



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**NEW MEXICO FINANCE AUTHORITY**  
(A Component Unit of the State of New Mexico)

June 30, 2018

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**NEW MEXICO FINANCE AUTHORITY**  
**Official Roster**  
**June 30, 2018**



**BOARD MEMBERS**

**John E. McDermott, *Chair***

Chief Executive Officer  
McDermott Advisory Services, LLC

**William Fulginiti, *Vice-Chair***

Executive Director  
New Mexico Municipal League

**Ken McQueen, *Secretary***

Cabinet Secretary  
New Mexico Energy, Minerals & Natural Resources Department

**Katherine Ulibarri, *Treasurer***

Vice President for Finance & Operations  
Central New Mexico Community College

**Matt Geisel, *Member***

Cabinet Secretary Designate  
New Mexico Economic Development Department

**Dorothy “Duffy” Rodriguez, *Member***

Cabinet Secretary  
New Mexico Department of Finance & Administration

**Blake Curtis, *Member***

Chief Executive Officer  
Curtis & Curtis Seed & Supply

**Butch Tongate, *Member***

Cabinet Secretary  
New Mexico Environment Department

**Steve Kopelman, *Member***

Executive Director  
New Mexico Association of Counties

*(2 vacant positions)*

**Chief Executive Officer**

Robert P. Coalter – Resigned August 2018

**Chief Financial Officer**

Oscar S. Rodríguez



## **Report of Independent Auditors**

Governing Board  
New Mexico Finance Authority  
and  
Mr. Wayne Johnson  
New Mexico Office of the State Auditor  
Santa Fe, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the enterprise fund and agency fund of the New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the NMFA'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 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 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 respective financial position of the enterprise fund and agency fund of the New Mexico Finance Authority as of June 30, 2018 and 2017, and the changes in financial position and the cash flows for the enterprise fund 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 audit was conducted for the purpose of forming an opinion on the NMFA's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the supplementary schedules 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 29 2018, on our consideration of the NMFA'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 solely 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 effectiveness of the NMFA's 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 NMFA's internal control over financial reporting and compliance.

*Moss Adams LLP*

Albuquerque, New Mexico  
October 29, 2018

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

The New Mexico State Legislature created the New Mexico Finance Authority (NMFA) in 1992 for financing infrastructure, over time expanding its purpose to provide financing for economic development projects in the state. Today, NMFA assists many municipalities, school districts, utility service districts and tribes in the state to obtain capital financing. It has established itself in this role through a number of ongoing public and private lending and grant programs:

Public Lending and Grants

- ◆ Public Project Revolving Fund (PPRF)
- ◆ Drinking Water State Revolving Loan Fund (DWSRLF)
- ◆ Water Project Fund (WPF), administered in partnership with the Water Trust Board (WTB)
- ◆ Colonias Infrastructure Fund (CIF)
- ◆ Local Government Planning Fund (LGPF)

Private Lending

- ◆ Behavioral Health Capital Fund (BCHF)
- ◆ Primary Care Capital Fund (PCCF)
- ◆ Smart Money Loan Participation Program (SM)
- ◆ State Small Business Credit Initiative (SSBCI)
- ◆ New Markets Tax Credits Program (NMTC)

PPRF, the largest of these programs, includes a loan portfolio of \$1.4 billion and 780 active loans.

**Overview of the Financial Statements**

This section of the annual financial report presents Management's discussion and analysis of NMFA's financial performance and position for the fiscal year ended June 30, 2018.

NMFA's basic financial statements are comprised of the following:

- ◆ The *Statement of Net Position* presents information on the assets and liabilities of NMFA, 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 Revenue, Expenses and Changes in Net Position* presents information reflecting changes in the net position of NMFA resulting from net income (loss) 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.

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

- ◆ 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.

NMFA's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting in accordance with *generally accepted accounting principles* (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying notes to the financial statements provide additional information that is essential to fully understanding the data provided in the financial statements. They can be found immediately following the financial statements.

NMFA's financial management officials are responsible for implementing and enforcing a system of internal controls to protect NMFA's assets from loss, theft or misuse and to ensure that reliable accounting data are available for the timely preparation of financial statements. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the anticipated benefits and that the valuation of costs and benefits requires estimates and judgments by management.

Moss Adams LLP, has audited NMFA's financial statements for the year. The goal of an independent audit is to provide reasonable assurance that the financial statements presented by NMFA do not contain material misstatements. This audit includes a federally mandated "Single Audit" of the federal grant program operated as the DWSRLF, covering the internal controls and compliance with legal requirements involving the administration of federal funds received, as well as the fair presentation of the associated financial statements. These reports are available in the Single Audit section of this report.

