837</u>	<u>-</u>	<u>32,591,089</u>
<u>\$ 450,281</u>	<u>\$ 8,521,608</u>	<u>\$ 1,470</u>	<u>\$ 37,720,991</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
Operating Revenues				
Administrative fees revenue	\$ -	\$ -	\$ -	\$ -
Processing fee	-	-	-	-
Interest on loans	-	-	-	60,549
Interest on investments	1,630	-	2,242	1,490
Total operating revenues	1,630	-	2,242	62,039
Operating Expenses				
Grants to others	-	-	571,377	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	-	-
Professional services	213	-	55,068	1,626
Salaries and benefits	2,591	-	168,192	31,838
Other operating costs	549	-	36,861	8,617
Depreciation expense	-	-	-	-
Bond interest expense	-	-	-	-
Provision for loan losses	-	-	-	416,043
Interest expense	-	-	-	-
Total operating expenses	3,353	-	831,498	458,124
Net operating income (loss)	(1,723)	-	(829,256)	(396,085)
Nonoperating Revenues (Expenses)				
Appropriation revenue	-	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	-	-	2,495,683	-
Transfers to the State of New Mexico	-	-	-	-
Increase (decrease) in net position	(1,723)	-	1,666,427	(396,085)
Net position, beginning of year, as restated (note 17)	541,190	25	341,987	727,918
Net position , end of year	\$ 539,467	\$ 25	\$ 2,008,414	\$ 331,833

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position - continued
For the Year Ended June 30, 2014

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Total
\$ 1,668	\$ -	\$ -	\$ -	\$ 2,819,302
-	-	-	-	390,004
	111,380	-	-	48,723,703
4,074	8,472	-	105	488,080
5,742	119,852	-	105	52,421,089
848,126	-	3,023,326	-	50,824,441
-	-	-	-	674,398
-	-	-	-	189,383
-	48,437	260,638	-	2,189,377
-	272,429	165,375	-	4,284,392
-	66,019	51,231	-	1,484,748
-	-	-	-	116,394
-	-	-	-	54,319,247
-	662,505	-	-	(822,108)
-	-	-	-	298,359
848,126	1,049,390	3,500,570	-	113,558,631
(842,384)	(929,538)	(3,500,570)	105	(61,137,542)
-	4,345,555	-	-	43,086,860
-	-	3,569,579	-	55,224,996
-	-	-	-	-
-	(12)	-	-	(3,931,693)
(842,384)	3,416,005	69,009	105	33,242,621
1,417,560	3,990,765	(452,648)	39,601	425,309,878
\$ 575,176	\$ 7,406,770	\$ (383,639)	\$ 39,706	\$ 458,552,499

	PPRF	GRIP	Behavioral Health	Child Care
Cash flows from operating activities				
Cash paid for employee services	\$ (2,172,387)	\$ (155,396)	\$ (10,085)	\$ (46)
Cash paid to vendors for services	(2,481,238)	(319,109)	(15,038)	46
Intergovernmental payments received	4,270,630	-	-	-
Loans payments received	145,964,374	-	12,159	6,163
Loans funded	(100,592,280)	-	-	-
Grants to local governments	(608,803)	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	47,434,880	-	(5,158)	689
Proceeds from line of credit	17,536,712	-	-	-
Payments of line of credit	(5,530,414)	-	-	-
Administrative fees received	2,138,292	475,387	248	-
Net cash provided by (used in) operating activities	105,959,766	882	(17,874)	6,852
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	29,091,277	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	(487,975)	(882)	-	-
Interfund transfers	(10,832,068)	-	25,124	-
Proceeds from the sale of bonds	62,595,000	-	-	-
Payment of bonds	(194,218,000)	-	-	-
Bond issuance costs	(674,398)	-	-	-
Bond interest expense paid	(52,858,214)	-	-	-
Net cash provided by (used in) noncapital financing activities	(167,384,378)	(882)	25,124	-
Cash flows from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	8,196,474	-	-	-
Interest received on investments	245,422	681	1,131	95
Net cash provided by (used in) investing activities	8,441,896	681	1,131	95
Net increase (decrease) in cash and cash equivalents	(52,982,716)	681	8,381	6,947
Cash and cash equivalents, beginning of year	158,181,015	229,333	409,786	27,621
Cash and cash equivalents, end of year	\$ 105,198,299	\$ 230,014	\$ 418,167	\$ 34,568
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ (9,156,613)	\$ 63,920	\$ (33,701)	\$ 544
Adjustments to change in net position				
Depreciation	116,394	-	-	-
Amortization on bond premiums	(2,434,883)	-	-	-
Provision for loan losses	(1,900,656)	-	-	-
Interest on investments	(245,422)	(681)	(1,131)	(95)
Bond interest paid	56,207,225	-	-	-
Bond issuance costs	674,398	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	144,082	-	-	-
Changes in assets and liabilities				
Interest receivable	886,100	-	(2,226)	-
Grants and other receivable	652,045	-	-	-
Due from other funds	2,752,771	-	-	-
Administrative fees receivable	35,131	-	82	-
Notes receivable	967,099	-	-	-
Loans receivable, net of allowance	58,719,980	-	23,909	6,163
Intergovernmental receivables	3,500,000	-	-	-
Accounts payable	(210,841)	-	-	-
Accrued payroll	7,420	-	-	-
Compensated absences	(637)	-	-	-
Due to other funds	(3,050,984)	(62,357)	6,943	240
Funds held for others	(80,263)	-	-	-
Undisbursed loan proceeds	(16,740,903)	-	-	-
Advanced loan payments	3,393,017	-	(11,750)	-
Notes payable	(196,471)	-	-	-
Line of credit	12,006,298	-	-	-
Other liabilities	(84,521)	-	-	-
	\$ 105,959,766	\$ 882	\$ (17,874)	\$ 6,852

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows
For the Year Ended June 30, 2014

Cigarette Tax	DWSRF	Primary Care	Local Road Fund
\$ -	\$ (409,746)	\$ (35,188)	\$ (63)
(9,475)	(943,949)	(70,822)	(19)
-	-	-	-
(552,423)	4,742,409	634,567	-
-	(5,597,588)	-	-
-	(8,586,162)	-	-
-	12,448,854	-	-
22,510	1,068,704	102,990	82
-	-	-	-
-	-	-	-
-	165,450	-	-
(539,388)	2,887,972	631,547	-
-	-	-	-
-	-	-	-
-	-	-	-
189,414	8,199,645	-	-
-	-	-	-
(125,000)	-	-	-
-	-	-	-
(89,537)	-	-	-
(25,123)	8,199,645	-	-
(1,180,392)	(34,483,874)	(629,803)	-
-	-	-	-
5,572	131,145	852	2,307
(1,174,820)	(34,352,729)	(628,951)	2,307
(1,739,331)	(23,265,112)	2,596	2,307
2,175,915	36,054,482	31,403	763,327
\$ 436,584	\$ 12,789,370	\$ 33,999	\$ 765,634
\$ (69,782)	\$ (7,881,424)	\$ (52,060)	\$ 2,437
-	-	-	-
-	-	-	-
-	-	-	-
(5,572)	(131,145)	(852)	(2,307)
88,389	-	-	-
-	-	-	-
-	12,448,854	-	-
-	-	-	-
-	(19,912)	493	-
-	-	-	-
-	-	-	(130)
-	2,869	-	-
-	-	-	-
(552,423)	(1,281,007)	632,069	-
-	-	-	-
-	-	-	-
-	-	-	-
-	39,511	49,399	-
-	-	-	-
-	-	-	-
-	425,828	2,498	-
-	-	-	-
-	-	-	-
-	(715,602)	-	-
\$ (539,388)	\$ 2,887,972	\$ 631,547	\$ -

	NM Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
Cash flows from operating activities				
Cash paid for employee services	\$ (335,333)	\$ -	\$ -	\$ -
Cash paid to vendors for services	(680,323)	-	(85,150)	-
Intergovernmental payments received	-	-	1,975,000	-
Loans payments received	-	-	-	-
Loans funded	-	-	-	-
Grants to local governments	-	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	684,762	-
Proceeds from line of credit	-	-	-	-
Payments of line of credit	-	-	-	-
Administrative fees received	1,041,666	-	-	-
Net cash provided by (used in) operating activities	26,010	-	2,574,612	-
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	-	-	3,332,525	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	(1,010)	-	(3,053,177)	-
Interfund transfers	(20)	-	(77,778)	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	(2,248,239)	-
Bond issuance costs	-	-	-	-
Bond interest expense paid	-	-	(411,523)	-
Net cash provided by (used in) noncapital financing activities	(1,030)	-	(2,458,192)	-
Cash flows from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	20	-	-	-
Interest received on investments	139	-	399	-
Net cash provided by (used in) investing activities	159	-	399	-
Net increase (decrease) in cash and cash equivalents	25,139	-	116,819	-
Cash and cash equivalents, beginning of year	25,691	-	979,823	(231)
Cash and cash equivalents, end of year	\$ 50,830	\$ -	\$ 1,096,642	\$ (231)
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ 449,131	\$ -	\$ 69,674	\$ -
Adjustments to change in net assets				
Depreciation	-	-	-	-
Amortization on bond premiums	-	-	136,619	-
Provision for loan losses	-	-	-	-
Interest on investments	(139)	-	(399)	-
Bond interest paid	-	-	381,277	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	-	-	-	-
Changes in assets and liabilities				
Interest receivable	-	-	12,441	-
Grants and other receivable	-	-	-	-
Due from other funds	(422,982)	-	-	-
Administrative fees receivable	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,745,628	-
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	-	-
Funds held for others	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	(770,628)	-
Line of credit	-	-	-	-
Other liabilities	-	-	-	-
	\$ 26,010	\$ -	\$ 2,574,612	\$ -

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows — continued
For the Year Ended June 30, 2014

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ (518,940)
(79,283)	-	-	(744,895)
880,000	-	-	-
-	-	55,003	4,414,778
-	-	-	(7,301,228)
-	-	-	(37,186,647)
-	-	-	-
112,525	-	6,076	-
-	-	-	-
-	-	-	-
-	-	-	64,940
<u>913,242</u>	<u>-</u>	<u>61,079</u>	<u>(41,271,992)</u>
(1,931)	2,319,434	-	4,000,000
-	-	-	39,206,091
80,263	(468,428)	-	-
-	-	-	-
(880,000)	-	(55,000)	-
-	-	-	-
(112,524)	-	(6,076)	-
<u>(914,192)</u>	<u>1,851,006</u>	<u>(61,076)</u>	<u>43,206,091</u>
-	(6,220,774)	-	(12,395,505)
-	-	-	-
<u>1,043</u>	<u>24,765</u>	<u>-</u>	<u>56,516</u>
<u>1,043</u>	<u>(6,196,009)</u>	<u>-</u>	<u>(12,338,989)</u>
93	(4,345,003)	3	(10,404,890)
<u>409,712</u>	<u>6,645,837</u>	<u>1,493</u>	<u>14,989,529</u>
<u>\$ 409,805</u>	<u>\$ 2,300,834</u>	<u>\$ 1,496</u>	<u>\$ 4,584,639</u>
\$ 19,737	\$ 24,765	\$ 1,470	\$ (38,076,189)
-	-	-	-
-	-	-	-
(1,043)	(24,765)	-	(56,516)
89,811	-	-	-
-	-	-	-
-	-	5,086	-
-	-	(480)	-
-	-	-	-
-	-	-	(11,782)
-	-	-	-
-	-	55,000	(2,886,450)
880,000	-	-	-
-	-	-	-
-	-	-	-
-	-	-	(241,055)
-	-	-	-
-	-	3	-
-	-	-	-
-	-	-	-
(75,263)	-	-	-
<u>\$ 913,242</u>	<u>\$ -</u>	<u>\$ 61,079</u>	<u>\$ (41,271,992)</u>

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
Cash flows from operating activities				
Cash paid for employee services	\$ (2,591)	\$ -	\$ (168,192)	\$ (31,838)
Cash paid to vendors for services	(413)	-	(68,186)	31,837
Intergovernmental payments received	-	-	-	-
Loans payments received	-	-	-	55,947
Loans funded	-	-	-	(576,000)
Grants to local governments	-	-	(571,377)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	-	60,549
Proceeds from line of credit	-	-	-	-
Payments of line of credit	-	-	-	-
Administrative fees received	-	-	-	-
Net cash provided by (used in) operating activities	(3,004)	-	(807,755)	(459,505)
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	-	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	-	-	-	-
Interfund transfers	-	-	2,495,683	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Bond interest expense paid	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	2,495,683	-
Cash flows from investing activities				
Purchase of investments	-	-	(1,542,464)	-
Sale of investments	-	-	-	-
Interest received on investments	1,630	-	2,242	1,490
Net cash provided by (used in) investing activities	1,630	-	(1,540,222)	1,490
Net increase (decrease) in cash and cash equivalents	(1,374)	-	147,706	(458,015)
Cash and cash equivalents, beginning of year	540,841	25	422,794	1,006,250
Cash and cash equivalents, end of year	\$ 539,467	\$ 25	\$ 570,500	\$ 548,235
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ (1,723)	\$ -	\$ (829,256)	\$ (396,085)
Adjustments to change in net position				
Depreciation	-	-	-	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	-
Interest on investments	(1,630)	-	(2,242)	(1,490)
Bond interest paid	-	-	-	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	-	-	-	-
Changes in assets and liabilities				
Interest receivable	-	-	-	-
Grants and other receivable	-	-	-	-
Due from other funds	349	-	-	-
Administrative fees receivable	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	(104,010)
Intergovernmental receivables	-	-	-	-
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	23,743	42,080
Funds held for others	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Line of credit	-	-	-	-
Other liabilities	-	-	-	-
	(3,004)	-	(807,755)	(459,505)

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows — continued
For the Year Ended June 30, 2014

Local Government Transportation	SSBCI	Colonias	BioMass Dairy	Total
\$ -	\$ (272,429)	\$ (165,375)	\$ -	\$ (4,277,609)
(2,557)	272,441	165,375	-	(5,030,758)
-	-	-	-	7,125,630
-	1,277,150	87,634	-	156,697,761
-	(2,127,931)	(546,253)	-	(116,741,280)
(848,126)	-	(3,023,326)	-	(50,824,441)
-	-	-	-	12,448,854
888	111,380	-	-	49,600,877
-	-	-	-	17,536,712
-	-	-	-	(5,530,414)
1,668	-	-	-	3,887,651
(848,127)	(739,389)	(3,481,945)	-	64,892,983
-	4,345,555	-	-	43,086,860
-	-	3,569,579	-	42,775,670
-	(12)	-	-	(3,931,221)
-	-	-	-	-
-	-	-	-	62,595,000
-	-	-	-	(197,526,239)
-	-	-	-	(674,398)
-	-	-	-	(53,477,874)
-	4,345,543	3,569,579	-	(107,152,202)
-	(3,870,674)	-	-	(60,323,486)
-	-	-	-	8,196,494
4,074	8,472	-	105	488,080
4,074	(3,862,202)	-	105	(51,638,912)
(844,053)	(256,048)	87,634	105	(93,898,131)
1,416,672	1,687,667	-	39,601	226,038,586
\$ 572,619	\$ 1,431,619	\$ 87,634	\$ 39,706	\$ 132,140,455
\$ (842,384)	\$ (929,538)	\$ (3,500,570)	\$ 105	\$ (61,137,542)
-	-	-	-	116,394
-	-	-	-	(2,298,264)
-	662,505	-	-	(1,238,151)
(4,074)	(8,472)	-	(105)	(488,080)
-	-	-	-	56,766,702
-	-	-	-	674,398
-	-	-	-	12,448,854
-	-	-	-	149,168
-	-	-	-	876,416
-	-	-	-	652,045
(1,669)	-	-	-	2,328,339
-	-	-	-	26,300
-	-	-	-	967,099
-	(850,781)	(458,619)	-	53,303,831
-	-	-	-	7,125,628
-	-	-	-	(210,841)
-	-	-	-	7,420
-	-	-	-	(637)
-	386,897	477,244	-	(2,328,339)
-	-	-	-	(80,263)
-	-	-	-	(16,740,903)
-	-	-	-	3,809,596
-	-	-	-	(967,099)
-	-	-	-	12,006,298
-	-	-	-	(875,386)
\$ (848,127)	\$ (739,389)	\$ (3,481,945)	\$ -	\$ 64,892,983

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities
For the Year Ended June 30, 2014

	Balance July 1, 2013	Increase	Decrease	Balance July 1, 2014
Fund 315 Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	\$ 34,692,711	\$ 22,564,436	\$ 53,497,505	\$ 3,759,642
Total assets	<u>\$ 34,692,711</u>	<u>\$ 22,564,436</u>	<u>\$ 53,497,505</u>	<u>\$ 3,759,642</u>
Liabilities				
Deposit held in trust for others	\$ 34,692,711	\$ 22,564,436	\$ 53,497,505	\$ 3,759,642
Total liabilities	<u>\$ 34,692,711</u>	<u>\$ 22,564,436</u>	<u>\$ 53,497,505</u>	<u>\$ 3,759,642</u>
Fund 322 Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	\$ 2,346,154	\$ 3,862,720	\$ 6,167,582	\$ 41,292
Total assets	<u>\$ 2,346,154</u>	<u>\$ 3,862,720</u>	<u>\$ 6,167,582</u>	<u>\$ 41,292</u>
Liabilities				
Deposit held in trust for others	\$ 2,346,154	\$ 3,862,720	\$ 6,167,582	\$ 41,292
Total liabilities	<u>\$ 2,346,154</u>	<u>\$ 3,862,720</u>	<u>\$ 6,167,582</u>	<u>\$ 41,292</u>
Fund 326 Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	\$ 3,135,772	\$ 5,991,834	\$ 6,223,518	\$ 2,904,088
Total assets	<u>\$ 3,135,772</u>	<u>\$ 5,991,834</u>	<u>\$ 6,223,518</u>	<u>\$ 2,904,088</u>
Liabilities				
Deposit held in trust for others	\$ 3,135,772	\$ 5,991,834	\$ 6,223,518	\$ 2,904,088
Total liabilities	<u>\$ 3,135,772</u>	<u>\$ 5,991,834</u>	<u>\$ 6,223,518</u>	<u>\$ 2,904,088</u>
Fund 327 Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	\$ 49,143	\$ 11,623,080	\$ 11,622,106	\$ 50,117
Total assets	<u>\$ 49,143</u>	<u>\$ 11,623,080</u>	<u>\$ 11,622,106</u>	<u>\$ 50,117</u>
Liabilities				
Deposit held in trust for others	\$ 49,143	\$ 11,623,080	\$ 11,622,106	\$ 50,117
Total liabilities	<u>\$ 49,143</u>	<u>\$ 11,623,080</u>	<u>\$ 11,622,106</u>	<u>\$ 50,117</u>
Fund 328 Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	\$ 44,801,661	\$ 22,343,230	\$ 49,187,403	\$ 17,957,488
Total assets	<u>\$ 44,801,661</u>	<u>\$ 22,343,230</u>	<u>\$ 49,187,403</u>	<u>\$ 17,957,488</u>
Liabilities				
Deposit held in trust for others	\$ 44,801,661	\$ 22,343,230	\$ 49,187,403	\$ 17,957,488
Total liabilities	<u>\$ 44,801,661</u>	<u>\$ 22,343,230</u>	<u>\$ 49,187,403</u>	<u>\$ 17,957,488</u>
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	\$ 202,746	\$ 26,094,171	\$ 26,092,847	\$ 204,070
Total assets	<u>\$ 202,746</u>	<u>\$ 26,094,171</u>	<u>\$ 26,092,847</u>	<u>\$ 204,070</u>
Liabilities				
Deposit held in trust for others	\$ 202,746	\$ 26,094,171	\$ 26,092,847	\$ 204,070
Total liabilities	<u>\$ 202,746</u>	<u>\$ 26,094,171</u>	<u>\$ 26,092,847</u>	<u>\$ 204,070</u>
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2011A				
Assets				
Cash and investments	\$ 3,936,868	\$ 12,804,370	\$ 12,856,930	\$ 3,884,308
Total assets	<u>\$ 3,936,868</u>	<u>\$ 12,804,370</u>	<u>\$ 12,856,930</u>	<u>\$ 3,884,308</u>
Liabilities				
Deposit held in trust for others	\$ 3,936,868	\$ 12,804,370	\$ 12,856,930	\$ 3,884,308
Total liabilities	<u>\$ 3,936,868</u>	<u>\$ 12,804,370</u>	<u>\$ 12,856,930</u>	<u>\$ 3,884,308</u>

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities — continued
For the Year Ended June 30, 2014

Fund 332 Department of Transportation Refunding Revenue Bonds, Series 2012

Assets				
Cash and investments	\$ 65,346	\$ 7,992,699	\$ 7,992,327	\$ 65,718
Total assets	<u>\$ 65,346</u>	<u>\$ 7,992,699</u>	<u>\$ 7,992,327</u>	<u>\$ 65,718</u>
Liabilities				
Deposit held in trust for others	\$ 65,346	\$ 7,992,699	\$ 7,992,327	\$ 65,718
Total liabilities	<u>\$ 65,346</u>	<u>\$ 7,992,699</u>	<u>\$ 7,992,327</u>	<u>\$ 65,718</u>

Fund 333 Department of Transportation Refunding Revenue Bonds, Series 2014

Assets				
Cash and investments	\$ -	\$ 81,078,030	\$ 904,912	\$ 80,173,118
Total assets	<u>\$ -</u>	<u>\$ 81,078,030</u>	<u>\$ 904,912</u>	<u>\$ 80,173,118</u>
Liabilities				
Deposit held in trust for others	\$ -	\$ 81,078,030	\$ 904,912	\$ 80,173,118
Total liabilities	<u>\$ -</u>	<u>\$ 81,078,030</u>	<u>\$ 904,912</u>	<u>\$ 80,173,118</u>

NEW MEXICO FINANCE AUTHORITY
Schedule of Pledged Collateral
For the Year Ended June 30, 2014

Bank Accounts	Wells Fargo	Wells Fargo
Deposit account	\$ 310,462	\$ -
Repurchase agreements	-	248,028
Total amount of deposits (bank balances)	310,462	248,028
FDIC Coverage	(250,000)	-
Total uninsured public funds	<u>\$ 60,462</u>	<u>\$ 248,028</u>
Collateral Requirement @ 50%	\$ 30,231	\$ -
Collateral Requirement @ 102%	-	252,989

Additional deposits not covered by the FDIC including those of the New Mexico Finance Authority are collateralized along with the deposits of the State of New Mexico in accordance with applicable New Mexico State Statutes. As of June 30, 2014, the value of collateral pledged on behalf of the State of New Mexico held at Wells Fargo was compliant with state statute.