## **Financial Highlights**

### Statement of Net Position

- ◆ NMFA's overall financial position improved slightly from June 30, 2017 to June 30, 2018. The key indicator of this movement, Total Net Position, increased by \$4.6 million (less than 1.0%) to \$510.0 million, compared to \$505.4 million at the end of last fiscal year.
- ◆ Unrestricted cash increased \$0.5 million (2.2%). Restricted cash increased by \$19.3 million (8.9%) to \$237.7 million. Restricted investments decreased by \$23.7 million (6.1%) to \$361.8 million.
- ◆ The total assets of NMFA increased by \$58.9 million (2.8%) to \$2.2 billion. The most significant contributors to this increase were 141 new loans and cash generated from bond issuances near the end of this fiscal year.
- ◆ Net loans receivable increased by \$58.1 million (3.9%). Long-term net loan receivables constituted \$24.5 million (42.2%) of the increase with a balance of \$1.4 billion. Current net loan receivables increased by \$33.6 million (29.2%) to \$148.6 million.



**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

- ◆ Bonds payable increased by \$12.6 million (1.0%), the net result of issuing \$306.0 million in new bonds (including premiums), principal payments on outstanding bonds of \$284.1 million, and amortization of bond premiums of \$9.3 million.
- ◆ Undisbursed loan proceeds increased by \$40.6 million (17.9%) due to loan closings in June.

Statement of Revenue and Expense

- ◆ Net operating loss decreased by \$39.7 million (51%). The decreased loss was primarily due to a \$6.6 million increase in operating revenue and a \$33.1 million decrease in operating expenses.
- ◆ Appropriation revenue increased by \$1.9 million by the end of fiscal year 2018, representing an increase of 5.5%.
- ◆ Administrative fee income fell \$0.2 million (4.2%) from \$5.7 million to \$5.5 million.
- ◆ Operating expenses decreased \$33.1 million (25%) from \$132.3 million. The main factors behind this decrease were a \$15.2 million decrease in grants to others, a \$10.4 million decrease in loan financing (premium) pass-through to borrowers, and a decrease of \$5.6 million in bond interest expense.
- ◆ Federal grant revenue and transfers from the State combined for a net decrease of \$12.9 million (24.1%).
- ◆ Transfers to the State increased \$23.9 million (229.9%). In fiscal year 2018, NMFA reverted and transferred \$34.3 million of flow-through Governmental Gross Receipts Tax (GGRT) and miscellaneous funds for other State purposes.

Statement of Cash Flow

- ◆ Net cash and cash equivalents increased to \$261.0 million, 8.2% above the \$241.2 million mark at the end of fiscal year 2017.

**Statement of Net Position**

The table on the following page presents in a condensed fashion the condensed statement of net position as of June 30, 2018, 2017, and 2016 and the corresponding dollar amount and percentage changes from June 30, 2017 to June 30, 2018.

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

**Assets**

During FY 2018, total net loans receivable increased by \$58.1 million (3.9%). NMFA closed 198 new loans and grants, totaling \$265.0 million.

The Statement of Net Position reflects net investments, including an unrealized gain of \$0.8 million, in keeping with GASB Statement No. 72 (Fair Value Measurement and Application). The main factor leading to this result was the eventual turnover in all investments from lower to higher yield instruments.

**Condensed Statement of Net Position**

	2018	2017	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)	2016
<b>Assets</b>					
Cash and equivalents					
Unrestricted	\$ 23,271,873	\$ 22,761,512	\$ 510,361	2.2%	\$ 15,433,532
Restricted	237,742,689	218,397,691	19,344,998	8.9%	135,135,587
Investments – restricted	361,758,979	385,451,491	(23,692,512)	-6.1%	332,151,402
Total Loans receivable, net	1,548,136,664	1,490,068,236	58,068,428	3.9%	1,351,744,686
Other receivables	10,417,043	5,830,166	4,586,877	78.7%	9,586,224
Capital assets	699,649	616,594	83,055	13.5%	278,916
Other assets	19,500	19,500	-	0.0%	19,500
<b>Total Assets</b>	<b>2,182,046,397</b>	<b>2,123,145,190</b>	<b>58,901,207</b>	<b>2.8%</b>	<b>1,844,349,847</b>
<b>Deferred Outflows of Resources</b>					
Deferred loss on refunding	793,710	843,732	(50,022)	-5.9%	823,233
<b>Total Deferred Outflows of Resources</b>	<b>793,710</b>	<b>843,732</b>	<b>(50,022)</b>	<b>-5.9%</b>	<b>823,233</b>
<b>Liabilities</b>					
Bonds payable, net	1,306,869,907	1,294,299,183	12,570,724	1.0%	1,114,448,718
Undisbursed loan proceeds	267,191,118	226,600,234	40,590,884	17.9%	135,624,986
Advanced loan payments	86,386,698	86,308,780	77,918	0.1%	83,008,008
Accounts payable, accrued payroll and compensated absences	1,008,803	875,108	133,695	15.3%	815,948
Other liabilities	6,383,869	4,802,777	1,581,092	32.9%	4,057,878
<b>Total Liabilities</b>	<b>1,667,840,395</b>	<b>1,612,886,082</b>	<b>54,954,313</b>	<b>3.4%</b>	<b>1,337,955,538</b>
<b>Deferred Inflows of Resources</b>					
Deferred gain on refunding	4,971,687	5,663,528	(691,841)	-12.2%	1,575,177
<b>Total Deferred Inflows of Resources</b>	<b>4,971,687</b>	<b>5,663,528</b>	<b>(691,841)</b>	<b>-12.2%</b>	<b>1,575,177</b>
<b>Net Position</b>					
Invested in capital assets	699,649	616,594	83,055	13.5%	278,916
Restricted for program commitments	492,583,687	486,992,135	5,591,552	1.1%	495,576,466
Unrestricted	16,744,689	17,830,583	(1,085,894)	-6.1%	9,786,983
<b>Total Net Position</b>	<b>\$ 510,028,025</b>	<b>\$ 505,439,312</b>	<b>\$ 4,588,713</b>	<b>0.9%</b>	<b>\$ 505,642,365</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