Single Audit

New Mexico Finance Authority
Schedule of Expenditures of Federal Awards
June 30, 2014

Grantor / Program Title	Federal Catalog Number	Federal Expenditures FY 2014
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>\$ 12,448,854</u>
Total expenditures of federal awards		<u><u>\$ 12,448,854</u></u>

New Mexico Finance Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

1) General

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

Basis of Accounting

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

Reconciliation to Financial Statements

Capitalization Grants for Drinking Water State Revolving Fund Program (DWSRF)

Total federal revenue according to statement of revenues	
expenses and changes in net position (page 46)	<u>\$ 12,448,854</u>
Total expenditures of federal awards	<u>\$ 12,448,854</u>

The Authority administers loans under the DWSRF Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2014 are \$67,239,036. Only the value of new loans disbursed during the fiscal year is included in the accompanying schedule.

2) Subrecipients

Subrecipient Name	Pass-Through Funds
City of Santa Fe	\$ 3,135,348
City of Las Vegas	2,046,495
City of Farmington	1,134,201
City of Tucumcari	996,750
Dona Ana MDWCA	630,126
Anthony Water & Sanitation District	557,105
City of Lordsburg	552,825
Town of Estancia	416,668
Lower Rio Grande Public Works Authority	279,891
City of Socorro	194,919
Village of Bosque Farms	73,863
City of Alamogordo	45,945
Southside MDWA	36,443
City of Deming	25,503
City of Sunland Park	21,366
City of Moriarity	16,994
NMED Drinking Water Bureau	1,803,366
NMFA Other	481,046
Total DWSRF subrecipients	<u>\$ 12,448,854</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the New Mexico Finance Authority (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

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

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

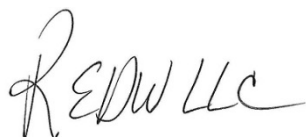
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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.

Purpose of this Report

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

A handwritten signature in black ink that reads "REDW LLC". The letters are stylized and cursive.

Albuquerque, New Mexico
December 4, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited New Mexico Finance Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2014. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

A handwritten signature in black ink, appearing to read "REDW LLC", is written over a light blue horizontal line.

Albuquerque, New Mexico
December 4, 2014

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2014

Section I — Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Identification of Major Programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Capitalization Grant for Drinking Water State Revolving Funds	66.468	\$12,448,854

Dollar threshold used to distinguish between type A and type B programs: \$373,466

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

New Mexico Finance Authority
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2014

Audit Finding	Status
2011-001	Resolved
2011-008	Resolved
2013-001	Resolved

New Mexico Finance Authority
Exit Conference
June 30, 2014

An exit conference was held on December 8, 2014, with the Authority. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

New Mexico Finance Authority

Dora Mae Cde Baca	Chief Administrative Officer
Robert Brannon	Acting Chief Financial Officer
Dan Opperman	General Counsel
Bryan Otero	Assistant General Counsel
Bob Spradley	Senior Accountant II
Joanne Johnson	Senior Accountant I
Steve Kopelman	Board Member
Katherine Ulibarri	Board Member
Brett Woods	Board Member
Ricky A. Bejarano	State Controller / DFA Deputy Cabinet Secretary

REDW_{LLC}

Tom Friend	Principal
Javier Machuca	Senior Manager

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

*Financial Statements, Supplemental Information
and
Independent Auditor's Report
June 30, 2015 and 2014*

REDW^{LLC}
CPAs | Business & Financial Advisors

New Mexico Finance Authority

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New Mexico Finance Authority

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New Mexico Finance Authority

Official Roster

Year Ended June 30, 2015

Governing Board

John E. McDermott, Chair
William Fulginiti, Vice Chair
David Martin, Secretary
Katherine Ulibarri, Treasurer
Steve Kopelman, Member
Ryan Flynn, Member
Tom Clifford, Member
Jon Barela, Member
Jerry L. Jones, Member
Blake Curtis, Member
Terry White, Member

Chief Executive Officer

Robert P. Coalter

Chief Financial Officer

Robert Brannon

Independent Auditor's Report

Governing Board
New Mexico Finance Authority
and
Mr. Timothy Keller
New Mexico Office of the State Auditor
Santa Fe, NM

Report on the Financial Statements

We have audited the accompanying 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico
October 30, 2015

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2015 and 2014

Introduction

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial position at June 30, 2015 and its financial performance during the fiscal year then ended. This section should be read together with the Authority's financial statements and accompanying notes.

The New Mexico Finance Authority

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

Overview of the Financial Statements

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's basic financial statements are comprised of the following:

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

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2015 and 2014

Financial Highlights

- ◆ The Authority's overall financial improved slightly in the past year. The key indicator is total net position which increased by \$40.7 million or 8.9%.
- ◆ During the fiscal year, unrestricted cash increased 9.4% or \$1.9 million. Restricted cash increased by .4% or \$.4 million. Restricted investments increased by 52.5% or \$96.5 million.
- ◆ Loans receivable remained consistent from previous year.
- ◆ Intergovernmental receivables decreased by \$12.1 million or 10.2%, primarily as a result of payments received in fiscal year 2015 and restructuring of the Administrative Office of the Courts intergovernmental receivable.
- ◆ Bonds payable increased by \$8.7 million or 0.8% in 2015, the result of issuing of \$166.9 million of new bonds, principal payments on outstanding bonds of \$162.3 million, and amortization of bond premium of \$4.1 million.
- ◆ Undisbursed loan proceeds increased by \$43.2 million or 150.3% during 2015 due to the timing of a bond issuance at the end of the fiscal year.
- ◆ Appropriation revenue decreased by \$5.9 million in fiscal year 2015, representing a 13.8% decrease from fiscal year 2014. The reduction reflects the closing out of all tranches from the appropriation for the State Small Business Credit Initiative program.
- ◆ The Authority experienced a \$1.4 million or 31.0% decrease in administrative fees revenue from \$4.6 million in 2014 to \$3.2 million in 2015. This drop in revenue was in direct relation to the decreased number of loans in 2015 compared to 2014.
- ◆ Expenses decreased 5.4% from \$114.9 million in 2014 to \$108.7 million in 2015, representing an expected decrease of \$6.2 million.
- ◆ Grant revenue and corresponding activity increased 15.9% or \$8.8 million as the Authority experienced increased grant activity within the Colonias and Drinking Water programs during the year.
- ◆ There was one reversion to the State General Fund for fiscal year 2015 of \$500 thousand related to the close out of a loan in the Behavioral Health program.

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2015 and 2014

Statement of Net Position

The following presents condensed, combined statements of net position as of June 30, 2015, 2014, and 2013, with the dollar and percentage change:

	2015	Restated 2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets					
Cash and equivalents					
Unrestricted	\$ 21,656,317	\$ 19,792,613	\$ 116,073,324	\$ 1,863,704	9.4%
Restricted	113,366,876	112,880,142	109,965,262	486,734	0.4%
Investments – restricted	280,161,230	183,692,467	131,565,455	96,468,763	52.5%
Loans receivable, net of allowance	1,178,795,528	1,179,166,365	1,231,232,043	(370,837)	0.0%
Intergovernmental receivables	106,092,483	118,148,921	125,274,549	(12,056,438)	-10.2%
Other receivables	7,798,937	10,258,000	10,960,455	(2,459,063)	-24.0%
Capital assets	4,867	104,378	220,772	(99,511)	-95.3%
Other assets	19,500	19,500	118,630	-	0.0%
Total assets	\$ 1,707,895,738	\$ 1,624,062,386	\$ 1,725,410,490	\$ 83,833,352	5.2%
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 184,242	\$ 1,191,181	\$ -	\$ (1,006,939)	-84.5%
Total deferred outflows of resources	\$ 184,242	\$ 1,191,181	\$ -	\$ (1,006,939)	-84.5%
Liabilities					
Bonds payable, net	\$ 1,056,903,674	\$ 1,048,141,351	\$ 1,180,405,517	\$ 8,762,323	0.8%
Undisbursed loan proceeds	71,940,001	28,744,630	45,485,533	43,195,371	150.3%
Advanced loan payments	74,332,049	72,189,707	68,380,111	2,142,342	3.0%
Accounts payable, accrued payroll and compensated absences	643,540	657,934	831,236	(14,394)	-2.2%
Line of credit	-	12,006,298	-	(12,006,298)	-100.0%
Other liabilities	4,254,194	4,200,346	4,998,215	53,848	1.3%
Total liabilities	1,208,073,458	1,165,940,266	1,300,100,612	42,133,192	3.6%
Net Position					
Invested in capital assets	4,867	104,378	220,772	(99,511)	-95.3%
Restricted for program commitments	483,282,743	445,061,112	211,361,534	38,221,631	8.6%
Unrestricted	16,718,912	14,147,811	213,727,572	2,571,101	18.2%
Total net position	500,006,522	459,313,301	425,309,878	40,693,221	8.9%
Total liabilities and net position	\$ 1,708,079,980	\$ 1,625,253,567	\$ 1,725,410,490	\$ 82,826,413	5.1%

The Authority's overall financial position increased slightly in the past year. The key indicator is total net position which increased by \$40.7 million or 8.9%.

The 2013 net position was not reclassified as its inclusion in the financials is limited to the MD&A. Please see Note 2 Summary of Significant Accounting Policies – Net Position.

Assets

Loans receivable decreased by \$0.4 million or 0.1% in 2015. New loans made during the year totaled \$149.6 million while loan payments received were \$152.3 million.

New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2015 and 2014

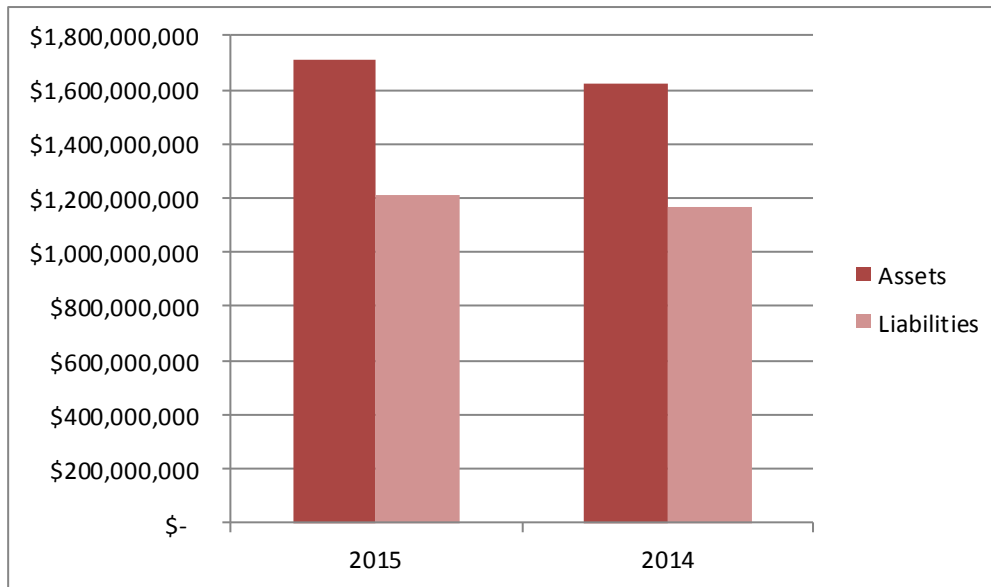
The allowance for uncollectible loans decreased \$2.4 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs increased significantly from 2014 as interest rates began to fall.

Total cash and investments increased 31.2% from \$316.4 million in 2014 to \$415.2 million in 2015 due primarily to the closing of the 2015B bonds at the end of the fiscal year.

Liabilities

Bonds payable increased by \$8.7 million in 2015 resulting from the issuance of \$166.9 million of new bonds, principal payments and defeasances on outstanding bonds of \$162.3 million, and amortization of bond premium of \$4.1 million. Undisbursed loan proceeds increased by \$43.2 million during 2015 due to a bond issuance occurring close to fiscal year-end. Advanced loan payments experienced a \$2.1 million or 3.0% increase from 2014.

The following chart indicates the ratio of assets to liabilities:



New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2015 and 2014

Statement of Revenue, Expenses and Changes in Net Position

The following table presents the condensed combined statement of revenue, expenses and changes in net position for 2015, 2014, and 2013 fiscal years:

	2015	Restated 2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Operating Revenues					
Administrative and processing fees	\$ 3,197,684	\$ 4,631,509	\$ 3,395,491	\$ (1,433,825)	-31.0%
Interest on loans	48,645,757	48,723,703	52,942,880	(77,946)	-0.2%
Interest on investments	925,910	488,741	139,403	437,169	89.4%
Total operating revenues	<u>52,769,351</u>	<u>53,843,953</u>	<u>56,477,774</u>	<u>(1,074,602)</u>	<u>-2.0%</u>
Expenses					
Grants to local governments	54,240,349	50,824,441	48,828,884	3,415,908	6.7%
Bond issuance costs	1,243,632	674,398	10,918,272	569,234	84.4%
Professional services	2,146,157	2,189,377	2,651,079	(43,220)	-2.0%
Salaries and benefits	4,361,363	4,284,392	3,926,740	76,971	1.8%
Debt service – interest expense	46,707,522	54,319,247	53,026,726	(7,611,725)	-14.0%
Other expense	(11,884)	2,580,937	4,636,406	(2,592,821)	-100.5%
Total operating expenses	<u>108,687,139</u>	<u>114,872,792</u>	<u>123,988,107</u>	<u>(6,185,653)</u>	<u>-5.4%</u>
Net operating loss	<u>(55,917,788)</u>	<u>(61,028,839)</u>	<u>(67,510,333)</u>	<u>5,111,051</u>	<u>-8.4%</u>
Nonoperating Revenues (Expenses)					
Appropriation revenue	37,157,026	43,086,860	34,033,130	(5,929,834)	-13.8%
Grant revenue	64,031,220	55,224,996	48,692,048	8,806,224	15.9%
Reversions and transfers	(4,577,237)	(3,931,693)	(2,953,157)	(645,544)	16.4%
	<u>96,611,009</u>	<u>94,380,163</u>	<u>79,772,021</u>	<u>2,230,846</u>	<u>2.4%</u>
Increase in net position	40,693,221	33,351,324	12,261,688	7,341,897	22.0%
Net position, beginning of year, as restated	<u>459,313,301</u>	<u>425,961,977</u>	<u>413,048,190</u>	<u>33,351,324</u>	
Net position, end of year	<u>\$ 500,006,522</u>	<u>\$ 459,313,301</u>	<u>\$ 425,309,878</u>	<u>\$ 40,693,221</u>	<u>8.9%</u>

Operating revenue decreased 2.0% to \$52.8 million in 2015. Interest on investments increased, experiencing 89.4% incline compared to 2014 due to a larger portion of cash being invested in long-term investments. Appropriation revenue decreased 13.8% while grant revenue increased 15.9%. The loan interest decline directly relates to lower outstanding loans receivable.

Overall operating costs decreased 5.4% due to increased grant expenses of \$3.4 million and a decrease of interest expense of \$7.6 million. The decrease in interest expense was due to recognition of amortized bond premium expense for 2004 and 2005 called bonds. Grant expense increased in 2015 after grant activity recovery efforts in fiscal years 2013 and 2014.

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 2015, the total amount outstanding was \$1.1 billion (excluding the \$1.4 billion in GRIP bonds which are administered

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2015 and 2014

by, but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 7 to the financial statements.

During the fiscal year, the Authority issued \$166.9 million in PPRF bonds, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

Programs

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

Public Project Revolving Fund

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to coordinate the planning and financing of state and local public projects with borrowers who could not, on their own, access the bond market on a cost-effective basis. Qualified entity's, including without limitation counties, municipalities and school districts, are eligible to borrow from the PPRF. Since 1993, the PPRF has made 1,228 loans totaling \$2.6 billion.

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

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

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2015 and 2014

Public Project Revolving Fund
Statements of Net Position
June 30

	2015	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Assets					
Cash and equivalents					
Unrestricted	\$ 21,129,169	\$ 18,662,427	\$ 79,007,637	\$ 2,466,742	13.2%
Restricted	74,239,292	86,535,872	79,173,378	(12,296,580)	-14.2%
Restricted investments	231,414,125	122,591,262	130,787,736	108,822,863	88.8%
Accounts receivable and other	6,462,198	8,794,009	10,367,285	(2,331,811)	-26.5%
Loans receivable, net of allowance	1,058,275,504	1,081,631,189	1,138,450,511	(23,355,685)	-2.2%
Due from the State of New Mexico	96,135,000	104,525,000	108,025,000	(8,390,000)	-8.0%
Capital assets	(29,209)	70,302	186,696	(99,511)	-141.5%
Other assets	7,824,918	9,353,716	13,073,586	(1,528,798)	-16.3%
Total assets	\$ 1,495,450,997	\$ 1,432,163,777	\$ 1,559,071,829	\$ 63,287,220	4.4%
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 184,242	\$ 1,191,181	\$ -	\$ (1,006,939)	-84.5%
Total deferred outflows of resources	\$ 184,242	\$ 1,191,181	\$ -	\$ (1,006,939)	-84.5%
Liabilities					
Accounts payable and accrued payroll liabilities	\$ 1,445,741	\$ 2,751,301	\$ 6,202,814	\$ (1,305,560)	-47.5%
Undisbursed loan proceeds	71,877,909	28,682,538	45,423,441	43,195,371	150.6%
Borrowers' debt service and reserve deposits	77,563,762	86,969,969	72,016,499	(9,406,207)	-10.8%
Bonds payable, net	1,048,093,351	1,036,144,409	1,165,236,955	11,948,942	1.2%
Total liabilities	1,198,980,763	1,154,548,217	1,288,879,709	44,432,546	3.8%
Net Position					
Invested in capital assets	(29,209)	70,302	186,696	(99,511)	-141.5%
Restricted for program commitments	276,556,622	262,175,614	103,752,754	14,381,008	5.5%
Unrestricted	20,127,063	16,560,825	166,252,670	3,566,238	21.5%
Total net position	296,654,476	278,806,741	270,192,120	17,847,735	6.4%
Total liabilities and net position	\$ 1,495,635,239	\$ 1,433,354,958	\$ 1,559,071,829	\$ 62,280,281	4.3%

Loan Volume

	2015	2014	Since Inception
Amount of loans made	\$149.2 million	\$104.0 million	\$2.51 billion
Number of loans made	49	63	1,228
Average loan size	\$3.01 million	\$1.63 million	\$2.1 million

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2015 and 2014

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

	2015	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
Interest Income					
Loans	\$ 46,430,667	\$ 46,548,780	\$ 50,708,332	\$ (118,113)	-0.3%
Investments	504,597	245,422	127,387	259,175	105.6%
Total interest income	46,935,264	46,794,202	50,835,719	141,062	0.3%
Interest Expense					
Bonds	46,321,567	53,772,342	52,317,500	(7,450,775)	-13.9%
Short-term borrowing	359,592	144,082	94,931	215,510	149.6%
Total interest expense	46,681,159	53,916,424	52,412,431	(7,235,265)	-13.4%
Net Interest Income (Loss)					
Interest income (loss) less interest expense	254,105	(7,122,222)	(1,576,712)	7,376,327	-103.6%
Provision for loan losses	62,215	1,900,656	(699,842)	(1,838,441)	-96.7%
Net interest loss after provision for loan losses	316,320	(5,221,566)	(2,276,554)	5,537,886	-106.1%
Noninterest Income					
Loan administration fees	1,819,441	1,451,116	1,659,473	368,325	25.4%
Appropriation revenues	24,267,401	29,091,277	26,585,797	(4,823,876)	-16.6%
Total noninterest income	26,086,842	30,542,393	28,245,270	(4,455,551)	-14.6%
Noninterest Expense					
Salaries and benefits	2,322,032	2,179,170	2,507,794	142,862	6.6%
Professional services	1,048,599	970,669	874,564	77,930	8.0%
Bond issuance costs	1,243,632	674,398	674,703	569,234	84.4%
Other	908,102	1,561,926	10,808,047	(653,824)	-41.9%
Total noninterest expense	5,522,365	5,386,163	14,865,108	136,202	2.5%
Excess of revenues over expenditures	20,880,797	19,934,664	11,103,608	946,133	4.7%
Transfers to other funds or agencies	(3,033,062)	(11,320,043)	(7,490,781)	8,286,981	-73.2%
Increase (decrease) in net position	17,847,735	8,614,621	3,612,827	9,233,114	107.2%
Net position, beginning of year, as restated	278,806,741	270,192,120	266,579,293	8,614,621	3.2%
Net position, end of year	\$ 296,654,476	\$ 278,806,741	\$ 270,192,120	\$ 17,847,735	6.4%

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 2015, the PPRF had net interest income of \$0.3 million, compared to a \$7.1 million loss in 2014. This is a result of market conditions in which \$87.9 million in PPRF loans exercised their early call provisions in 2014 and 2015 and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

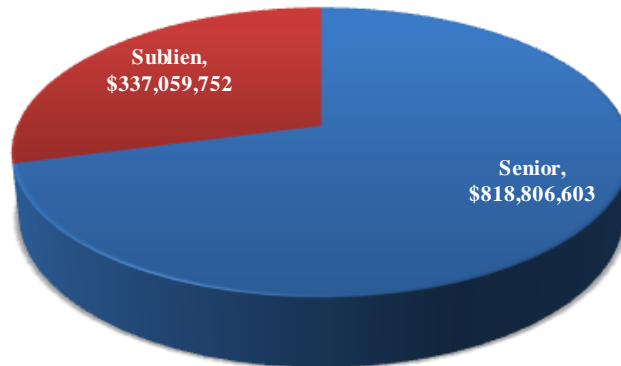
New Mexico Finance Authority

Management's Discussion and Analysis

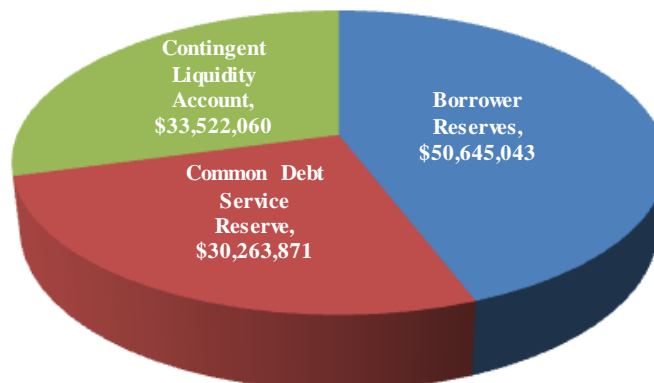
June 30, 2015 and 2014

PPRF Indentures

The PPRF maintains a General Indenture of Trust (Senior Lien) and a Subordinated Indenture of Trust (Sub Lien). At the end of the fiscal year there were 651 loans including intergovernmental totaling \$1.2 billion outstanding; 71% in the Senior and 29% in the Subordinate. This is an increase of 2.64% from \$1.19 billion in 2014 primarily as a result of increased loan prepayments, payoffs, and natural maturities. In turn this has increased cash which will be used to call and defease bonds in 2016.



Currently the Senior Lien has a AAA rating from Standard & Poors and a Aa2 from Moodys and the Subordinate Lien a AA and Aa1 respectively. In order to maintain such a rating the PPRF holds reserves and credit enhancements. These include the Common Debt Service Reserve, Contingent Liquidity Account, and pooled borrower debt service reserve. The Common Debt Service Reserve is subject to the General indenture of Trust for the Senior Lien, borrower reserves are pledged to the individual loans within their respective liens, and the Contingent Liquidity Account is considered to be held outside the General and Subordinated Indentures of Trust.



New Mexico Finance Authority

Management's Discussion and Analysis

June 30, 2015 and 2014

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 \$26.5 million in 2015, a \$0.8 million decrease from the \$27.3 million received in 2014. The GGRT funds are used as follows:

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

Other Programs

The PPRF accounts for a large portion of total Authority activity. At June 30, 2015, and for the year then ended, the relationships were as follows:

	PPRF	Total Authority	% PPRF
Total assets	\$1.5 billion	\$1.7 billion	88%
Net assets	\$296.7 million	\$500.0 million	59%
Revenues	\$73.0 million	\$90.2 million	81%

There are 23 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A rise occurred in grant volume for the Drinking Water Revolving Loan Fund program because of increased grant subsidies being awarded for qualifying drinking water facilities projects in New Mexico. The cause was due to various larger projects being approved during the fiscal year.

Similar to the Drinking Water Revolving Loan Fund program, an increase in the Colonias Infrastructure program grant activity reflects the fact that the program saw an increased number of projects being approved during 2015. This is the result of the Colonias Infrastructure Act taking effect July 1, 2011 and the number of approved projects increasing as more funding is available.

A for profit limited liability company operated by the Authority has been awarded a total of \$201 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. Prior to 2015, the Authority made twelve awards totaling \$151.3 million. During 2015, the Authority made no

New Mexico Finance Authority
Management's Discussion and Analysis
June 30, 2015 and 2014

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.

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 Position
June 30, 2015 and 2014

	2015	2014, restated (Note 16)
Assets		
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 21,656,317	\$ 19,792,613
Restricted	113,366,876	112,880,142
Interest receivable	6,657,501	7,431,412
Grants and other receivable	950,402	2,640,545
Prepaid rent	19,500	19,500
Administrative fees receivable	191,034	186,043
Loans receivable, net of allowance	96,135,492	93,384,387
Intergovernmental receivables	6,499,184	7,341,438
Total current assets	<u>245,476,306</u>	<u>243,676,080</u>
Noncurrent assets		
Restricted investments	280,161,230	183,692,467
Loans receivable, net of allowance	1,082,660,036	1,085,781,978
Intergovernmental receivables	99,593,299	110,807,483
Capital assets, net of accumulated depreciation	4,867	104,378
Total assets	<u>\$ 1,707,895,738</u>	<u>\$ 1,624,062,386</u>
Deferred Outflows of Resources		
Deferred charge on refunding	\$ 184,242	\$ 1,191,181
Total deferred outflows of resources	<u>\$ 184,242</u>	<u>\$ 1,191,181</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 244,901	\$ 292,954
Accrued payroll	112,716	91,540
Compensated absences	285,923	273,440
Bond interest payable	3,482,270	3,625,714
Undisbursed loan proceeds	71,940,001	28,744,630
Advanced loan payments	74,332,049	72,189,707
Line of credit	-	12,006,298
Bonds payable, net	75,943,000	70,430,000
Other liabilities	771,924	574,632
Total current liabilities	<u>227,112,784</u>	<u>188,228,915</u>
Noncurrent liabilities		
Bonds payable	980,960,674	977,711,351
Total liabilities	<u>1,208,073,458</u>	<u>1,165,940,266</u>
Net Position		
Net investment in capital assets	4,867	104,378
Restricted for program commitments	483,282,743	445,061,112
Unrestricted	16,718,912	14,147,811
Total net position	<u>500,006,522</u>	<u>459,313,301</u>
Total liabilities and net position	<u>\$ 1,708,079,980</u>	<u>\$ 1,625,253,567</u>

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

NEW MEXICO FINANCE AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30

	2015	2014, restated (Note 16)
Operating Revenues		
Administrative fees revenue	\$ 2,385,583	\$ 3,199,839
Processing fee	812,101	390,004
Interest on loans	48,645,757	48,723,703
Interest on investments	925,910	488,741
Total operating revenues	<u>52,769,351</u>	<u>52,802,287</u>
Operating Expenses		
Grants to others	54,240,349	50,824,441
Bond issuance costs	1,243,632	674,398
Administrative fees	134,365	189,383
Professional services	2,146,157	2,189,377
Salaries and benefits	4,361,363	4,284,392
Other operating costs	1,632,550	1,757,243
Depreciation expense	102,187	116,394
Bond interest expense	46,707,522	54,319,247
Provision for loan losses	(2,370,845)	(822,108)
Interest expense	489,859	298,359
Total operating expenses	<u>108,687,139</u>	<u>113,831,126</u>
Net operating loss	<u>(55,917,788)</u>	<u>(61,028,839)</u>
Nonoperating Revenues (Expenses)		
Appropriation revenue	37,157,026	43,086,860
Grant revenue	64,031,220	55,224,996
Transfers to the State of New Mexico	(4,577,237)	(3,931,693)
Increase in net position	40,693,221	33,351,324
Net position, beginning of year, as restated (Note 16)	<u>459,313,301</u>	<u>425,961,977</u>
Net position, end of year	<u><u>\$ 500,006,522</u></u>	<u><u>\$ 459,313,301</u></u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows
For the Years Ended June 30

	2015	2014, restated (Note 16)
Cash flows from operating activities		
Cash paid for employee services	\$ (4,327,704)	\$ (4,277,609)
Cash paid to vendors for services	(3,221,411)	(4,879,471)
Intergovernmental payments received	12,056,839	7,125,630
Loans payments received	154,100,150	156,697,761
Loans funded	(104,764,054)	(116,741,280)
Grants to local governments	(54,240,349)	(50,824,441)
Cash received from federal government for revolving loan funds	24,735,441	12,448,854
Interest on loans	49,419,453	49,600,877
Proceeds from line of credit	30,573,802	17,536,712
Payments of line of credit	(42,580,100)	(5,530,414)
Administrative fees received	3,083,524	4,268,188
Net cash provided by operating activities	<u>64,835,591</u>	<u>65,424,807</u>
Cash flows from noncapital financing activities		
Appropriations received from the State of New Mexico	37,157,026	43,086,860
Cash transfers from the State of New Mexico	39,356,801	42,775,670
Cash transfers to the State of New Mexico	(4,638,259)	(3,931,221)
Proceeds from the sale of bonds, including premiums	186,584,472	62,595,000
Payment of bonds	(162,345,000)	(197,526,239)
Bond issuance costs	(1,243,632)	(674,398)
Bond interest expense paid	(61,811,035)	(53,477,874)
Net cash provided by (used in) noncapital financing activities	<u>33,060,373</u>	<u>(107,152,202)</u>
Cash flows from investing activities		
Purchase of investments	(113,028,816)	(60,323,486)
Sale of investments	16,557,380	8,196,474
Interest received on investments	925,910	488,576
Net cash used in investing activities	<u>(95,545,526)</u>	<u>(51,638,436)</u>
Net increase (decrease) in cash and cash equivalents	2,350,438	(93,365,831)
Cash and cash equivalents, beginning of year	132,672,755	226,038,586
Cash and cash equivalents, end of year	<u>\$ 135,023,193</u>	<u>\$ 132,672,755</u>

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

NEW MEXICO FINANCE AUTHORITY
Statement of Cash Flows - continued
For the Years Ended June 30

	2015	2014, restated (Note 16)
Reconciliation of net operating loss to net cash provided by (used in) operating activities		
Net operating loss	\$ (55,917,788)	\$ (61,028,839)
Adjustments to change in net position		
Depreciation	102,187	116,394
Amortization on bond premiums	(15,203,907)	(2,298,264)
Provision for loan losses	(62,215)	(1,238,151)
Interest on investments	(925,909)	(488,741)
Bond interest paid	62,039,377	56,766,702
Bond issuance costs	1,243,632	674,398
Cash received from federal grants	24,735,441	12,448,854
Interest expense	361,913	149,168
Changes in assets and liabilities		
Interest receivable	773,911	876,416
Grants and other receivable	1,698,434	652,045
Due from other funds	1,279,769	2,752,121
Administrative fees receivable	(13,282)	26,300
Notes receivable	-	967,099
Loans receivable, net of allowance	433,052	53,303,831
Intergovernmental receivables	12,056,438	7,125,628
Accounts payable	(48,053)	(210,841)
Accrued payroll	21,176	7,420
Compensated absences	12,483	(637)
Due to other funds	(930,230)	(2,328,339)
Funds held for others	-	(80,263)
Undisbursed loan proceeds	43,195,373	(16,740,903)
Advanced loan payments	2,142,342	3,809,596
Notes payable	(349,547)	(967,099)
Line of credit	(12,006,298)	12,006,298
Other liabilities	197,292	(875,386)
Net cash provided by operating activities	<u>\$ 64,835,591</u>	<u>\$ 65,424,807</u>

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

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

	2015	2014
Assets		
Cash held by Trustee		
Program funds	\$ 88,409,455	\$ 97,782,134
Expense funds	85,820	171,363
Revenue funds	474,191	7,135,444
Rebate fund	1,540,906	3,126,037
Bond reserve funds	506,879	824,863
Total assets	<u>\$ 91,017,251</u>	<u>\$ 109,039,841</u>
Liabilities		
Accounts payable	\$ 1,626,726	\$ 1,712,100
Debt service payable	981,070	9,545,607
Program funds held for the NM Department of Transportation	88,409,455	97,782,134
Total liabilities	<u>\$ 91,017,251</u>	<u>\$ 109,039,841</u>

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

1) Nature of Organization

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

The Authority’s governing board is composed of eleven members including the Secretary of the Department of Finance and Administration; the Secretary of Economic Development; the Secretary of Energy, Minerals and Natural Resources; and 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, whose membership must include the chief financial officer of an institution of higher education and four other members who are residents of the State. The appointed members serve at the pleasure of the Governor.

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

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

The DWSRF provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State is required to match by 20 percent.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

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

Other significant programs administered by the Authority include:

- ♦ The Local Transportation Infrastructure Projects Program provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- ♦ The Economic Development Program provides comprehensive financing tools to stimulate economic development projects statewide.
- ♦ The New Markets Tax Credit Program, whereby the Authority acts as the managing member in Finance New Mexico, LLC, a for-profit limited liability company which receives allocations of federal tax credits under Section 45D of the Internal Revenue Code.
- ♦ The Primary Care Capital Program is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 20 percent annual loan forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.
- ♦ The Water and Wastewater Project Grant Program provides grant funding for water and wastewater system projects authorized by legislation.
- ♦ The Local Government Planning Grant Program provides grants to qualified entities on a per project basis for water and wastewater related studies, long-term water management plans and economic development plans.
- ♦ The State Capital Improvement Financing Program accounts for the issuance of revenue bonds the proceeds of which were used to finance capital improvements to a state facility located adjacent to the State Capitol.
- ♦ The UNM Health Sciences Program administers the financing of several capital projects for UNM Health Sciences Center. The Authority issued bonds, secured by authorized distributions of cigarette excise taxes, for the purpose of designing, constructing, equipping and furnishing additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center.
- ♦ The Colonias Infrastructure Act appropriates to the Authority 5% of the senior lien severance tax bond proceeds for loans and grants to certain communities in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, roads and housing.
- ♦ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received \$13.2 million of federal State Small Business Credit Initiative funds in 2011 to help increase the flow of

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The New Mexico Finance Authority Finance Committee was created by the Act and was appointed by the Legislative Council Service to provide legislative oversight.

The financial statements include the accounts of the Authority and its blended component unit, Finance New Mexico LLC (FNMLLC). All intercompany transactions and balances are eliminated. The condensed financial statements of FNMLLC are disclosed in Note 16.

2) Summary of Significant Accounting Policies

Accounting Principles

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

Basis of Presentation

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

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

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

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

criteria to be available for use and unrestricted resources are also available, it is the Authority's policy to use restricted resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Agency Funds

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations.

Loans Receivable

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

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

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

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

appropriates a portion of existing taxes or fees to fund the payment of the related bonds. No allowance has been established, as all such receivables are considered collectable.

Capital Assets

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

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

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

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

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

Undisbursed Loan Proceeds

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

New Mexico Finance Authority

Notes to Financial Statements

June 30, 2015 and 2014

Net Position

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Net position is categorized as net investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

Net investment in capital assets is intended to reflect the portion of net position which is associated with capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority has no capital asset related debt.

Restricted net position has third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Authority spends restricted resources first.

Management modified the net position presentation of the restricted and unrestricted categories. Comparative amounts in the fiscal year 2014 net position balances were reclassified for consistency with the fiscal year 2015 presentation. These reclassifications had no effect on the reported change in net position.

Program Restricting Statute, bond covenant or granting agency

PPRF	6-21-6 NMSA 1978; General and Subordinated Indentures of Trust
Child Care	24-24-4.0 NMSA 1978
Cig Tax	6-21-6.10 NMSA 1978; Bond Purchase Agreement
DWSRF	6-21A-4 NMSA 1978; EPA Capitalization Grant Agreements
Primary Care	24-1C-4 NMSA 1978
Local Road	6-21-6.8 NMSA 1978
NMTC	6-25-6.1 NMSA 1978; NMTC Allocation Agreement
UNM Health	6-21-6.7 NMSA 1978
State Capitol	Laws 1997, Ch. 178; Bond Resolution
State Office	6-21C-5, NMSA 1978; Bond Resolution
Equipment Loan	6-21-6 NMSA 1978
Water Trust Board	72-4A-9 NMSA 1978
WWWGF	6-21-6.3 NMSA 1978
Emerg Drought	Executive Order 2002-19, Executive Order 2012-006
LGPF	6-21-6.4 NMSA 1978
Econ Development	6-25-1 NMSA 1978
Local Transport	6-21-6.12 NMSA 1978
SSBCI	6-25-13 NMSA 1978; SSBCI Allocation Agreement
Colonias	6-30-1.0 NMSA 1978
Bio Mass	Laws 2006, Ch. 111, Sec. 55(2)

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

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

Income Taxes

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

Use of Estimates

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

Budget

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

Recently Issued Accounting Standards

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

In October 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Adopting GASB 71 did not impact the Authority's financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The objective is to establish general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The provisions of this Statement are effective for financial

New Mexico Finance Authority
Notes to Financial Statements
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statements for periods beginning after June 15, 2015. The Authority has not completed the process of evaluating the impact of GASB 72 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Authority has not completed the process of evaluating the impact of GASB 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Authority has not completed the process of evaluating the impact of GASB 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The Authority has not completed the process of evaluating the impact of GASB 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority has not completed the process of evaluating the impact of GASB 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). The objective is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority has not completed the process of evaluating the impact of GASB 77 on its financial statements.

New Mexico Finance Authority
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3) Cash and Cash Equivalents and Investments

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

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

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

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

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

Credit Risk

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

The New Mexico State Treasurer pools are not rated.

Finance NM LLC cash balances are maintained in several accounts in several banks. At times, these balances may exceed the federal insurance limits; however, Finance NM LLC has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2015 and 2014.

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Interest Rate Risk

The Authority minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and by investing operating funds primarily in short-term securities limiting the average maturity of the portfolio.

For the Primary Care Capital program funds invested in the New Mexico State Treasurer's Office investment pool, the New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for the fiscal years ended June 30, 2015 and 2014.

State General Fund Investment Pool

The Authority, as required by Section 24-1C-4, NMSA 1978, administers the Primary Care Capital Fund (PCC Fund), which was created as a revolving fund in the State Treasurer's Office (STO). PCC Funds are deposited into the State General Fund Investment Pool (SGFIP), as are funds of state agencies, and as of the end of fiscal year 2015 totaled \$529,786, representing less than 1% of total Authority funds.

During the period from July 2006 – January 2013, draws by agencies, including the Authority, against the SGFIP were not reconciled by the STO against the State's centralized accounting system (SHARE), causing uncertainty as to the validity of the draws and the ability of the STO to fulfill the withdrawals. The State has pledged that any draws will be honored in their entirety.

It is important to note that all other funds of the Authority, including Public Project Revolving Funds that are subject to the General and Subordinated Indentures of Trust, are held outside of the STO with a Trustee and are secured in accordance with the Authority's Investment Policy. Furthermore, the Authority operates an independent accounting system separate from SHARE. The PCC Funds are the only Authority funds entered as transaction entries into SHARE.

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Permitted Investments

As provided in Sections 6-21-6 and 6-21-2 of the Act, money pledged for or securing payment of bonds issued by the Authority shall be deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the investment policy:

	Description	Maximum Percentage of Authority Funds ¹
A	Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
B	U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%
C	SEC-registered money market funds with total assets at time of deposit in excess of \$100,000,000 ²	100%
E	Certificates of deposits and bank deposits ³	20%
F	Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
G	Bonds or notes issued by any municipality, county or school district of the State	10%
H	Overnight repurchase agreements ⁴	25%
I	Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements) ¹	N/A
J	State Treasurer's Short-term Investment Fund	50%

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of the Authority may be invested in a GIC or flexible repurchase agreement without regard to the investment allocation ranges set forth in the investment policy, if the GIC or repurchase agreement provides for disbursement upon request of the Authority in amounts necessary to meet expense requirements for the bonds or other obligations.

¹ Limits do not apply to cash invested by trustee per bond indenture.

² Money markets must be rated AAA by Standards & Poor or Aaa by Moody and in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

³ Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in A) and B) above, registered in the name of the Authority and held by a third party safe-keeping agent, or collateralized as required by 6.10.16 NMSA at 102% of the value of the deposit that is not FDIC insured.

⁴ Investment contracts and repurchase agreements investments must be fully secured by obligations described in A) and B) above with all collateral held by an independent third party safekeeping agent.

New Mexico Finance Authority

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Cash and equivalents at June 30, 2015 and 2014 were as follows:

Description	Balance at June 30, 2015	Rated	Percentage of Authority Funds ¹
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ -	N/A	<1%
Finance NM LLC cash accounts	657,456	N/A	<1%
Wells Fargo deposit account	307,072	N/A	<1%
Wells Fargo Repurchase agreement -fully secured ²	374,361	N/A	<1%
Government money market funds	<u>133,684,304</u>	AAA	32%
Total cash and equivalents	<u>\$ 135,023,193</u>		
Cash held in agency fund	<u>\$ 91,017,251³</u>		

Description	Balance at June 30, 2014	Rated	Percentage of Authority Funds
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ 1,023	N/A	<1%
Finance NM LLC cash accounts	532,300	N/A	<1%
Wells Fargo deposit account	213,482	N/A	<1%
Wells Fargo Repurchase agreement -fully secured ⁴	248,028	N/A	<1%
Government money market funds	<u>131,677,922</u>	AAA	42%
Total cash and equivalents	<u>\$ 132,672,755</u>		
Cash held in agency fund	<u>\$ 109,039,841</u>		

Maturity Restrictions

It is the policy of the Authority to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, the Authority will invest in securities maturing five years or less from date of purchase.

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2015 and 2014 are comprised of the following:

¹ Limits described in the "permitted investments" section above do not apply to cash invested by trustee per bond indenture.

² Wells Fargo accounts FDIC insured for \$250,000. Remaining \$317,867 as of June 30, 2015 is secured by a pledge of Agency securities in the name of the State of New Mexico monitored by the New Mexico State Treasurer's Office.

³ All cash held as agent by the Authority is fully collateralized by securities held in the name of the Authority.

⁴ Wells Fargo accounts FDIC insured for \$250,000. Remaining \$308,490 as of June 30, 2014 is secured by a pledge of Agency securities in the name of the State of New Mexico monitored by the New Mexico State Treasurer's Office.

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Description	Fair Value at June 30, 2015	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	\$ 224,598,139	1.36	54%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	529,786	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>55,033,304</u>	0.50	13%
Total restricted investments	<u>\$ 280,161,229</u>		

Description	Fair Value at June 30, 2014	Average Years to Maturity	Percentage of Authority Funds
U.S. Treasury notes	\$ 120,084,268	.98	38%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	1,407,522	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>62,200,677</u>	1.33	20%
Total restricted investments	<u>\$ 183,692,467</u>		

4) Loans Receivable

Loans receivable activity for the fiscal year ending June 30, 2015 and 2014, respectively, were as follows:

Program Description	Term (Years)	Rates	2014	Increases	Decreases	2015
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,082,705,619	\$ 120,023,720	\$ 143,441,622	\$ 1,059,287,717
Drinking Water State Revolving Loans	1 to 30	0% to 4%	64,933,358	20,656,717	3,962,953	81,627,122
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,305,678	-	1,070,063	1,235,615
Primary Care Capital Fund Loans	10 to 20	3%	3,584,307	600,000	304,529	3,879,778
Water Projects Fund Loan Grants	10 to 20	0%	21,222,996	5,808,843	2,101,398	24,930,441
Smart Money Participation Loans	3 to 20	2% to 5%	4,681,764	38,133	867,086	3,852,811
Behavioral Health Care Loan	15	3%	174,605	-	174,605	-
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	993,698	32,770	53,159	973,309
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	53,000	-	25,000	28,000
Colinias Infrastructure Fund Loans	10 to 20	3%	661,350	1,046,924	157,468	1,550,806
SSBCI Loans	10 to 20	3%	3,312,527	1,346,316	130,872	4,527,971
Child Care Revolving Loans	8	3%	19,810	-	6,350	13,460
			<u>1,184,648,712</u>	<u>149,553,423</u>	<u>152,295,105</u>	<u>1,181,907,030</u>
Less allowance for loan losses			<u>(5,482,347)</u>	<u>-</u>	<u>2,370,845</u>	<u>(3,111,502)</u>
Totals			<u>\$ 1,179,166,365</u>	<u>\$ 149,553,423</u>	<u>\$ 154,665,950</u>	<u>\$ 1,178,795,528</u>

New Mexico Finance Authority
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Program Description	Term (Years)	Rates	2013	Increases	Decreases	2014
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,140,530,507	\$ 104,821,188	\$ 162,646,076	\$ 1,082,705,619
Drinking Water State Revolving Loans	1 to 30	0% to 4%	63,341,227	5,662,622	4,070,491	64,933,358
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,616,809	-	311,131	2,305,678
Primary Care Capital Fund Loans	10 to 20	3%	4,216,376	-	632,069	3,584,307
Water Projects Fund Loan Grants	10 to 20	0%	18,336,546	7,301,228	4,414,778	21,222,996
Smart Money Participation Loans	3 to 20	2% to 5%	4,161,711	576,000	55,947	4,681,764
Behavioral Health Care Loan	15	3%	198,512	-	23,907	174,605
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	441,272	587,230	34,804	993,698
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	108,000	-	55,000	53,000
Colinias Infrastructure Fund Loans	10 to 20	3%	202,731	546,253	87,634	661,350
SSBCI Loans	10 to 20	3%	2,461,746	2,127,931	1,277,150	3,312,527
Child Care Revolving Loans	8	3%	25,970	-	6,160	19,810
			1,236,641,407	121,622,452	173,615,147	1,184,648,712
Less allowance for loan losses			(5,409,364)	(895,092)	822,109	(5,482,347)
Totals			<u>\$ 1,231,232,043</u>	<u>\$ 120,727,360</u>	<u>\$ 174,437,256</u>	<u>\$ 1,179,166,365</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2015:

	Principal	Interest	Total
Fiscal year ending June 30			
2016	\$ 96,135,492	\$ 40,173,592	\$ 136,309,084
2017	90,097,345	37,936,651	128,033,996
2018	88,522,295	35,519,614	124,041,909
2019	87,765,040	32,902,304	120,667,344
2020	78,548,431	30,221,993	108,770,424
2021 – 2025	344,927,763	115,904,758	460,832,521
2026 – 2030	236,181,161	57,324,074	293,505,235
2031 – 2035	128,283,537	21,402,520	149,686,057
2036 – 2040	27,449,687	2,899,196	30,348,883
2041 – 2045	3,996,279	422,892	4,419,171
Subtotals	1,181,907,030	<u>\$ 374,707,594</u>	<u>\$ 1,556,614,624</u>
Less allowance for loan losses	(3,111,502)		
Loans receivable net	<u>\$ 1,178,795,528</u>		

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5) Intergovernmental Receivables

The Authority has agreements with various state entities relating to the issuance of bonds. Pursuant to the underlying legislation and resolutions, the bond proceeds financed various state projects. Pursuant to the legislation, the debt service on these bonds is payable solely from revenues from the State and state entities. Intergovernmental receivables represent amounts due to the Authority under these agreements.

Intergovernmental receivables activity during the year ended June 30, 2015 and 2014, respectively, were as follows:

State Entity	Revenue Pledge	Rates	Maturity	2014	Increases	Decreases	2015	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 37,560,000	\$ -	\$ 37,560,000	\$ -	\$ -
Administrative Office of the Courts	Court Facilities fees	1.25% to 5.0%	6/15/2025	-	30,685,000	490,000	30,195,000	2,390,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,445,000	-	125,000	23,320,000	480,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	43,520,000	-	900,000	42,620,000	945,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	8,850,000	-	1,955,000	6,895,000	1,920,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	3,828,921	-	766,438	3,062,483	764,184
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	945,000	-	945,000	-	-
	Totals			<u>\$ 118,148,921</u>	<u>\$ 30,685,000</u>	<u>\$ 42,741,438</u>	<u>\$ 106,092,483</u>	<u>\$ 6,499,184</u>

State Entity	Revenue Pledge	Rates	Maturity	2013	Increases	Decreases	2014	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 40,085,000	\$ -	\$ 2,525,000	\$ 37,560,000	\$ 2,650,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,565,000	-	120,000	23,445,000	125,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	44,375,000	-	855,000	43,520,000	900,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	10,825,000	-	1,975,000	8,850,000	1,955,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	4,599,549	-	770,628	3,828,921	766,438
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	1,825,000	-	880,000	945,000	945,000
	Totals			<u>\$ 125,274,549</u>	<u>\$ -</u>	<u>\$ 7,125,628</u>	<u>\$ 118,148,921</u>	<u>\$ 7,341,438</u>

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The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2015:

	Principal	Interest	Total
Fiscal year ending June 30			
2016	\$ 6,499,184	\$ 5,227,638	\$ 11,726,822
2017	6,668,814	4,941,892	11,610,706
2018	6,855,443	4,622,647	11,478,090
2019	7,159,042	4,293,575	11,452,617
2020	7,385,000	3,953,945	11,338,945
2021-2025	41,845,000	13,906,005	55,751,005
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	<u>\$ 106,092,483</u>	<u>\$ 46,549,952</u>	<u>\$ 152,642,435</u>

6) Capital Assets

A summary of changes in capital assets during the fiscal year 2015 and 2014, respectively, was as follows:

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	731,618	2,675	-	734,293
Leasehold improvement	8,241	-	-	8,241
	<u>768,524</u>	<u>2,675</u>	<u>-</u>	<u>771,199</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(627,240)	(102,186)	-	(729,426)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(664,146)</u>	<u>(102,186)</u>	<u>-</u>	<u>(766,332)</u>
Net total	<u>\$ 104,378</u>	<u>\$ (99,511)</u>	<u>\$ -</u>	<u>\$ 4,867</u>

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	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	731,618	-	-	731,618
Leasehold improvement	8,241	-	-	8,241
	<u>768,524</u>	<u>-</u>	<u>-</u>	<u>768,524</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(510,846)	(116,394)	-	(627,240)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(547,752)</u>	<u>(116,394)</u>	<u>-</u>	<u>(664,146)</u>
Net total	<u>\$ 220,772</u>	<u>\$ (116,394)</u>	<u>\$ -</u>	<u>\$ 104,378</u>

Depreciation expense for the fiscal year ending June 30, 2015 and 2014, respectively, was \$102,187 and \$116,394.

7) Bonds Payable

Bonds have been issued to provide financing for various Authority programs and are collateralized as follows:

- Loan Agreements and securities executed and delivered by governmental units in consideration for the financing of all or a portion of their respective projects by the Authority.
- Amounts held in the Agreement Reserve Accounts.
- Additional pledged loans.
- Revenues received by the Authority from the allocation of the Authority's portion of the Governmental Gross Receipts tax.
- Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include Court Facilities Fees, Cigarette Excise Tax, State Gross Receipts Tax, Workers' Compensation Fees and Income from Land Grant Permanent Fund.

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Bonds payable consist of the following at June 30, 2015 and 2014:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount	
				June 30, 2015	June 30, 2014
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt					
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	\$ 19,015,000	\$ 5,795,000	\$ 6,980,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	3,490,000	4,365,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	24,440,000	26,265,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	44,975,000	46,015,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	37,085,000	40,030,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	124,400,000	129,605,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	24,195,000	25,780,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	19,385,000	21,150,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	13,265,000	14,230,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	43,630,000	45,795,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	8,385,000	9,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	35,605,000	36,290,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	16,480,000	19,945,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	13,795,000	7,555,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	6,110,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2013 to June 1, 2035	38,610,000	26,035,000	28,450,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,120,000	17,285,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	3,270,000	6,425,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	28,850,000	32,500,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	11,435,000	12,225,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	42,800,000	46,025,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	21,265,000	22,445,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	37,910,000	41,245,000
2013 B	2.000% to 5.000%	June 1, 2014 to June 1, 2036	16,360,000	14,175,000	15,455,000
2014 B	2.000% to 5.000%	June 1, 2016 to June 1, 2035	58,235,000	54,970,000	-
2015 B	2.250% to 5.000%	June 1, 2016 to June 1, 2045	45,325,000	45,325,000	-
			975,350,000	724,190,000	669,225,000
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt					
2005 C	3.625% to 5.000%	June 15, 2013 to June 15, 2025	50,395,000	-	36,410,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,320,000	23,320,000	23,445,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	-	16,245,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	2,040,000	42,525,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	26,135,000	27,845,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	15,680,000	18,260,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	22,340,000	24,050,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	89,445,000	96,700,000
2013 C-1	2.000% to 4.000%	June 15, 2014 to June 15, 2028	3,745,000	3,050,000	3,325,000
2013 C-2	.950% to 5.000%	June 15, 2014 to June 15, 2029	10,550,000	8,520,000	9,350,000
2014 A-1	2.000% to 5.000%	June 15, 2014 to June 15, 2033	15,135,000	14,605,000	15,135,000
2014 A-2	.250% to 4.491%	June 15, 2014 to June 15, 2034	16,805,000	15,295,000	16,805,000
2015 A	3.000% to 5.000%	June 15, 2016 to June 15, 2035	63,390,000	62,355,000	-
			499,040,000	282,785,000	330,095,000
		Subtotal - PPRF Bonds	1,474,390,000	1,006,975,000	999,320,000

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount	
				June 30, 2015	June 30, 2014
Pooled Equipment Certificates of Participants					
1995 A	6.30%	October 1, 2015	4,288,000	19,000	36,000
1996 A	5.80%	April 1, 2016	1,458,000	9,000	17,000
			5,746,000	28,000	53,000
State Capitol Building Improvement Revenue Bonds					
1996	7.0%	Sept. 15, 2012 to Mar. 15, 2015	9,315,000	-	945,000
Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project					
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	6,895,000	8,850,000
Cigarette Tax Revenue Bonds - Behavioral Health Projects					
2006	5.51%	May 1, 2012 to May 1, 2026	2,500,000	1,375,000	1,500,000
Total bonds outstanding			\$ 1,530,986,000	1,015,273,000	1,010,668,000
Add net unamortized premium				41,630,674	37,473,351
Total bonds payable, net				1,056,903,674	1,048,141,351
Less current portion of bonds payable				(75,943,000)	(70,430,000)
Noncurrent portion of bonds payable				\$ 980,960,674	\$ 977,711,351

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2016	\$ 75,943,000	\$ 48,997,460	\$ 124,940,460
2017	74,440,000	43,923,067	118,363,067
2018	76,025,000	40,617,409	116,642,409
2019	77,580,000	37,234,823	114,814,823
2020	67,495,000	33,823,636	101,318,636
2021-2025	332,345,000	120,955,873	453,300,873
2026-2030	179,355,000	54,570,990	233,925,990
2031-2035	107,390,000	20,508,143	127,898,143
2036-2040	21,140,000	2,351,709	23,491,709
2041-2045	<u>3,560,000</u>	<u>426,600</u>	<u>3,986,600</u>
	<u>1,015,273,000</u>	<u>\$ 403,409,710</u>	<u>\$ 1,418,682,710</u>
Add unamortized premium	<u>41,630,674</u>		
Bonds payable, net	<u>\$ 1,056,903,674</u>		

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

The bonds payable activity for the fiscal years were as follows:

Activity for Fiscal Year 2015

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015	Due within One Year
Bonds payable	\$ 1,010,668,000	\$ 166,950,000	\$ (162,345,000)	\$ 1,015,273,000	\$ 75,943,000
Add unamortized premium	37,473,351	19,634,472	(15,477,149)	41,630,674	-
Total	<u>\$ 1,048,141,351</u>	<u>\$ 186,584,472</u>	<u>\$ (177,822,149)</u>	<u>\$ 1,056,903,674</u>	<u>\$ 75,943,000</u>

Activity for Fiscal Year 2014

	Balance at June 30, 2013, as restated	Increases	Decreases	Balance at June 30, 2014	Due within One Year
Bonds payable	\$ 1,145,326,000	\$ 62,595,000	\$ (197,253,000)	\$ 1,010,668,000	\$ 70,430,000
Add unamortized premium	36,378,109	3,666,745	(2,571,503)	37,473,351	-
Total	<u>\$ 1,181,704,109</u>	<u>\$ 66,261,745</u>	<u>\$ (199,824,503)</u>	<u>\$ 1,048,141,351</u>	<u>\$ 70,430,000</u>

Current and Advance Refunding of Debt

The PPRF Refunding Revenue Bonds Subordinate Lien 2015A series, issued in the total par amount of \$63,390,000, refunded the outstanding portions of the PPRF Refunding Revenue Bonds Subordinate Lien 2005C series and PPRF Revenue Bonds Subordinate Lien 2006C series. The PPRF 2005C series bonds were originally issued to fund a loan to the Metro Courts and that loan was refunded simultaneously with the issuance of the 2015A series bonds. The PPRF 2006A series bonds were originally issued to fund a loan to the City of Santa Fe and that loan was refunded simultaneously with the issuance of the 2015A series bonds. The purpose of the refinancing was financial savings for both bonds. The PPRF 2005C series bonds resulted in a reduction in debt service expense for Metro Courts over the remaining life of the loan of \$5,621,486 converted for comparison purposes to a Net Present Value (NPV) savings of \$4,741,519. The PPRF 2006A series bonds resulted in a reduction in debt service expense for the City of Santa Fe over the remaining life of the loan of \$5,800,337 converted for comparison purposes to a NPV savings of \$4,351,828. Portions of the PPRF 2006A bonds were used to fund other loans. In total, the PPRF 2015A series bonds produced debt service savings over the remaining life of the loan of \$16,591,573 converted for comparison purposes to a NPV savings of \$13,834,690. The NPV rate used was 2.873%, the rate calculated for IRS Arbitrage Yield purposes.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

8) Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was \$74,332,049 and \$72,189,707 at June 30, 2015 and 2014.

9) Line of Credit

The Authority maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain Public Project Revolving Fund Revenue Bonds and to reimburse the Authority for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. Interest is due monthly on the outstanding balance, and accrues at 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2015, was .154. The Authority pays a 15 basis point fee on the unused portion of the facility. A summary of changes in the line of credit follows:

Activity for Fiscal Year 2015

	Balance June 30, 2014	Increases	Decreases	Balance, June 30, 2015	Due within One Year
PPRF line of credit	\$ 12,006,298	\$ 30,573,802	\$ (42,580,100)	\$ -	\$ -
Total	<u>\$ 12,006,298</u>	<u>\$ 30,573,802</u>	<u>\$ (42,580,100)</u>	<u>\$ -</u>	<u>\$ -</u>

Activity for Fiscal Year 2014

	Balance June 30, 2013	Increases	Decreases	Balance, June 30, 2014	Due within One Year
PPRF line of credit	\$ -	\$ 17,536,712	\$ (5,530,414)	\$ 12,006,298	\$ 12,006,298
Total	<u>\$ -</u>	<u>\$ 17,536,712</u>	<u>\$ (5,530,414)</u>	<u>\$ 12,006,298</u>	<u>\$ 12,006,298</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

10) Operating Lease Commitment

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the years ended June 30, 2015 and 2014, were \$316,250 and \$362,044. Future minimum lease payments are as follows:

Fiscal year ending June 30		
2016	\$	361,663
2017		368,896
2018		376,274
2019		383,800
2020		259,255
Total	\$	<u>1,749,888</u>

11) Retirement Plans

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan for the year ended June 30, 2015 and 2014, respectively, were \$484,916 and \$479,948. Additionally, employee contributions for the retirement plan for the year ended June 30, 2015 and 2014, respectively, were \$149,634 and \$148,347. 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 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. The executive plan was in effect for the years ended June 30, 2015 and 2014.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

12) Compensated Absences

The following changes occurred during the fiscal year in the compensated absences liabilities:

Balance at June 30, 2014	\$ 273,440
Additions	201,740
Deletions	<u>(189,257)</u>
Balance at June 30, 2015	<u><u>\$ 285,923</u></u>
Due within one year	<u><u>\$ 285,923</u></u>
Balance at June 30, 2013	\$ 274,077
Additions	193,745
Deletions	<u>(194,382)</u>
Balance at June 30, 2014	<u><u>\$ 273,440</u></u>
Due within one year	<u><u>\$ 273,440</u></u>

13) Agency Transactions

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.4 billion of such bonds are outstanding at June 30, 2015 and 2014.

Debt service for the bonds is payable solely from certain revenues of the Department of Transportation. In the opinion of legal counsel, there is no claim that could be asserted against the Authority's assets for payment of debt service on the bonds; therefore, these bonds are not reflected in the Authority's financial statements. The Authority receives a biannual fee from the Department of Transportation equal to its overhead costs for management of the bond issues. The fee is recognized on a cost reimbursement basis.

14) Contingencies

Litigation

In the normal course of operations, the Authority is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of the Authority.

Loan Prepayment and Bond Call Provisions

Certain loans included in loans receivable contain provisions that allow for prepayment of the loan after one year whereas the related bonds used to fund the loans cannot be called for up to 10 years. In the event of a loan prepayment prior to the tenth year, the Authority's bond indentures require the substitution of a loan with similar cash flow characteristics or the defeasance of the related bond.

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately \$349 million and the related bonds total approximately \$419 million at June 30, 2015. Loans exercising this call provision consisted of \$83.8 million and \$63.8 million in FY 2015 and FY 2014, respectively.

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State of New Mexico self-insurance program (Risk Management Program). Under this program, the Authority pays an annual premium to the State for the following types of insurance coverage:

- Workers' compensation insurance
- General liability insurance
- Civil rights
- Blanket property insurance
- Boiler and machinery insurance
- Auto physical damage insurance
- Crime insurance

The Authority also carries commercial insurance to cover losses to which it may be exposed related to their leased office space.

During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

15) Related Party Transactions

The Authority has issued bonds or purchased securities for several other state entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are members of the Authority's Board of Directors. Additionally, a representative serving on the Board holds a position as Cabinet Secretary of the NM Environmental Department in which the Authority assists the Department in the administration of the State's Drinking Water federal program.

16) Finance New Mexico, LLC and Restatement

The Authority has invested in and is the managing member of, Finance New Mexico, LLC (FNMLLC) which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Market Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC is to provide nontraditional investment capital to underserved markets and enhance the return on such investments by providing its members with new market tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive the tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement of FNMLLC, 99% of profits, losses and cash flows are allocated to the Authority, the managing member, and 1% to New Mexico Community Capital, the nonmanaging member.

In 2015, management re-evaluated how to report the Authority's interest in FNMLLC for financial statement purposes. Management evaluated a number of criteria as stated in GASB Statements Number 39 and 61, amendments of GASB Statement Number 14. The basic, but not the only criterion, is FNMLLC's financial accountability to the Authority. Financial accountability is measured through the degree to which the Authority can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a potential financial burden with regard to the potential component unit. Based on the above criterion, it was determined that the FNMLLC is a blended component unit of the Authority. As such, the Authority has consolidated the FNMLLC's financial statement amounts within the Authority's New Market Tax Credit program. The condensed component unit information for FNMLLC and subsidiaries, for the year ended June 30, 2015 and 2014 were as follows:

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Statements of Net Position</u>		
Assets		
Cash	\$ 657,456	\$ 532,300
Due from affiliates	935,345	838,737
Investment in limited liability companies	<u>13,506</u>	<u>13,569</u>
Total assets	<u>\$ 1,606,307</u>	<u>\$ 1,384,606</u>
Liabilities		
Accounts payable	\$ 59,078	\$ 30,756
Due to affiliate	<u>647,193</u>	<u>493,938</u>
Total liabilities	706,271	524,694
Net Position		
Restricted	<u>900,036</u>	<u>859,912</u>
Total liabilities and net position	<u>\$ 1,606,307</u>	<u>\$ 1,384,606</u>
<u>Statements Revenues, Expenses and Changes in Net Position</u>		
	<u>2015</u>	<u>2014</u>
Operating Income		
Interest income	\$ 114	\$ 597
Sponsor fee income	-	810,000
Asset management fee income	<u>629,603</u>	<u>612,203</u>
Total operating income	<u>629,717</u>	<u>1,422,800</u>
Operating Expense		
Sponsor fee expense	-	743,681
Management fee expense	372,729	377,035
Professional fees	162,460	80,835
Gross receipt tax	45,555	110,104
Miscellaneous administrative expenses	<u>8,972</u>	<u>2,506</u>
Total operating expenses	<u>589,716</u>	<u>1,314,161</u>
Net operating income	40,001	108,639
Nonoperating Income		
Share of income from investment in limited liability companies	<u>123</u>	<u>64</u>
Increase in net position	<u>\$ 40,124</u>	<u>\$ 108,703</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

Statement of Cash Flows

Cash flows from operating activities

	<u>2015</u>	<u>2014</u>
Increase in net position	\$ 40,124	\$ 108,703
Adjustments to reconcile net income to net cash provided by operating activities		
Share of income from investment in limited liability companies	(123)	(64)
Increase in assets		
Due from affiliate	(96,608)	(115,716)
Increase in liabilities		
Accounts payable	28,322	3,002
Due to affiliate	<u>153,255</u>	<u>78,155</u>
Net cash provided by operating activities	<u>124,970</u>	<u>74,080</u>

Cash flows from investing activities

Investment in limited liability companies	-	(145)
Return of capital from limited liability companies	-	155
Distributions from limited liability companies	<u>186</u>	<u>190</u>
Net cash provided by investing activities	<u>186</u>	<u>200</u>

Net increase in cash	125,156	74,280
Cash, beginning of year	<u>532,300</u>	<u>458,020</u>
Cash, end of year	<u>\$ 657,456</u>	<u>\$ 532,300</u>

New Mexico Finance Authority
Notes to Financial Statements
June 30, 2015 and 2014

In previous years, the Authority reported its interest in FNMLLC as an investment in the Statement of Net Position. The financial statements for the fiscal year ending June 30, 2014 have been restated as follows:

	June 30, 2014			
	Amounts			June 30, 2014
	Previously		Restatement	as Restated
	Reported			
<i>Statement of Net Position</i>				
Current assets				
Restricted cash and equivalents	\$ 51,834,915	\$ 532,300	\$	52,367,215
Grants and other receivable	1,788,239	852,306		2,640,545
Investment in Finance NM LLC	99,110	(99,110)		-
Current liabilities				
Accounts payable	262,198	30,756		292,954
Other liabilities	80,694	493,938		574,632
Net position	458,552,499	760,802		459,313,301
<i>Statement of Revenues, Expenses and Changes in Net Position</i>				
Operating revenues				
Administrative fees revenue	2,819,302	380,537		3,199,839
Interest on investments	488,080	661		488,741
Operating expenses				
Other operating costs	1,484,748	272,495		1,757,243
Increase in net position	33,242,621	108,703		33,351,324
Net position, beginning of year	425,309,878	652,099		425,961,977
Net position, end of year	458,552,499	760,802		459,313,301

Supplementary Schedules

	PPRF	GRIP	Behavioral Health	Child Care	Cigarette Tax
Assets					
Current assets					
Cash and equivalents					
Unrestricted	\$ 21,129,169	\$ -	\$ -	\$ -	\$ 481,514
Restricted	74,239,292	-	-	41,605	-
Interest receivable	6,310,708	-	-	-	-
Grants and other receivable	-	-	-	-	-
Due from other funds	4,299,300	-	-	-	-
Prepaid rent	19,500	-	-	-	-
Administrative fees receivable	151,490	-	-	-	-
Notes receivable	3,506,118	-	-	-	-
Loans receivable, net of allowance	89,113,952	-	-	13,459	67,528
Intergovernmental receivables	3,815,000	-	-	-	-
Total current assets	202,584,529	-	-	55,064	549,042
Noncurrent assets					
Restricted investments	231,414,125	-	-	-	1,421,252
Loans receivable, net of allowance	969,161,552	-	-	-	905,781
Intergovernmental receivables	92,320,000	-	-	-	-
Capital assets, net of accumulated depreciation	(29,209)	34,076	-	-	-
Total assets	<u>\$ 1,495,450,997</u>	<u>\$ 34,076</u>	<u>\$ -</u>	<u>\$ 55,064</u>	<u>\$ 2,876,075</u>
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 184,242	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ 184,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 185,823	\$ -	\$ -	\$ -	\$ -
Accrued payroll	112,716	-	-	-	-
Compensated absences	285,923	-	-	-	-
Due to other funds	417,644	67,795	270,365	120,136	-
Bond interest payable	3,358,501	-	-	-	12,627
Undisbursed loan proceeds	71,877,909	-	-	62,092	-
Advanced loan payments	74,027,622	-	-	-	-
Notes payable	443,635	-	-	-	-
Line of credit	-	-	-	-	-
Bonds payable, net	73,870,000	-	-	-	125,000
Other liabilities	177,639	-	-	-	-
Total current liabilities	224,757,412	67,795	270,365	182,228	137,627
Noncurrent liabilities					
Bonds payable	974,223,351	-	-	-	1,250,000
Total liabilities	<u>1,198,980,763</u>	<u>67,795</u>	<u>270,365</u>	<u>182,228</u>	<u>1,387,627</u>
Net Position					
Net investment in capital assets	(29,209)	34,076	-	-	-
Restricted for program commitments	276,556,622	-	-	13,459	1,488,448
Unrestricted	20,127,063	(67,795)	(270,365)	(140,623)	-
Total net position	296,654,476	(33,719)	(270,365)	(127,164)	1,488,448
Total liabilities and net position	<u>\$ 1,495,635,239</u>	<u>\$ 34,076</u>	<u>\$ -</u>	<u>\$ 55,064</u>	<u>\$ 2,876,075</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position
June 30, 2015

DWSRF	Primary Care	Local Road Program	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program	State Capitol Imprv Financing
\$ -	\$ 53	\$ -	\$ -	\$ -	\$ 45,581	\$ -	\$ -
11,873,129	635,170	270,048	708,525	-	955,678	(230)	161,689
173,347	6,829	-	-	-	165,900	-	-
-	-	-	950,402	-	-	-	-
-	-	-	911,305	-	-	-	-
-	-	-	-	-	-	-	-
27,998	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,250,106	392,835	-	-	-	-	-	-
-	-	-	-	-	2,684,184	-	-
17,324,580	1,034,887	270,048	2,570,232	-	3,851,343	(230)	161,689
34,841,434	529,786	-	-	-	-	-	-
77,612,631	3,486,943	-	-	-	-	-	-
-	-	-	-	-	7,273,299	-	-
-	-	-	-	-	-	-	-
<u>\$ 129,778,645</u>	<u>\$ 5,051,616</u>	<u>\$ 270,048</u>	<u>\$ 2,570,232</u>	<u>\$ -</u>	<u>\$ 11,124,642</u>	<u>\$ (230)</u>	<u>\$ 161,689</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 59,078	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
155,679	474,872	1,156	-	1,093	-	-	-
-	-	-	-	-	110,861	-	-
-	-	-	-	-	-	-	-
285,741	17,189	-	-	-	-	-	-
-	-	-	-	-	3,062,483	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,920,000	-	-
41,602	-	-	552,683	-	-	-	-
483,022	492,061	1,156	611,761	1,093	5,093,344	-	-
-	-	-	-	-	5,487,323	-	-
483,022	492,061	1,156	611,761	1,093	10,580,667	-	-
-	-	-	-	-	-	-	-
129,295,623	5,034,374	270,048	1,106,244	-	543,975	-	161,689
-	(474,819)	(1,156)	852,227	(1,093)	-	(230)	-
<u>129,295,623</u>	<u>4,559,555</u>	<u>268,892</u>	<u>1,958,471</u>	<u>(1,093)</u>	<u>543,975</u>	<u>(230)</u>	<u>161,689</u>
<u>\$ 129,778,645</u>	<u>\$ 5,051,616</u>	<u>\$ 270,048</u>	<u>\$ 2,570,232</u>	<u>\$ -</u>	<u>\$ 11,124,642</u>	<u>\$ (230)</u>	<u>\$ 161,689</u>

	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board	Water/Waste Water	Emergency Drought Water Program
Assets					
Current assets					
Cash and equivalents					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	8,508,808	1,497	8,187,508	543,022	109
Interest receivable	-	717	-	-	-
Grants and other receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid rent	-	-	-	-	-
Administrative fees receivable	-	-	11,546	-	-
Notes receivable	-	-	-	-	-
Loans receivable, net of allowance	-	28,000	906,361	-	-
Intergovernmental receivables	-	-	-	-	-
Total current assets	<u>8,508,808</u>	<u>30,214</u>	<u>9,105,415</u>	<u>543,022</u>	<u>109</u>
Noncurrent assets					
Restricted investments	-	-	4,476,424	-	-
Loans receivable, net of allowance	-	-	24,024,080	-	-
Intergovernmental receivables	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	<u>\$ 8,508,808</u>	<u>30,214</u>	<u>\$ 37,605,919</u>	<u>\$ 543,022</u>	<u>\$ 109</u>
Deferred Outflows of Resources					
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Current liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Compensated absences	-	-	-	-	-
Due to other funds	-	-	120,596	-	-
Bond interest payable	-	281	-	-	-
Undisbursed loan proceeds	-	-	-	-	-
Advanced loan payments	-	1,497	-	-	-
Notes payable	-	-	-	-	-
Line of credit	-	-	-	-	-
Bonds payable, net	-	28,000	-	-	-
Other liabilities	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>29,778</u>	<u>120,596</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities					
Bonds payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>29,778</u>	<u>120,596</u>	<u>-</u>	<u>-</u>
Net Position					
Invested in capital assets	-	-	-	-	-
Restricted for program commitments	8,508,808	436	37,485,323	543,022	109
Unrestricted	-	-	-	-	-
Total net position	<u>8,508,808</u>	<u>436</u>	<u>37,485,323</u>	<u>543,022</u>	<u>109</u>
Total liabilities and net position	<u>\$ 8,508,808</u>	<u>\$ 30,214</u>	<u>\$ 37,605,919</u>	<u>\$ 543,022</u>	<u>\$ 109</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position — continued
June 30, 2015

Local Government Planning Fund	Economic Development Program	Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Intra Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,656,317
3,804,550	385,504	624,820	2,140,580	245,111	40,461	-	113,366,876
-	-	-	-	-	-	-	6,657,501
-	-	-	-	-	-	-	950,402
-	-	2,557	-	-	-	(5,213,162)	-
-	-	-	-	-	-	-	19,500
-	-	-	-	-	-	-	191,034
-	-	-	-	-	-	(3,506,118)	-
-	166,266	-	196,985	-	-	-	96,135,492
-	-	-	-	-	-	-	6,499,184
<u>3,804,550</u>	<u>551,770</u>	<u>627,377</u>	<u>2,337,565</u>	<u>245,111</u>	<u>40,461</u>	<u>(8,719,280)</u>	<u>245,476,306</u>
-	1,138,274	-	6,339,935	-	-	-	280,161,230
-	1,813,656	-	4,104,587	1,550,806	-	-	1,082,660,036
-	-	-	-	-	-	-	99,593,299
-	-	-	-	-	-	-	4,867
<u>\$ 3,804,550</u>	<u>\$ 3,503,700</u>	<u>\$ 627,377</u>	<u>\$ 12,782,087</u>	<u>\$ 1,795,917</u>	<u>\$ 40,461</u>	<u>\$ (8,719,280)</u>	<u>\$ 1,707,895,738</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,242
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,242</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,901
-	-	-	-	-	-	-	112,716
-	-	-	-	-	-	-	285,923
31,861	1,203,957	-	710,826	1,637,182	-	(5,213,162)	-
-	-	-	-	-	-	-	3,482,270
-	-	-	-	-	-	-	71,940,001
-	-	-	-	-	-	-	74,332,049
-	-	-	-	-	-	(3,506,118)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	75,943,000
-	-	-	-	-	-	-	771,924
<u>31,861</u>	<u>1,203,957</u>	<u>-</u>	<u>710,826</u>	<u>1,637,182</u>	<u>-</u>	<u>(8,719,280)</u>	<u>227,112,784</u>
-	-	-	-	-	-	-	980,960,674
<u>31,861</u>	<u>1,203,957</u>	<u>-</u>	<u>710,826</u>	<u>1,637,182</u>	<u>-</u>	<u>(8,719,280)</u>	<u>1,208,073,458</u>
-	-	-	-	-	-	-	4,867
3,772,689	3,503,700	624,820	12,782,087	1,550,806	40,461	-	483,282,743
-	(1,203,957)	2,557	(710,826)	(1,392,071)	-	-	16,718,912
<u>3,772,689</u>	<u>2,299,743</u>	<u>627,377</u>	<u>12,071,261</u>	<u>158,735</u>	<u>40,461</u>	<u>-</u>	<u>500,006,522</u>
<u>\$ 3,804,550</u>	<u>\$ 3,503,700</u>	<u>\$ 627,377</u>	<u>\$ 12,782,087</u>	<u>\$ 1,795,917</u>	<u>\$ 40,461</u>	<u>\$ (8,719,280)</u>	<u>\$ 1,708,079,980</u>

	PPRF	GRIP	Behavioral Health	Child Care	Cigarette Tax
Assets					
Current assets					
Cash and equivalents					
Unrestricted	\$ 18,662,427	\$ 230,014	\$ 418,167	\$ -	\$ 436,584
Restricted	86,535,872	-	-	34,568	-
Interest receivable	7,050,093	-	4,253	-	-
Grants and other receivable	1,597,955	188,734	-	-	-
Due from other funds	4,855,596	-	-	-	-
Prepaid rent	19,500	-	-	-	-
Administrative fees receivable	145,961	-	-	-	-
Notes receivable	4,478,620	-	-	-	-
Loans receivable, net of allowance	87,245,431	-	36,200	6,326	38,510
Intergovernmental receivables	3,675,000	-	-	-	-
Total current assets	214,266,455	418,748	458,620	40,894	475,094
Noncurrent assets					
Restricted investments	122,591,262	-	-	-	1,180,392
Loans receivable, net of allowance	994,385,758	-	138,405	13,484	955,188
Intergovernmental receivables	100,850,000	-	-	-	-
Capital assets, net of accumulated depreciation	70,302	34,076	-	-	-
Total assets	<u>\$ 1,432,163,777</u>	<u>\$ 452,824</u>	<u>\$ 597,025</u>	<u>\$ 54,378</u>	<u>\$ 2,610,674</u>
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ 1,191,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 262,198	\$ -	\$ -	\$ -	\$ -
Accrued payroll	91,540	-	-	-	-
Compensated absences	273,440	-	-	-	-
Due to other funds	1,474,424	106,101	13,515	116,764	-
Bond interest payable	3,455,768	-	-	-	13,775
Undisbursed loan proceeds	28,682,538	-	-	62,092	-
Advanced loan payments	71,462,270	-	-	-	-
Notes payable	649,699	-	-	-	-
Line of credit	12,006,298	-	-	-	-
Bonds payable, net	67,380,000	-	-	-	125,000
Other liabilities	45,633	-	-	-	-
Total current liabilities	185,783,808	106,101	13,515	178,856	138,775
Noncurrent liabilities					
Bonds payable	968,764,409	-	-	-	1,375,000
Total liabilities	<u>1,154,548,217</u>	<u>106,101</u>	<u>13,515</u>	<u>178,856</u>	<u>1,513,775</u>
Net Position					
Invested in capital assets	70,302	34,076	-	-	-
Restricted for program commitments	262,175,614	188,734	597,025	19,810	1,096,899
Unrestricted	16,560,825	123,913	(13,515)	(144,288)	-
Total net position	278,806,741	346,723	583,510	(124,478)	1,096,899
Total liabilities and net position	<u>\$ 1,433,354,958</u>	<u>\$ 452,824</u>	<u>\$ 597,025</u>	<u>\$ 54,378</u>	<u>\$ 2,610,674</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position
June 30, 2014

DWSRF	Primary Care	Local Road Program	New Market Tax Credits, as restated (Note 16)	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program	State Capitol Imprv Financing
\$ -	\$ 53	\$ -	\$ -	\$ -	\$ 45,368	\$ -	\$ -
12,789,370	33,946	765,634	583,130	-	1,051,274	(231)	409,805
187,816	10,612	-	-	-	121,465	-	55,023
-	-	-	853,856	-	-	-	-
-	-	401	867,191	-	-	-	-
-	-	-	-	-	-	-	-
25,192	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,774,993	381,144	-	-	-	-	-	-
-	-	-	-	-	2,721,438	-	945,000
<u>16,777,371</u>	<u>425,755</u>	<u>766,035</u>	<u>2,304,177</u>	<u>-</u>	<u>3,939,545</u>	<u>(231)</u>	<u>1,409,828</u>
34,483,874	1,407,522	-	-	-	-	-	-
63,464,043	3,203,163	-	-	-	-	-	-
-	-	-	-	-	9,957,483	-	-
-	-	-	-	-	-	-	-
<u>\$ 114,725,288</u>	<u>\$ 5,036,440</u>	<u>\$ 766,035</u>	<u>\$ 2,304,177</u>	<u>\$ -</u>	<u>\$ 13,897,028</u>	<u>\$ (231)</u>	<u>\$ 1,409,828</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 30,756	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
195,013	386,324	-	-	1,093	-	-	-
-	-	-	-	-	140,944	-	14,547
-	-	-	-	-	-	-	-
708,751	17,190	-	-	-	-	-	-
-	-	-	-	-	3,828,921	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,955,000	-	945,000
35,061	-	-	493,938	-	-	-	-
<u>938,825</u>	<u>403,514</u>	<u>-</u>	<u>524,694</u>	<u>1,093</u>	<u>5,924,865</u>	<u>-</u>	<u>959,547</u>
-	-	-	-	-	7,543,942	-	-
<u>938,825</u>	<u>403,514</u>	<u>-</u>	<u>524,694</u>	<u>1,093</u>	<u>13,468,807</u>	<u>-</u>	<u>959,547</u>
-	-	-	-	-	-	-	-
113,786,463	5,019,197	765,634	943,048	-	428,221	-	450,281
-	(386,271)	401	836,435	(1,093)	-	(231)	-
<u>113,786,463</u>	<u>4,632,926</u>	<u>766,035</u>	<u>1,779,483</u>	<u>(1,093)</u>	<u>428,221</u>	<u>(231)</u>	<u>450,281</u>
<u>\$ 114,725,288</u>	<u>\$ 5,036,440</u>	<u>\$ 766,035</u>	<u>\$ 2,304,177</u>	<u>\$ -</u>	<u>\$ 13,897,028</u>	<u>\$ (231)</u>	<u>\$ 1,409,828</u>

	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board	Water/Waste Water	Emergency Drought Water Program
Assets					
Current assets					
Cash and equivalents					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,300,834	1,496	4,584,639	539,467	25
Interest receivable	-	2,150	-	-	-
Grants and other receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid rent	-	-	-	-	-
Administrative fees receivable	-	-	14,890	-	-
Notes receivable	-	-	-	-	-
Loans receivable, net of allowance	-	-	1,901,783	-	-
Intergovernmental receivables	-	-	-	-	-
Total current assets	2,300,834	3,646	6,501,312	539,467	25
Noncurrent assets					
Restricted investments	6,220,774	-	12,395,505	-	-
Loans receivable, net of allowance	-	53,000	19,321,213	-	-
Intergovernmental receivables	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	<u>\$ 8,521,608</u>	<u>56,646</u>	<u>\$ 38,218,030</u>	<u>\$ 539,467</u>	<u>\$ 25</u>
Deferred Outflows of Resources					
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Current liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Compensated absences	-	-	-	-	-
Due to other funds	-	-	497,039	-	-
Bond interest payable	-	680	-	-	-
Undisbursed loan proceeds	-	-	-	-	-
Advanced loan payments	-	1,496	-	-	-
Notes payable	-	-	-	-	-
Line of credit	-	-	-	-	-
Bonds payable, net	-	25,000	-	-	-
Other liabilities	-	-	-	-	-
Total current liabilities	-	27,176	497,039	-	-
Noncurrent liabilities					
Bonds payable	-	28,000	-	-	-
Total liabilities	<u>-</u>	<u>55,176</u>	<u>497,039</u>	<u>-</u>	<u>-</u>
Net Position					
Invested in capital assets	-	-	-	-	-
Restricted for program commitments	8,521,608	1,470	37,720,991	539,467	25
Unrestricted	-	-	-	-	-
Total net position	<u>8,521,608</u>	<u>1,470</u>	<u>37,720,991</u>	<u>539,467</u>	<u>25</u>
Total liabilities and net position	<u>\$ 8,521,608</u>	<u>\$ 56,646</u>	<u>\$ 38,218,030</u>	<u>\$ 539,467</u>	<u>\$ 25</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Net Position — continued
June 30, 2014

Local Government Planning Fund	Economic Development Program	Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Intra Program Eliminations	Total 2014, restated (Note 16)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,792,613
570,500	548,235	572,619	1,431,619	87,634	39,706	-	112,880,142
-	-	-	-	-	-	-	7,431,412
-	-	-	-	-	-	-	2,640,545
-	-	2,557	-	-	-	(5,725,745)	-
-	-	-	-	-	-	-	19,500
-	-	-	-	-	-	-	186,043
-	-	-	-	-	-	(4,478,620)	-
-	-	-	-	-	-	-	93,384,387
-	-	-	-	-	-	-	7,341,438
<u>570,500</u>	<u>548,235</u>	<u>575,176</u>	<u>1,431,619</u>	<u>87,634</u>	<u>39,706</u>	<u>(10,204,365)</u>	<u>243,676,080</u>
1,542,464	-	-	3,870,674	-	-	-	183,692,467
-	936,352	-	2,650,022	661,350	-	-	1,085,781,978
-	-	-	-	-	-	-	110,807,483
-	-	-	-	-	-	-	104,378
<u>\$ 2,112,964</u>	<u>\$ 1,484,587</u>	<u>\$ 575,176</u>	<u>\$ 7,952,315</u>	<u>\$ 748,984</u>	<u>\$ 39,706</u>	<u>\$ (10,204,365)</u>	<u>\$ 1,624,062,386</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,191,181
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,181</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,954
-	-	-	-	-	-	-	91,540
-	-	-	-	-	-	-	273,440
104,550	1,152,754	-	545,545	1,132,623	-	(5,725,745)	-
-	-	-	-	-	-	-	3,625,714
-	-	-	-	-	-	-	28,744,630
-	-	-	-	-	-	-	72,189,707
-	-	-	-	-	-	(4,478,620)	-
-	-	-	-	-	-	-	12,006,298
-	-	-	-	-	-	-	70,430,000
-	-	-	-	-	-	-	574,632
<u>104,550</u>	<u>1,152,754</u>	<u>-</u>	<u>545,545</u>	<u>1,132,623</u>	<u>-</u>	<u>(10,204,365)</u>	<u>188,228,915</u>
-	-	-	-	-	-	-	977,711,351
<u>104,550</u>	<u>1,152,754</u>	<u>-</u>	<u>545,545</u>	<u>1,132,623</u>	<u>-</u>	<u>(10,204,365)</u>	<u>1,165,940,266</u>
-	-	-	-	-	-	-	104,378
2,008,414	1,484,587	572,619	7,952,315	748,984	39,706	-	445,061,112
-	(1,152,754)	2,557	(545,545)	(1,132,623)	-	-	14,147,811
<u>2,008,414</u>	<u>331,833</u>	<u>575,176</u>	<u>7,406,770</u>	<u>(383,639)</u>	<u>39,706</u>	<u>-</u>	<u>459,313,301</u>
<u>\$ 2,112,964</u>	<u>\$ 1,484,587</u>	<u>\$ 575,176</u>	<u>\$ 7,952,315</u>	<u>\$ 748,984</u>	<u>\$ 39,706</u>	<u>\$ (10,204,365)</u>	<u>\$ 1,625,253,567</u>

	PPRF	GRIP	Behavioral Health	Child Care	Cigarette Tax
Operating Revenues					
Administrative fees revenue	\$ 1,007,340	\$ 483,659	\$ -	\$ -	\$ -
Processing fee	812,101	-	-	-	-
Interest on loans	46,430,667	-	3,781	502	33,167
Interest on investments	504,597	126	2,131	185	8,255
Total operating revenues	<u>48,754,705</u>	<u>483,785</u>	<u>5,912</u>	<u>687</u>	<u>41,422</u>
Operating Expenses					
Grants to others	5,670	-	-	-	-
Bond issuance costs	1,243,632	-	-	-	-
Administrative fees	52,661	-	-	-	-
Professional services	1,048,599	155,068	(611)	42	-
Salaries and benefits	2,322,032	160,811	18,073	2,790	-
Other operating costs	747,584	73,769	481	541	15,799
Depreciation expense	102,187	-	-	-	-
Bond interest expense	46,321,567	-	-	-	81,502
Provision for loan losses	(62,215)	-	-	-	-
Interest expense	359,592	-	-	-	-
Total operating expenses	<u>52,141,309</u>	<u>389,648</u>	<u>17,943</u>	<u>3,373</u>	<u>97,301</u>
Net operating income (loss)	(3,386,604)	94,137	(12,031)	(2,686)	(55,879)
Nonoperating Revenues (Expenses)					
Appropriation revenue	24,267,401	-	-	-	-
Grant revenue	-	-	-	-	-
Inter-fund transfers	(2,739,687)	(285,846)	(341,844)	-	447,370
Transfers to the State of New Mexico	<u>(293,375)</u>	<u>(188,733)</u>	<u>(500,000)</u>	<u>-</u>	<u>58</u>
Increase (decrease) in net position	17,847,735	(380,442)	(853,875)	(2,686)	391,549
Net position, beginning of year, as restated (Note 16)	<u>278,806,741</u>	<u>346,723</u>	<u>583,510</u>	<u>(124,478)</u>	<u>1,096,899</u>
Net position, end of year	<u>\$ 296,654,476</u>	<u>\$ (33,719)</u>	<u>\$ (270,365)</u>	<u>\$ (127,164)</u>	<u>\$ 1,488,448</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

DWSRF	Primary Care	Local Road Program	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Workers Comp Financing Program
\$ 193,281	\$ -	\$ -	\$ 629,603	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,222,127	74,312	215	-	-	608,210	-
215,604	4,247	1,892	476	-	380	1
<u>1,631,012</u>	<u>78,559</u>	<u>2,107</u>	<u>630,079</u>	<u>-</u>	<u>608,590</u>	<u>1</u>
10,177,865	-	500,000	\$ -	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	79,923	-
74,318	45,696	268	53,377	-	-	-
467,145	35,034	1,276	139,105	-	-	-
140,450	68,723	229	258,609	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	266,806	-
-	-	-	-	-	-	-
-	-	-	-	-	130,267	-
<u>10,859,778</u>	<u>149,453</u>	<u>501,773</u>	<u>451,091</u>	<u>-</u>	<u>476,996</u>	<u>-</u>
(9,228,766)	(70,894)	(499,666)	178,988	-	131,594	1
-	-	-	-	-	3,167,121	-
24,735,441	-	-	-	-	-	-
-	-	-	-	-	2,257	-
<u>2,485</u>	<u>(2,477)</u>	<u>2,523</u>	<u>-</u>	<u>-</u>	<u>(3,185,218)</u>	<u>-</u>
15,509,160	(73,371)	(497,143)	178,988	-	115,754	1
<u>113,786,463</u>	<u>4,632,926</u>	<u>766,035</u>	<u>1,779,483</u>	<u>(1,093)</u>	<u>428,221</u>	<u>(231)</u>
<u>\$ 129,295,623</u>	<u>\$ 4,559,555</u>	<u>\$ 268,892</u>	<u>\$ 1,958,471</u>	<u>\$ (1,093)</u>	<u>\$ 543,975</u>	<u>\$ (230)</u>

	State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board	Water/Waste Water
Operating Revenues					
Administrative fees revenue	\$ -	\$ -	\$ -	\$ 71,700	\$ -
Processing fee	-	-	-	-	-
Interest on loans	(5,148)	-	1,285	-	-
Interest on investments	<u>1,512</u>	<u>44,794</u>	<u>-</u>	<u>74,736</u>	<u>2,591</u>
Total operating revenues	<u>(3,636)</u>	<u>44,794</u>	<u>1,285</u>	<u>146,436</u>	<u>2,591</u>
Operating Expenses					
Grants to others	-	-	-	32,657,717	-
Bond issuance costs	-	-	-	-	-
Administrative fees	1,781	-	-	-	-
Professional services	-	-	-	390,243	-
Salaries and benefits	-	-	-	482,726	-
Other operating costs	-	-	-	137,724	-
Depreciation expense	-	-	-	-	-
Bond interest expense	35,328	-	2,319	-	-
Provision for loan losses	-	-	-	-	-
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>37,109</u>	<u>-</u>	<u>2,319</u>	<u>33,668,410</u>	<u>-</u>
Net operating income (loss)	(40,745)	44,794	(1,034)	(33,521,974)	2,591
Nonoperating Revenues (Expenses)					
Appropriation revenue	(247,847)	1,493,112	-	4,000,000	-
Grant revenue	-	-	-	29,284,340	-
Inter-fund transfers	-	(1,082,250)	-	-	-
Transfers to the State of New Mexico	<u>-</u>	<u>(468,456)</u>	<u>-</u>	<u>1,966</u>	<u>964</u>
Increase (decrease) in net position	(288,592)	(12,800)	(1,034)	(235,668)	3,555
Net position, beginning of year, as restated (Note 16)	<u>450,281</u>	<u>8,521,608</u>	<u>1,470</u>	<u>37,720,991</u>	<u>539,467</u>
Net position, end of year	<u>\$ 161,689</u>	<u>\$ 8,508,808</u>	<u>\$ 436</u>	<u>\$ 37,485,323</u>	<u>\$ 543,022</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position - continued
For the Year Ended June 30, 2015

Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program	Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,385,583
-	-	-	-	-	-	-	812,101
-	-	136,843	-	139,796	-	-	48,645,757
-	13,302	6,686	2,908	41,313	6	168	925,910
-	13,302	143,529	2,908	181,109	6	168	52,769,351
-	1,934,582	-	-	-	8,964,515	-	54,240,349
-	-	-	-	-	-	-	1,243,632
-	-	-	-	-	-	-	134,365
-	79,787	5,448	-	49,284	244,638	-	2,146,157
-	187,496	35,694	-	302,951	206,230	-	4,361,363
-	47,162	10,063	-	77,728	53,688	-	1,632,550
-	-	-	-	-	-	-	102,187
-	-	-	-	-	-	-	46,707,522
-	-	(1,872,524)	-	(436,106)	-	-	(2,370,845)
-	-	-	-	-	-	-	489,859
-	2,249,027	(1,821,319)	-	(6,143)	9,469,071	-	108,687,139
-	(2,235,725)	1,964,848	2,908	187,252	(9,469,065)	168	(55,917,788)
-	-	-	-	4,477,239	-	-	37,157,026
-	-	-	-	-	10,011,439	-	64,031,220
-	4,000,000	-	-	-	-	-	-
84	-	3,062	49,293	-	-	587	(4,577,237)
84	1,764,275	1,967,910	52,201	4,664,491	542,374	755	40,693,221
25	2,008,414	331,833	575,176	7,406,770	(383,639)	39,706	459,313,301
\$ 109	\$ 3,772,689	\$ 2,299,743	\$ 627,377	\$ 12,071,261	\$ 158,735	\$ 40,461	\$ 500,006,522

	PPRF	GRIP	Behavioral Health	Child Care	Cigarette Tax
Operating Revenues					
Administrative fees revenue	\$ 1,061,112	\$ 475,387	\$ 166	\$ -	\$ -
Processing fee	390,004	-	-	-	-
Interest on loans	46,548,780	-	(2,932)	689	22,510
Interest on investments	<u>245,422</u>	<u>681</u>	<u>1,131</u>	<u>95</u>	<u>5,572</u>
Total operating revenues	<u>48,245,318</u>	<u>476,068</u>	<u>(1,635)</u>	<u>784</u>	<u>28,082</u>
Operating Expenses					
Grants to others	608,803	-	-	-	-
Bond issuance costs	674,398	-	-	-	-
Administrative fees	100,213	-	-	-	-
Professional services	970,669	154,723	16,306	74	-
Salaries and benefits	2,179,170	155,396	10,085	46	-
Other operating costs	736,516	102,029	5,675	120	9,475
Depreciation expense	116,394	-	-	-	-
Bond interest expense	53,772,342	-	-	-	88,389
Provision for loan losses	(1,900,656)	-	-	-	-
Interest expense	<u>144,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>57,401,931</u>	<u>412,148</u>	<u>32,066</u>	<u>240</u>	<u>97,864</u>
Net operating income (loss)	(9,156,613)	63,920	(33,701)	544	(69,782)
Nonoperating Revenues (Expenses)					
Appropriation revenue	29,091,277	-	-	-	-
Grant revenue	-	-	-	-	-
Inter-fund transfers	(10,832,068)	-	25,124	-	189,414
Transfers to the State of New Mexico	<u>(487,975)</u>	<u>(882)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	8,614,621	63,038	(8,577)	544	119,632
Net position, beginning of year, as restated (Note 16)	<u>270,192,120</u>	<u>283,685</u>	<u>592,087</u>	<u>(125,022)</u>	<u>977,267</u>
Net position, end of year	<u><u>\$ 278,806,741</u></u>	<u><u>\$ 346,723</u></u>	<u><u>\$ 583,510</u></u>	<u><u>\$ (124,478)</u></u>	<u><u>\$ 1,096,899</u></u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

DWSRF	Primary Care	Local Road Program	New Market Tax Credits, as restated (Note 16)	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
\$ 162,581	\$ -	\$ -	\$ 1,422,203	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,088,616	102,497	212	-	-	672,321	-
131,145	852	2,307	800	-	399	-
<u>1,382,342</u>	<u>103,349</u>	<u>2,519</u>	<u>1,423,003</u>	<u>-</u>	<u>672,720</u>	<u>-</u>
8,586,162	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	85,150	-
150,257	5,706	9	165,652	-	-	-
409,746	35,188	63	335,333	-	-	-
117,601	114,515	10	364,184	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	363,619	-
-	-	-	-	-	-	-
-	-	-	-	-	154,277	-
<u>9,263,766</u>	<u>155,409</u>	<u>82</u>	<u>865,169</u>	<u>-</u>	<u>603,046</u>	<u>-</u>
(7,881,424)	(52,060)	2,437	557,834	-	69,674	-
-	-	-	-	-	3,332,525	-
12,448,854	-	-	-	-	-	-
8,199,645	-	-	(20)	-	(77,778)	-
-	-	-	(1,010)	-	(3,053,177)	-
<u>12,767,075</u>	<u>(52,060)</u>	<u>2,437</u>	<u>556,804</u>	<u>-</u>	<u>271,244</u>	<u>-</u>
101,019,388	4,684,986	763,598	1,222,679	(1,093)	156,977	(231)
<u>\$ 113,786,463</u>	<u>\$ 4,632,926</u>	<u>\$ 766,035</u>	<u>\$ 1,779,483</u>	<u>\$ (1,093)</u>	<u>\$ 428,221</u>	<u>\$ (231)</u>

	State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board	Water/Waste Water
Operating Revenues					
Administrative fees revenue	\$ -	\$ -	\$ -	\$ 76,722	\$ -
Processing fee	-	-	-	-	-
Interest on loans	112,525	-	6,556	-	-
Interest on investments	<u>1,043</u>	<u>24,765</u>	<u>-</u>	<u>56,516</u>	<u>1,630</u>
Total operating revenues	<u>113,568</u>	<u>24,765</u>	<u>6,556</u>	<u>133,238</u>	<u>1,630</u>
Operating Expenses					
Grants to others	-	-	-	37,186,647	-
Bond issuance costs	-	-	-	-	-
Administrative fees	4,020	-	-	-	-
Professional services	-	-	-	359,999	213
Salaries and benefits	-	-	-	518,940	2,591
Other operating costs	-	-	-	143,841	549
Depreciation expense	-	-	-	-	-
Bond interest expense	89,811	-	5,086	-	-
Provision for loan losses	-	-	-	-	-
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>93,831</u>	<u>-</u>	<u>5,086</u>	<u>38,209,427</u>	<u>3,353</u>
Net operating income (loss)	19,737	24,765	1,470	(38,076,189)	(1,723)
Nonoperating Revenues (Expenses)					
Appropriation revenue	(1,931)	2,319,434	-	4,000,000	-
Grant revenue	-	-	-	39,206,563	-
Inter-fund transfers	-	-	-	-	-
Transfers to the State of New Mexico	<u>80,263</u>	<u>(468,428)</u>	<u>-</u>	<u>(472)</u>	<u>-</u>
Increase (decrease) in net position	98,069	1,875,771	1,470	5,129,902	(1,723)
Net position, beginning of year, as restated (Note 16)	<u>352,212</u>	<u>6,645,837</u>	<u>-</u>	<u>32,591,089</u>	<u>541,190</u>
Net position, end of year	<u>\$ 450,281</u>	<u>\$ 8,521,608</u>	<u>\$ 1,470</u>	<u>\$ 37,720,991</u>	<u>\$ 539,467</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements Revenues, Expenses and Changes in Net Position - continued
For the Year Ended June 30, 2014

Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program	Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Total 2014, restated (Note 16)
\$ -	\$ -	\$ -	\$ 1,668	\$ -	\$ -	\$ -	\$ 3,199,839
-	-	-	-	-	-	-	390,004
-	-	60,549	-	111,380	-	-	48,723,703
-	2,242	1,490	4,074	8,472	-	105	488,741
-	2,242	62,039	5,742	119,852	-	105	52,802,287
-	-	-	-	-	-	-	-
-	571,377	-	848,126	-	3,023,326	-	50,824,441
-	-	-	-	-	-	-	674,398
-	-	-	-	-	-	-	189,383
-	55,068	1,626	-	48,437	260,638	-	2,189,377
-	168,192	31,838	-	272,429	165,375	-	4,284,392
-	36,861	8,617	-	66,019	51,231	-	1,757,243
-	-	-	-	-	-	-	116,394
-	-	-	-	-	-	-	54,319,247
-	-	416,043	-	662,505	-	-	(822,108)
-	-	-	-	-	-	-	298,359
-	831,498	458,124	848,126	1,049,390	3,500,570	-	113,831,126
-	-	-	-	-	-	-	-
-	(829,256)	(396,085)	(842,384)	(929,538)	(3,500,570)	105	(61,028,839)
-	-	-	-	-	-	-	-
-	-	-	-	4,345,555	-	-	43,086,860
-	-	-	-	-	3,569,579	-	55,224,996
-	2,495,683	-	-	-	-	-	-
-	-	-	-	(12)	-	-	(3,931,693)
-	1,666,427	(396,085)	(842,384)	3,416,005	69,009	105	33,351,324
25	341,987	727,918	1,417,560	3,990,765	(452,648)	39,601	425,961,977
\$ 25	\$ 2,008,414	\$ 331,833	\$ 575,176	\$ 7,406,770	\$ (383,639)	\$ 39,706	\$ 459,313,301

	PPRF	GRIP	Behavioral Health	Child Care
Cash flows from operating activities				
Cash paid for employee services	\$ (2,288,373)	\$ (160,811)	\$ (18,073)	\$ (2,790)
Cash paid to vendors for services	(1,944,155)	(267,143)	256,980	2,789
Intergovernmental payments received	8,390,000	-	-	-
Loans payments received	146,006,974	-	174,605	6,351
Loans funded	(75,571,650)	-	-	-
Grants to local governments	(5,670)	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	47,170,052	-	8,034	502
Proceeds from line of credit	30,573,802	-	-	-
Payments of line of credit	(42,580,100)	-	-	-
Administrative fees received	1,805,621	672,393	-	-
Net cash provided by (used in) operating activities	111,556,501	244,439	421,546	6,852
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	24,267,401	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	(293,375)	(188,733)	(500,000)	-
Interfund transfers	(1,973,249)	(285,846)	(341,844)	-
Proceeds from the sale of bonds	186,584,472	-	-	-
Payment of bonds	(159,295,000)	-	-	-
Bond issuance costs	(1,243,632)	-	-	-
Bond interest expense paid	(61,112,017)	-	-	-
Net cash provided by (used in) noncapital financing activities	(13,065,400)	(474,579)	(841,844)	-
Cash flows from investing activities				
Purchase of investments	(108,822,861)	-	-	-
Sale of investments	(2,675)	-	-	-
Interest received on investments	504,597	126	2,131	185
Net cash provided by (used in) investing activities	(108,320,939)	126	2,131	185
Net increase (decrease) in cash and cash equivalents	(9,829,838)	(230,014)	(418,167)	7,037
Cash and cash equivalents, beginning of year	105,198,299	230,014	418,167	34,568
Cash and cash equivalents, end of year	\$ 95,368,461	\$ -	\$ -	\$ 41,605
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ (3,386,604)	\$ 94,137	\$ (12,031)	\$ (2,686)
Adjustments to change in net position				
Depreciation	102,187	-	-	-
Amortization on bond premiums	(15,340,526)	-	-	-
Provision for loan losses	(62,215)	-	-	-
Interest on investments	(504,597)	(126)	(2,131)	(185)
Bond interest paid	61,662,093	-	-	-
Bond issuance costs	1,243,632	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	359,594	-	-	-
Changes in assets and liabilities				
Interest receivable	739,385	-	4,253	-
Grants and other receivable	1,606,246	188,734	-	-
Due from other funds	1,323,482	-	-	-
Administrative fees receivable	(13,820)	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	23,417,900	-	174,605	6,351
Intergovernmental receivables	8,390,000	-	-	-
Accounts payable	(76,375)	-	-	-
Accrued payroll	21,176	-	-	-
Compensated absences	12,483	-	-	-
Due to other funds	(1,474,426)	(38,306)	256,850	3,372
Funds held for others	-	-	-	-
Undisbursed loan proceeds	43,195,373	-	-	-
Advanced loan payments	2,565,352	-	-	-
Notes payable	(349,547)	-	-	-
Line of credit	(12,006,298)	-	-	-
Other liabilities	132,006	-	-	-
Net cash provided by (used in) operating activities	\$ 111,556,501	\$ 244,439	\$ 421,546	\$ 6,852

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows
For the Year Ended June 30, 2015

Cigarette Tax	DWSRF	Primary Care	Local Road Fund	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program	State Capitol Imprv Financing
\$ -	\$ (467,145)	\$ (35,034)	\$ (1,276)	\$ (139,105)	\$ -	\$ -	\$ -	\$ -
(15,799)	(54,280)	(25,871)	659	(269,033)	-	(79,923)	-	(1,781)
-	-	-	401	-	-	2,721,438	-	945,000
20,389	4,610,006	-	-	-	-	-	-	-
-	(20,656,717)	(295,472)	-	-	-	-	-	-
-	(10,177,865)	-	(500,000)	-	-	-	-	-
-	24,735,441	-	-	-	-	-	-	-
33,167	1,236,596	78,095	-	-	-	563,775	-	49,875
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(2,806)	-	215	533,057	-	-	-	-
<u>37,757</u>	<u>(776,770)</u>	<u>(278,282)</u>	<u>(500,001)</u>	<u>124,919</u>	<u>-</u>	<u>3,205,290</u>	<u>-</u>	<u>993,094</u>
-	-	-	-	-	-	3,167,121	-	(247,847)
58	2,485	-	2,523	-	-	-	-	-
-	-	(2,477)	-	-	-	(3,185,218)	-	-
447,370	-	-	-	-	-	(764,181)	-	-
-	-	-	-	-	-	-	-	-
(125,000)	-	-	-	-	-	(1,955,000)	-	(945,000)
-	-	-	-	-	-	-	-	-
(82,650)	-	-	-	-	-	(563,775)	-	(49,875)
<u>239,778</u>	<u>2,485</u>	<u>(2,477)</u>	<u>2,523</u>	<u>-</u>	<u>-</u>	<u>(3,301,053)</u>	<u>-</u>	<u>(1,242,722)</u>
(240,860)	(357,560)	-	-	-	-	-	-	-
-	-	877,736	-	-	-	-	-	-
8,255	215,604	4,247	1,892	476	-	380	1	1,512
<u>(232,605)</u>	<u>(141,956)</u>	<u>881,983</u>	<u>1,892</u>	<u>476</u>	<u>-</u>	<u>380</u>	<u>1</u>	<u>1,512</u>
44,930	(916,241)	601,224	(495,586)	125,395	-	(95,383)	1	(248,116)
436,584	12,789,370	33,999	765,634	583,130	-	1,096,642	(231)	409,805
<u>\$ 481,514</u>	<u>\$ 11,873,129</u>	<u>\$ 635,223</u>	<u>\$ 270,048</u>	<u>\$ 708,525</u>	<u>\$ -</u>	<u>\$ 1,001,259</u>	<u>\$ (230)</u>	<u>\$ 161,689</u>
\$ (55,879)	\$ (9,228,766)	\$ (70,894)	\$ (499,666)	\$ 178,988	\$ -	\$ 131,594	\$ -	\$ (40,745)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	136,619	-	-
-	-	-	-	-	-	-	-	-
(8,255)	(215,604)	(4,247)	(1,892)	(476)	-	(380)	-	(1,512)
81,502	-	-	-	-	-	260,454	-	35,328
-	-	-	-	-	-	-	-	-
-	24,735,441	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	14,469	3,783	-	-	-	(44,435)	-	55,023
-	-	-	-	(96,546)	-	-	-	-
-	-	-	401	(44,114)	-	-	-	-
-	(2,806)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
20,389	(15,623,701)	(295,471)	-	-	-	-	-	-
-	-	-	-	-	-	2,721,438	-	945,000
-	-	-	-	28,322	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(39,334)	88,547	1,156	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(423,010)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	6,541	-	-	58,745	-	-	-	-
<u>\$ 37,757</u>	<u>\$ (776,770)</u>	<u>\$ (278,282)</u>	<u>\$ (500,001)</u>	<u>\$ 124,919</u>	<u>\$ -</u>	<u>\$ 3,205,290</u>	<u>\$ -</u>	<u>\$ 993,094</u>

	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board	Water/Waste Water
Cash flows from operating activities				
Cash paid for employee services	\$ -	\$ -	\$ (482,726)	\$ -
Cash paid to vendors for services	-	-	(904,410)	-
Intergovernmental payments received	-	-	-	-
Loans payments received	-	25,001	2,101,398	-
Loans funded	-	-	(5,808,843)	-
Grants to local governments	-	-	(32,657,717)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	2,718	-	-
Proceeds from line of credit	-	-	-	-
Payments of line of credit	-	-	-	-
Administrative fees received	-	-	75,044	-
Net cash provided by (used in) operating activities	-	27,719	(37,677,254)	-
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	1,493,112	-	4,000,000	-
Cash transfers from the State of New Mexico	-	-	29,286,306	964
Cash transfers to the State of New Mexico	(468,456)	-	-	-
Interfund transfers	(1,082,250)	-	-	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	(25,000)	-	-
Bond issuance costs	-	-	-	-
Bond interest expense paid	-	(2,718)	-	-
Net cash provided by (used in) noncapital financing activities	(57,594)	(27,718)	33,286,306	964
Cash flows from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	6,220,774	-	7,919,081	-
Interest received on investments	44,794	-	74,736	2,591
Net cash provided by (used in) investing activities	6,265,568	-	7,993,817	2,591
Net increase (decrease) in cash and cash equivalents	6,207,974	1	3,602,869	3,555
Cash and cash equivalents, beginning of year	2,300,834	1,496	4,584,639	539,467
Cash and cash equivalents, end of year	\$ 8,508,808	\$ 1,497	\$ 8,187,508	\$ 543,022
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ 44,794	\$ (1,033)	\$ (33,521,974)	\$ 2,591
Adjustments to change in net assets				
Depreciation	-	-	-	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	-
Interest on investments	(44,794)	-	(74,736)	(2,591)
Bond interest paid	-	-	-	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	-	2,319	-	-
Changes in assets and liabilities				
Interest receivable	-	1,433	-	-
Grants and other receivable	-	-	-	-
Due from other funds	-	-	-	-
Administrative fees receivable	-	-	3,344	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	25,000	(3,707,445)	-
Intergovernmental receivables	-	-	-	-
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	(376,443)	-
Funds held for others	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Line of credit	-	-	-	-
Other liabilities	-	-	-	-
Net cash provided by (used in) operating activities	\$ -	\$ 27,719	\$ (37,677,254)	\$ -

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows — continued
For the Year Ended June 30, 2015

Emergency Drought	Local Government Planning Fund	Economic Development Program	Local Government Transportation	SSBCI	Colonias	BioMass Dairy	Total
\$ -	\$ (187,496)	\$ (35,694)	\$ -	\$ (302,951)	\$ (206,230)	\$ -	\$ (4,327,704)
-	(199,638)	35,692	-	38,269	206,233	-	(3,221,411)
-	-	-	-	-	-	-	12,056,839
-	-	867,086	-	130,872	157,468	-	154,100,150
-	-	(38,132)	-	(1,346,316)	(1,046,924)	-	(104,764,054)
-	(1,934,582)	-	-	-	(8,964,515)	-	(54,240,349)
-	-	-	-	-	-	-	24,735,441
-	-	136,843	-	139,796	-	-	49,419,453
-	-	-	-	-	-	-	30,573,802
-	-	-	-	-	-	-	(42,580,100)
-	-	-	-	-	-	-	3,083,524
-	(2,321,716)	965,795	-	(1,340,330)	(9,853,968)	-	64,835,591
-	-	-	-	4,477,239	-	-	37,157,026
84	-	3,062	49,293	-	10,011,439	587	39,356,801
-	-	-	-	-	-	-	(4,638,259)
-	4,000,000	-	-	-	-	-	-
-	-	-	-	-	-	-	186,584,472
-	-	-	-	-	-	-	(162,345,000)
-	-	-	-	-	-	-	(1,243,632)
-	-	-	-	-	-	-	(61,811,035)
84	4,000,000	3,062	49,293	4,477,239	10,011,439	587	33,060,373
-	-	(1,138,274)	-	(2,469,261)	-	-	(113,028,816)
-	1,542,464	-	-	-	-	-	16,557,380
-	13,302	6,686	2,908	41,313	6	168	925,910
-	1,555,766	(1,131,588)	2,908	(2,427,948)	6	168	(95,545,526)
84	3,234,050	(162,731)	52,201	708,961	157,477	755	2,350,438
25	570,500	548,235	572,619	1,431,619	87,634	39,706	132,672,755
\$ 109	\$ 3,804,550	\$ 385,504	\$ 624,820	\$ 2,140,580	\$ 245,111	\$ 40,461	\$ 135,023,193
\$ -	\$ (2,235,725)	\$ 1,964,848	\$ 2,908	\$ 187,252	\$ (9,469,065)	\$ 168	\$ (55,917,788)
-	-	-	-	-	-	-	102,187
-	-	-	-	-	-	-	(15,203,907)
-	-	-	-	-	-	-	(62,215)
-	(13,302)	(6,686)	(2,908)	(41,313)	(6)	(168)	(925,909)
-	-	-	-	-	-	-	62,039,377
-	-	-	-	-	-	-	1,243,632
-	-	-	-	-	-	-	24,735,441
-	-	-	-	-	-	-	361,913
-	-	-	-	-	-	-	773,911
-	-	-	-	-	-	-	1,698,434
-	-	-	-	-	-	-	1,279,769
-	-	-	-	-	-	-	(13,282)
-	-	-	-	-	-	-	-
-	-	(1,043,570)	-	(1,651,550)	(889,456)	-	433,052
-	-	-	-	-	-	-	12,056,438
-	-	-	-	-	-	-	(48,053)
-	-	-	-	-	-	-	21,176
-	-	-	-	-	-	-	12,483
-	(72,689)	51,203	-	165,281	504,559	-	(930,230)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	43,195,373
-	-	-	-	-	-	-	2,142,342
-	-	-	-	-	-	-	(349,547)
-	-	-	-	-	-	-	(12,006,298)
-	-	-	-	-	-	-	197,292
\$ -	\$ (2,321,716)	\$ 965,795	\$ -	\$ (1,340,330)	\$ (9,853,968)	\$ -	\$ 64,835,591

	PPRF	GRIP	Behavioral Health	Child Care
Cash flows from operating activities				
Cash paid for employee services	\$ (2,172,387)	\$ (155,396)	\$ (10,085)	\$ (46)
Cash paid to vendors for services	(2,481,238)	(319,109)	(15,038)	46
Intergovernmental payments received	4,270,630	-	-	-
Loans payments received	145,964,374	-	12,159	6,163
Loans funded	(100,592,280)	-	-	-
Grants to local governments	(608,803)	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	47,434,880	-	(5,158)	689
Proceeds from line of credit	17,536,712	-	-	-
Payments of line of credit	(5,530,414)	-	-	-
Administrative fees received	2,138,292	475,387	248	-
Net cash provided by (used in) operating activities	<u>105,959,766</u>	<u>882</u>	<u>(17,874)</u>	<u>6,852</u>
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	29,091,277	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	(487,975)	(882)	-	-
Interfund transfers	(10,832,068)	-	25,124	-
Proceeds from the sale of bonds	62,595,000	-	-	-
Payment of bonds	(194,218,000)	-	-	-
Bond issuance costs	(674,398)	-	-	-
Bond interest expense paid	(52,858,214)	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(167,384,378)</u>	<u>(882)</u>	<u>25,124</u>	<u>-</u>
Cash flows from investing activities				
Purchase of investments	-	-	-	-
Sale of investments	8,196,474	-	-	-
Interest received on investments	245,422	681	1,131	95
Net cash provided by (used in) investing activities	<u>8,441,896</u>	<u>681</u>	<u>1,131</u>	<u>95</u>
Net increase (decrease) in cash and cash equivalents	(52,982,716)	681	8,381	6,947
Cash and cash equivalents, beginning of year	158,181,015	229,333	409,786	27,621
Cash and cash equivalents, end of year	<u>\$ 105,198,299</u>	<u>\$ 230,014</u>	<u>\$ 418,167</u>	<u>\$ 34,568</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ (9,156,613)	\$ 63,920	\$ (33,701)	\$ 544
Adjustments to change in net position				
Depreciation	116,394	-	-	-
Amortization on bond premiums	(2,434,883)	-	-	-
Provision for loan losses	(1,900,656)	-	-	-
Interest on investments	(245,422)	(681)	(1,131)	(95)
Bond interest paid	56,207,225	-	-	-
Bond issuance costs	674,398	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	144,082	-	-	-
Changes in assets and liabilities				
Interest receivable	886,100	-	(2,226)	-
Grants and other receivable	652,045	-	-	-
Due from other funds	2,752,771	-	-	-
Administrative fees receivable	35,131	-	82	-
Notes receivable	967,099	-	-	-
Loans receivable, net of allowance	58,719,980	-	23,909	6,163
Intergovernmental receivables	3,500,000	-	-	-
Accounts payable	(210,841)	-	-	-
Accrued payroll	7,420	-	-	-
Compensated absences	(637)	-	-	-
Due to other funds	(3,050,984)	(62,357)	6,943	240
Funds held for others	(80,263)	-	-	-
Undisbursed loan proceeds	(16,740,903)	-	-	-
Advanced loan payments	3,393,017	-	(11,750)	-
Notes payable	(196,471)	-	-	-
Line of credit	12,006,298	-	-	-
Other liabilities	(84,521)	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 105,959,766</u>	<u>\$ 882</u>	<u>\$ (17,874)</u>	<u>\$ 6,852</u>

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows
For the Year Ended June 30, 2014

Cigarette Tax	DWSRF	Primary Care	Local Road Fund	New Market Tax Credits, as restated (Note 16)	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program	State Capitol Imprv Financing
\$ -	\$ (409,746)	\$ (35,188)	\$ (63)	\$ (335,333)	\$ -	\$ -	\$ -	\$ -
(9,475)	(943,949)	(70,822)	(19)	(529,036)	-	(85,150)	-	(79,283)
-	-	-	-	-	-	1,975,000	-	880,000
(552,423)	4,742,409	634,567	-	-	-	-	-	-
-	(5,597,588)	-	-	-	-	-	-	-
-	(8,586,162)	-	-	-	-	-	-	-
-	12,448,854	-	-	-	-	-	-	-
22,510	1,068,704	102,990	82	-	-	684,762	-	112,525
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	165,450	-	-	1,422,203	-	-	-	-
(539,388)	2,887,972	631,547	-	557,834	-	2,574,612	-	913,242
-	-	-	-	-	-	3,332,525	-	(1,931)
-	-	-	-	-	-	-	-	-
-	-	-	-	(1,010)	-	(3,053,177)	-	80,263
189,414	8,199,645	-	-	(20)	-	(77,778)	-	-
-	-	-	-	-	-	-	-	-
(125,000)	-	-	-	-	-	(2,248,239)	-	(880,000)
-	-	-	-	-	-	-	-	-
(89,537)	-	-	-	-	-	(411,523)	-	(112,524)
(25,123)	8,199,645	-	-	(1,030)	-	(2,458,192)	-	(914,192)
(1,180,392)	(34,483,874)	(629,803)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,572	131,145	852	2,307	635	-	399	-	1,043
(1,174,820)	(34,352,729)	(628,951)	2,307	635	-	399	-	1,043
(1,739,331)	(23,265,112)	2,596	2,307	557,439	-	116,819	-	93
2,175,915	36,054,482	31,403	763,327	25,691	-	979,823	(231)	409,712
\$ 436,584	\$ 12,789,370	\$ 33,999	\$ 765,634	\$ 583,130	\$ -	\$ 1,096,642	\$ (231)	\$ 409,805
\$ (69,782)	\$ (7,881,424)	\$ (52,060)	\$ 2,437	\$ 557,834	\$ -	\$ 69,674	\$ -	\$ 19,737
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	136,619	-	-
-	-	-	-	-	-	-	-	-
(5,572)	(131,145)	(852)	(2,307)	(800)	-	(399)	-	(1,043)
88,389	-	-	-	-	-	381,277	-	89,811
-	-	-	-	-	-	-	-	-
-	12,448,854	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(19,912)	493	-	-	-	12,441	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(130)	800	-	-	-	-
-	2,869	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(552,423)	(1,281,007)	632,069	-	-	-	-	-	-
-	-	-	-	-	-	2,745,628	-	880,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	39,511	49,399	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	425,828	2,498	-	-	-	-	-	-
-	-	-	-	-	-	(770,628)	-	-
-	-	-	-	-	-	-	-	-
-	(715,602)	-	-	-	-	-	-	(75,263)
\$ (539,388)	\$ 2,887,972	\$ 631,547	\$ -	\$ 557,834	\$ -	\$ 2,574,612	\$ -	\$ 913,242

	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board	Water/Waste Water
Cash flows from operating activities				
Cash paid for employee services	\$ -	\$ -	\$ (518,940)	\$ (2,591)
Cash paid to vendors for services	-	-	(744,895)	(413)
Intergovernmental payments received	-	-	-	-
Loans payments received	-	55,003	4,414,778	-
Loans funded	-	-	(7,301,228)	-
Grants to local governments	-	-	(37,186,647)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	6,076	-	-
Proceeds from line of credit	-	-	-	-
Payments of line of credit	-	-	-	-
Administrative fees received	-	-	64,940	-
Net cash provided by (used in) operating activities	-	61,079	(41,271,992)	(3,004)
Cash flows from noncapital financing activities				
Appropriations received from the State of New Mexico	2,319,434	-	4,000,000	-
Cash transfers from the State of New Mexico	-	-	39,206,091	-
Cash transfers to the State of New Mexico	(468,428)	-	-	-
Interfund transfers	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	(55,000)	-	-
Bond issuance costs	-	-	-	-
Bond interest expense paid	-	(6,076)	-	-
Net cash provided by (used in) noncapital financing activities	1,851,006	(61,076)	43,206,091	-
Cash flows from investing activities				
Purchase of investments	(6,220,774)	-	(12,395,505)	-
Sale of investments	-	-	-	-
Interest received on investments	24,765	-	56,516	1,630
Net cash provided by (used in) investing activities	(6,196,009)	-	(12,338,989)	1,630
Net increase (decrease) in cash and cash equivalents	(4,345,003)	3	(10,404,890)	(1,374)
Cash and cash equivalents, beginning of year	6,645,837	1,493	14,989,529	540,841
Cash and cash equivalents, end of year	\$ 2,300,834	\$ 1,496	\$ 4,584,639	\$ 539,467
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities				
Net operating income (loss)	\$ 24,765	\$ 1,470	\$ (38,076,189)	\$ (1,723)
Adjustments to change in net assets				
Depreciation	-	-	-	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	-
Interest on investments	(24,765)	-	(56,516)	(1,630)
Bond interest paid	-	-	-	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	-	5,086	-	-
Changes in assets and liabilities				
Interest receivable	-	(480)	-	-
Grants and other receivable	-	-	-	-
Due from other funds	-	-	-	349
Administrative fees receivable	-	-	(11,782)	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	55,000	(2,886,450)	-
Intergovernmental receivables	-	-	-	-
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	(241,055)	-
Funds held for others	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	3	-	-
Notes payable	-	-	-	-
Line of credit	-	-	-	-
Other liabilities	-	-	-	-
	\$ -	\$ 61,079	\$ (41,271,992)	\$ (3,004)

NEW MEXICO FINANCE AUTHORITY
Combining Statements of Cash Flows — continued
For the Year Ended June 30, 2014

Emergency Drought	Local Government Planning Fund	Economic Development Program	Local Government Transportation	SSBCI	Colonias	BioMass Dairy	Total 2014, restated (Note 16)
\$ -	\$ (168,192)	\$ (31,838)	\$ -	\$ (272,429)	\$ (165,375)	\$ -	\$ (4,277,609)
-	(68,186)	31,837	(2,557)	272,441	165,375	-	(4,879,471)
-	-	-	-	-	-	-	7,125,630
-	-	55,947	-	1,277,150	87,634	-	156,697,761
-	-	(576,000)	-	(2,127,931)	(546,253)	-	(116,741,280)
-	(571,377)	-	(848,126)	-	(3,023,326)	-	(50,824,441)
-	-	-	-	-	-	-	12,448,854
-	-	60,549	888	111,380	-	-	49,600,877
-	-	-	-	-	-	-	17,536,712
-	-	-	-	-	-	-	(5,530,414)
-	-	-	1,668	-	-	-	4,268,188
-	(807,755)	(459,505)	(848,127)	(739,389)	(3,481,945)	-	65,424,807
-	-	-	-	4,345,555	-	-	43,086,860
-	-	-	-	-	3,569,579	-	42,775,670
-	-	-	-	(12)	-	-	(3,931,221)
-	2,495,683	-	-	-	-	-	-
-	-	-	-	-	-	-	62,595,000
-	-	-	-	-	-	-	(197,526,239)
-	-	-	-	-	-	-	(674,398)
-	-	-	-	-	-	-	(53,477,874)
-	2,495,683	-	-	4,345,543	3,569,579	-	(107,152,202)
-	(1,542,464)	-	-	(3,870,674)	-	-	(60,323,486)
-	-	-	-	-	-	-	8,196,474
-	2,242	1,490	4,074	8,472	-	105	488,576
-	(1,540,222)	1,490	4,074	(3,862,202)	-	105	(51,638,436)
-	147,706	(458,015)	(844,053)	(256,048)	87,634	105	(93,365,831)
25	422,794	1,006,250	1,416,672	1,687,667	-	39,601	226,038,586
\$ 25	\$ 570,500	\$ 548,235	\$ 572,619	\$ 1,431,619	\$ 87,634	\$ 39,706	\$ 132,672,755
\$ -	\$ (829,256)	\$ (396,085)	\$ (842,384)	\$ (929,538)	\$ (3,500,570)	\$ 105	\$ (61,028,839)
-	-	-	-	-	-	-	116,394
-	-	-	-	-	-	-	(2,298,264)
-	-	-	-	662,505	-	-	(1,238,151)
-	(2,242)	(1,490)	(4,074)	(8,472)	-	(105)	(488,741)
-	-	-	-	-	-	-	56,766,702
-	-	-	-	-	-	-	674,398
-	-	-	-	-	-	-	12,448,854
-	-	-	-	-	-	-	149,168
-	-	-	-	-	-	-	876,416
-	-	-	-	-	-	-	652,045
-	-	-	(1,669)	-	-	-	2,752,121
-	-	-	-	-	-	-	26,300
-	-	-	-	-	-	-	967,099
-	-	(104,010)	-	(850,781)	(458,619)	-	53,303,831
-	-	-	-	-	-	-	7,125,628
-	-	-	-	-	-	-	(210,841)
-	-	-	-	-	-	-	7,420
-	-	-	-	-	-	-	(637)
-	23,743	42,080	-	386,897	477,244	-	(2,328,339)
-	-	-	-	-	-	-	(80,263)
-	-	-	-	-	-	-	(16,740,903)
-	-	-	-	-	-	-	3,809,596
-	-	-	-	-	-	-	(967,099)
-	-	-	-	-	-	-	12,006,298
-	-	-	-	-	-	-	(875,386)
\$ -	\$ (807,755)	\$ (459,505)	\$ (848,127)	\$ (739,389)	\$ (3,481,945)	\$ -	\$ 65,424,807

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities
For the Year Ended June 30, 2015

	Balance July 1, 2014	Increase	Decrease	Balance July 1, 2015
Fund 315 Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	\$ 3,759,642	\$ 74,525,213	\$ 76,743,947	\$ 1,540,908
Total assets	<u>\$ 3,759,642</u>	<u>\$ 74,525,213</u>	<u>\$ 76,743,947</u>	<u>\$ 1,540,908</u>
Liabilities				
Deposit held in trust for others	\$ 3,759,642	\$ 74,525,213	\$ 76,743,947	\$ 1,540,908
Total liabilities	<u>\$ 3,759,642</u>	<u>\$ 74,525,213</u>	<u>\$ 76,743,947</u>	<u>\$ 1,540,908</u>
Fund 322 Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	\$ 41,292	\$ 7,983,869	\$ 8,019,873	\$ 5,288
Total assets	<u>\$ 41,292</u>	<u>\$ 7,983,869</u>	<u>\$ 8,019,873</u>	<u>\$ 5,288</u>
Liabilities				
Deposit held in trust for others	\$ 41,292	\$ 7,983,869	\$ 8,019,873	\$ 5,288
Total liabilities	<u>\$ 41,292</u>	<u>\$ 7,983,869</u>	<u>\$ 8,019,873</u>	<u>\$ 5,288</u>
Fund 326 Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	\$ 2,904,088	\$ 5,784,101	\$ 8,080,718	\$ 607,471
Total assets	<u>\$ 2,904,088</u>	<u>\$ 5,784,101</u>	<u>\$ 8,080,718</u>	<u>\$ 607,471</u>
Liabilities				
Deposit held in trust for others	\$ 2,904,088	\$ 5,784,101	\$ 8,080,718	\$ 607,471
Total liabilities	<u>\$ 2,904,088</u>	<u>\$ 5,784,101</u>	<u>\$ 8,080,718</u>	<u>\$ 607,471</u>
Fund 327 Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	\$ 50,117	\$ 5,101,000	\$ 5,145,599	\$ 5,518
Total assets	<u>\$ 50,117</u>	<u>\$ 5,101,000</u>	<u>\$ 5,145,599</u>	<u>\$ 5,518</u>
Liabilities				
Deposit held in trust for others	\$ 50,117	\$ 5,101,000	\$ 5,145,599	\$ 5,518
Total liabilities	<u>\$ 50,117</u>	<u>\$ 5,101,000</u>	<u>\$ 5,145,599</u>	<u>\$ 5,518</u>
Fund 328 Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	\$ 17,957,488	\$ 10,456,633	\$ 20,009,810	\$ 8,404,311
Total assets	<u>\$ 17,957,488</u>	<u>\$ 10,456,633</u>	<u>\$ 20,009,810</u>	<u>\$ 8,404,311</u>
Liabilities				
Deposit held in trust for others	\$ 17,957,488	\$ 10,456,633	\$ 20,009,810	\$ 8,404,311
Total liabilities	<u>\$ 17,957,488</u>	<u>\$ 10,456,633</u>	<u>\$ 20,009,810</u>	<u>\$ 8,404,311</u>
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	\$ 204,070	\$ 21,633,755	\$ 21,831,872	\$ 5,953
Total assets	<u>\$ 204,070</u>	<u>\$ 21,633,755</u>	<u>\$ 21,831,872</u>	<u>\$ 5,953</u>
Liabilities				
Deposit held in trust for others	\$ 204,070	\$ 21,633,755	\$ 21,831,872	\$ 5,953
Total liabilities	<u>\$ 204,070</u>	<u>\$ 21,633,755</u>	<u>\$ 21,831,872</u>	<u>\$ 5,953</u>

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities — continued
For the Year Ended June 30, 2015

	Balance July 1, 2014	Increase	Decrease	Balance July 1, 2015
Fund 330 Department of Transportation Refunding Revenue Bonds, Series 2011A				
Assets				
Cash and investments	\$ 3,884,308	\$ 7,724,201	\$ 11,267,391	\$ 341,118
Total assets	<u>\$ 3,884,308</u>	<u>\$ 7,724,201</u>	<u>\$ 11,267,391</u>	<u>\$ 341,118</u>
Liabilities				
Deposit held in trust for others	\$ 3,884,308	\$ 7,724,201	\$ 11,267,391	\$ 341,118
Total liabilities	<u>\$ 3,884,308</u>	<u>\$ 7,724,201</u>	<u>\$ 11,267,391</u>	<u>\$ 341,118</u>
Fund 332 Department of Transportation Refunding Revenue Bonds, Series 2012				
Assets				
Cash and investments	\$ 65,718	\$ 8,750,129	\$ 8,810,468	\$ 5,379
Total assets	<u>\$ 65,718</u>	<u>\$ 8,750,129</u>	<u>\$ 8,810,468</u>	<u>\$ 5,379</u>
Liabilities				
Deposit held in trust for others	\$ 65,718	\$ 8,750,129	\$ 8,810,468	\$ 5,379
Total liabilities	<u>\$ 65,718</u>	<u>\$ 8,750,129</u>	<u>\$ 8,810,468</u>	<u>\$ 5,379</u>
Fund 333 Department of Transportation Refunding Revenue Bonds, Series 2014				
Assets				
Cash and investments	\$ 80,173,118	\$ 5,217,812	\$ 5,289,625	\$ 80,101,305
Total assets	<u>\$ 80,173,118</u>	<u>\$ 5,217,812</u>	<u>\$ 5,289,625</u>	<u>\$ 80,101,305</u>
Liabilities				
Deposit held in trust for others	\$ 80,173,118	\$ 5,217,812	\$ 5,289,625	\$ 80,101,305
Total liabilities	<u>\$ 80,173,118</u>	<u>\$ 5,217,812</u>	<u>\$ 5,289,625</u>	<u>\$ 80,101,305</u>

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities
For the Year Ended June 30, 2014

	Balance July 1, 2013	Increase	Decrease	Balance July 1, 2014
Fund 315 Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	\$ 34,692,711	\$ 22,564,436	\$ 53,497,505	\$ 3,759,642
Total assets	<u>\$ 34,692,711</u>	<u>\$ 22,564,436</u>	<u>\$ 53,497,505</u>	<u>\$ 3,759,642</u>
Liabilities				
Deposit held in trust for others	\$ 34,692,711	\$ 22,564,436	\$ 53,497,505	\$ 3,759,642
Total liabilities	<u>\$ 34,692,711</u>	<u>\$ 22,564,436</u>	<u>\$ 53,497,505</u>	<u>\$ 3,759,642</u>
Fund 322 Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	\$ 2,346,154	\$ 3,862,720	\$ 6,167,582	\$ 41,292
Total assets	<u>\$ 2,346,154</u>	<u>\$ 3,862,720</u>	<u>\$ 6,167,582</u>	<u>\$ 41,292</u>
Liabilities				
Deposit held in trust for others	\$ 2,346,154	\$ 3,862,720	\$ 6,167,582	\$ 41,292
Total liabilities	<u>\$ 2,346,154</u>	<u>\$ 3,862,720</u>	<u>\$ 6,167,582</u>	<u>\$ 41,292</u>
Fund 326 Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	\$ 3,135,772	\$ 5,991,834	\$ 6,223,518	\$ 2,904,088
Total assets	<u>\$ 3,135,772</u>	<u>\$ 5,991,834</u>	<u>\$ 6,223,518</u>	<u>\$ 2,904,088</u>
Liabilities				
Deposit held in trust for others	\$ 3,135,772	\$ 5,991,834	\$ 6,223,518	\$ 2,904,088
Total liabilities	<u>\$ 3,135,772</u>	<u>\$ 5,991,834</u>	<u>\$ 6,223,518</u>	<u>\$ 2,904,088</u>
Fund 327 Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	\$ 49,143	\$ 11,623,080	\$ 11,622,106	\$ 50,117
Total assets	<u>\$ 49,143</u>	<u>\$ 11,623,080</u>	<u>\$ 11,622,106</u>	<u>\$ 50,117</u>
Liabilities				
Deposit held in trust for others	\$ 49,143	\$ 11,623,080	\$ 11,622,106	\$ 50,117
Total liabilities	<u>\$ 49,143</u>	<u>\$ 11,623,080</u>	<u>\$ 11,622,106</u>	<u>\$ 50,117</u>
Fund 328 Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	\$ 44,801,661	\$ 22,343,230	\$ 49,187,403	\$ 17,957,488
Total assets	<u>\$ 44,801,661</u>	<u>\$ 22,343,230</u>	<u>\$ 49,187,403</u>	<u>\$ 17,957,488</u>
Liabilities				
Deposit held in trust for others	\$ 44,801,661	\$ 22,343,230	\$ 49,187,403	\$ 17,957,488
Total liabilities	<u>\$ 44,801,661</u>	<u>\$ 22,343,230</u>	<u>\$ 49,187,403</u>	<u>\$ 17,957,488</u>
Fund 329 Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	\$ 202,746	\$ 26,094,171	\$ 26,092,847	\$ 204,070
Total assets	<u>\$ 202,746</u>	<u>\$ 26,094,171</u>	<u>\$ 26,092,847</u>	<u>\$ 204,070</u>
Liabilities				
Deposit held in trust for others	\$ 202,746	\$ 26,094,171	\$ 26,092,847	\$ 204,070
Total liabilities	<u>\$ 202,746</u>	<u>\$ 26,094,171</u>	<u>\$ 26,092,847</u>	<u>\$ 204,070</u>

NEW MEXICO FINANCE AUTHORITY
Agency Funds - Statement of Changes Assets and Liabilities — continued
For the Year Ended June 30, 2014

	Balance July 1, 2013	Increase	Decrease	Balance July 1, 2014
Fund 330 Department of Transportation Refunding Revenue Bonds, Series 2011A				
Assets				
Cash and investments	\$ 3,936,868	\$ 12,804,370	\$ 12,856,930	\$ 3,884,308
Total assets	<u>\$ 3,936,868</u>	<u>\$ 12,804,370</u>	<u>\$ 12,856,930</u>	<u>\$ 3,884,308</u>
Liabilities				
Deposit held in trust for others	\$ 3,936,868	\$ 12,804,370	\$ 12,856,930	\$ 3,884,308
Total liabilities	<u>\$ 3,936,868</u>	<u>\$ 12,804,370</u>	<u>\$ 12,856,930</u>	<u>\$ 3,884,308</u>
Fund 332 Department of Transportation Refunding Revenue Bonds, Series 2012				
Assets				
Cash and investments	\$ 65,346	\$ 7,992,699	\$ 7,992,327	\$ 65,718
Total assets	<u>\$ 65,346</u>	<u>\$ 7,992,699</u>	<u>\$ 7,992,327</u>	<u>\$ 65,718</u>
Liabilities				
Deposit held in trust for others	\$ 65,346	\$ 7,992,699	\$ 7,992,327	\$ 65,718
Total liabilities	<u>\$ 65,346</u>	<u>\$ 7,992,699</u>	<u>\$ 7,992,327</u>	<u>\$ 65,718</u>
Fund 333 Department of Transportation Refunding Revenue Bonds, Series 2014				
Assets				
Cash and investments	\$ -	\$ 81,078,030	\$ 904,912	\$ 80,173,118
Total assets	<u>\$ -</u>	<u>\$ 81,078,030</u>	<u>\$ 904,912</u>	<u>\$ 80,173,118</u>
Liabilities				
Deposit held in trust for others	\$ -	\$ 81,078,030	\$ 904,912	\$ 80,173,118
Total liabilities	<u>\$ -</u>	<u>\$ 81,078,030</u>	<u>\$ 904,912</u>	<u>\$ 80,173,118</u>

NEW MEXICO FINANCE AUTHORITY
Schedule of Pledged Collateral
For the Years Ended June 30, 2015

2015		
Bank Accounts	Wells Fargo	Wells Fargo
Deposit account	\$ 486,678	\$ -
Repurchase agreements	-	81,189
Total amount of deposits (bank balances)	486,678	81,189
FDIC Coverage	(250,000)	-
Total uninsured public funds	\$ 236,678	\$ 81,189
Collateral requirement @ 50%	\$ 118,339	\$ -
Collateral requirement @ 102%	\$ -	\$ 82,813
2014		
Bank Accounts	Wells Fargo	Wells Fargo
Deposit account	\$ 310,462	\$ -
Repurchase agreements	-	248,028
Total amount of deposits (bank balances)	310,462	248,028
FDIC Coverage	(250,000)	-
Total uninsured public funds	\$ 60,462	\$ 248,028
Collateral Requirement @ 50%	\$ 30,231	\$ -
Collateral Requirement @ 102%	\$ -	\$ 252,989

Additional deposits not covered by the FDIC including those of the New Mexico Finance Authority are collateralized along with the deposits of the State of New Mexico in accordance with applicable New Mexico State Statutes. As of June 30, 2015 and 2014, the value of collateral pledged on behalf of the State of New Mexico held at Wells Fargo was compliant with state statute.

NEW MEXICO FINANCE AUTHORITY

Schedule of Vendor Information

For the Years Ended June 30, 2015

s	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
1	Request for Proposal	McGladrey, LLP	\$ 800,000		McGladrey, LLP One South Wacker Drive, Suite 800 Chicago, IL 60606 Ernst & Young, LLP Two North Central Ave., Suite 2300 Phoenix, AZ 85004	No	N/A ¹	Internal Audit
2	Request for Proposal	Government Portfolio Advisors	\$ 540,000		Government Portfolio Advisors 2188 SW Park Place, Suite 100 Portland, OR 97205 First Southwest 300 West 6th Street, Suite 1940 Austin, TX 78701 Bank of Albuquerque 201 Third Street, Suite 1400 Albuquerque, NM 87102	No No Yes	N/A ¹	Investment Advisors
3	Request for Proposal	PFM Asset Management	\$ 150,000		PFM Asset Management LLC One Keystone Plaza Suite 300 Harrisburg, PA 17101 Avant Strategic Partners, LP 222 Fashion Lane Suite 101 Tustin, CA 92780 Bank of NY Mellon Trust Co. 2001 Bryan St, 10th Floor Dallas, TX 75201 AMTEC 90 Avon Meadow Lane Avon, CT 06001	No No No No	N/A ¹	Arbitrage Rebate Compliance/Calculation
4	Request for Proposal	Kemtah	\$ 160,000		Kemtah Group, Inc. 7601 Jefferson St NE Suite 120 Albuquerque, NM 87109 Sabio Systems 4520 Montgomery NE, Suite 7 Albuquerque, NM 87109 CSW Enterprises, LLC 5415 La Colonia Drive NW Albuquerque, NM 87120-2491	Yes Yes Yes	N/A ¹	Technical Writers
5	Amendment/ Scope	Kemtah		\$200,000	Kemtah Group, Inc. 7601 Jefferson St NE Suite 120 Albuquerque, NM 87109	Yes	N/A ¹	Technical Writers/RFP Development
6	Amendment/ Extension	REDW, LLC		\$ 132,701	REDW, LLC 7425 Jefferson St NE Albuquerque, NM 87109	Yes	N/A ¹	External Audit - NMFA (2nd year of 3 year award)
7	Amendment/ Extension	Ballard Spahr		N/A ²	Ballard Spahr, LLP One Utah Center, Suite 800 201 South Main Street Salt Lake City, UT 84111-2221	No	N/A ¹	1 Year Term Extension - Legal Services: New Markets Tax; Disclosure; Tax
8	Amendment/ Extension	Sutin Thayer & Browne, PC		N/A ²	Sutin Thayer & Browne, PC Two Park Square, Suite 1000 6565 Americas Parkway NE Albuquerque, NM 87110	Yes	N/A ¹	1 Year Term Extension - Legal Services: PPRF Loan; GRIP Bond; Other/Special-in-state
9	Amendment/ Extension	Sherman & Howard		N/A ²	Sherman & Howard, LLC 500 Marquette Ave., Suite 1203 Albuquerque, NM 87102	Yes	N/A ¹	1 Year Term Extension - Legal Services: PPRF Bond; Private Loan; New Markets Tax Lending
10	Amendment/ Extension	Virtue & Najjar		N/A ²	Virtue & Najjar PC 2200 Brothers Rd Santa Fe, NM 87502-2249	No	N/A ¹	1 Year Term Extension - Legal Services: WTB/DW Loan; Colonias; New Markets Tax Special
11	Amendment/ Extension	CohnReznick		N/A ²	Cohn Reznick 500 East Pratt St. Suite 200 Baltimore, MD 21202	No	N/A ¹	1 Year Term Extension - External Audit of FNM, LLC
12	Amendment/ Extension	Sonny & Lorraine Otero		\$29,939.00/yr for 5 years	Sonny & Lorraine Otero P.O. Box 524 Santa Fe, NM 87504	Yes	N/A ¹	Building Lease extension

N/A¹ The Authority is not subject to the State of New Mexico Procurement Code, where both the In-State/Out-of-State and Veteran's preferences are located. The Finance Authority follows its Board adopted Procurement Policy

N/A² These vendors were paid hourly. As such, there was no set dollar amount for these agreements.

Single Audit

New Mexico Finance Authority
Schedule of Expenditures of Federal Awards
June 30, 2015

Grantor / Program Title	Federal Catalog Number	Federal Expenditures FY 2015
Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 24,735,441
Total expenditures of federal awards		<u>\$ 24,735,441</u>

New Mexico Finance Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

1) General

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Authority.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

The Authority administers loans under the DWSRF Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2015 are \$82,862,737. Only the value of new loans disbursed during the fiscal year is included in the accompanying schedule.

2) Subrecipients

Subrecipient Name	Pass-Through Funds
Carlsbad, City of	\$ 13,791,551
Farmington, City of	3,102,890
Deming, City of	1,485,358
Las Vegas, City of	1,261,647
Santa Fe, City of	656,321
Socorro, City of	644,052
Alamogordo, City of	326,414
Pecos, Village of	306,766
Bosque Farms, Village of	289,213
Moriarty, City of	229,735
Tucumcari, City of	210,063
El Valle Water Alliance	130,389
Anthony Water & Sanitation District	98,230
Dona Ana MDWCA	86,151
Southside MDWA	27,863
Lordsburg, City of	24,364
Clayton, Town of	15,836
Estancia, Town of	9,747
Ojo Caliente MDWCA	1,538
NMED Drinking Water Bureau	1,559,919
NMFA Other	477,394
Total DWSRF subrecipients	<u>\$ 24,735,441</u>

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Governing Board
New Mexico Finance Authority
and
Mr. Timothy Keller
New Mexico Office of the State Auditor
Santa Fe, NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Mexico Finance Authority (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

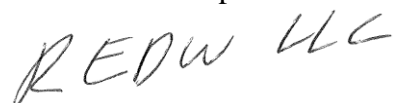
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*. However, our tests disclosed an instance of noncompliance as required by Section 2.42.2 NMAC which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering their internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "REDW LLC", is written above the typed name.

Albuquerque, New Mexico
October 30, 2015

Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133

Governing Board
New Mexico Finance Authority
and
Mr. Timothy Keller
New Mexico Office of the State Auditor
Santa Fe, NM

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Finance Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2015. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose



Albuquerque, New Mexico
October 30, 2015

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
June 30, 2015

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reported:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Noncompliance material to financial statements noted?	No
Any audit findings, disclosed that are required to be reported in accordance with Section 2.2.2 NMAC?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program	CFDA Number	Expenditures
Capitalization Grant for Drinking Water State Revolving Funds	66.468	\$ 24,735,441

Dollar threshold used to distinguish between type A and type B programs:	\$742,063
Auditee qualified as low-risk auditee?	Yes

New Mexico Finance Authority
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Schedule of Findings and Questioned Costs — continued

2015-001 (SA) Reimbursement of Travel Expenditures

Criteria: Title 2 Chapter 42 Part 2 of the New Mexico Administrative Code (Travel and Per Diem Act) provides that reimbursement of expenses for mileage traveled require that the mileage be based on travel from the public officer's legal residence to their post of duty. An agency head or designee may authorize by memorandum reimbursement for mileage from a point of origin farther from the destination than the designated post of duty in appropriate circumstances. The memorandum must accompany the payment voucher.

Condition: One of nine reimbursements tested found that the mileage reimbursed was based on a point of origin farther than the public officer's legal residence and a memorandum did not accompany the payment voucher showing that the Authority authorized the reimbursement for the additional mileage and that the circumstance was appropriate. Management provided a memorandum after the exception was found, stating that this occurrence is an unusual situation with extenuating circumstances.

Effect: At the time of testing, the Authority was not in compliance with the Travel and Per Diem Act.

Cause: The Authority's documentation and follow up procedures were not effectively implemented for this particular reimbursement.

Auditor's Recommendations: Ensure documentation and follow up procedures are effectively implemented to ensure reimbursements for additional mileage are authorized by memorandum, which should describe the appropriate circumstance.

Management's Response: Management agrees with this finding and has reviewed procedures to ensure compliance with mileage substantiation with the Travel and Per Diem Act. The Authority now requires actual mileage to be recalculated and substantiated for all payments and for that calculation to be signed off on by management.

New Mexico Finance Authority
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2015

Prior Audit Findings	Current Status
Not reported	

New Mexico Finance Authority
Corrective Action Plan
June 30, 2015

Audit Finding	Management's Corrective Action Plan	Employee Position Responsible	Timeline and Estimated Completion Date
2015-001 (SA) Reimbursement of Travel Expenditures	See management's response to 2015-001	Chief Financial Officer	Corrected

New Mexico Finance Authority
Exit Conference
June 30, 2015

An exit conference was held on October 29, 2015, with the Authority. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

New Mexico Finance Authority

Robert Coalter	Chief Executive Officer
Robert Brannon	Chief Financial Officer
Dan Opperman	General Counsel
Bryan Otero	Assistant General Counsel
Bob Spradley	Senior Accountant II
Joanne Johnson	Senior Accountant I
Emily Oster	Audit Committee Chair
Katherine Ulibarri	Board Member
Brett Woods	Board Member
Tom Clifford	Board Member
Santiago Chavez	Audit Committee Member

REDW_{LLC}

Tom Friend	Principal
Javier Machuca	Senior Manager
Stephen Montoya	Senior Manager
Richard Gillespie	Senior Audit Associate II

New Mexico Office of the State Auditor

Sunalei Stewart	Chief of Staff
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