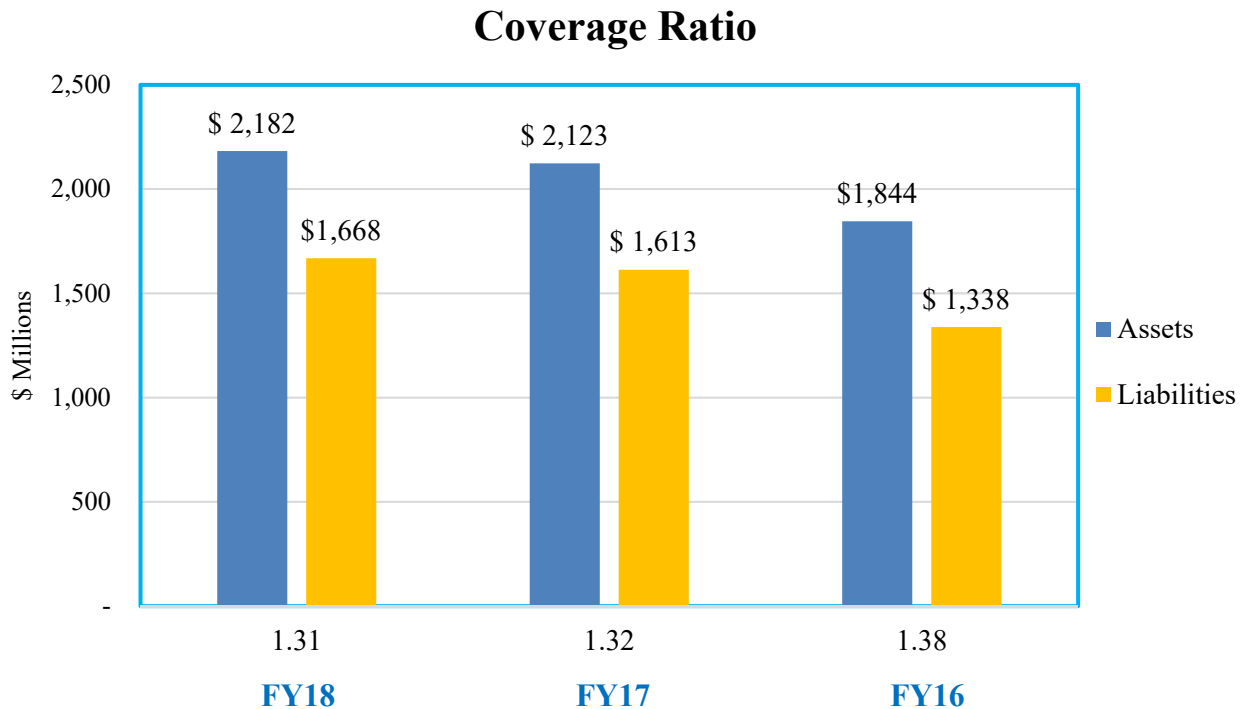
Total cash and investments decreased 0.6%, going from \$626.6 million to \$622.8 million. Restricted cash increased \$19.3 million (8.9%), due in large part to the timing of the bond issuance at the end of the fiscal year.

***Liabilities***

During FY 2018, total bonds payable increased by \$12.6 million (1.0%) to keep up with the demand for capital financing in the state. A total of \$306.0 million in bonds (including premiums) were issued last year.

Undisbursed loan proceeds increased by \$40.6 million (17.9 %), also due to the timing of bond issuances close to the end of the fiscal year. Advanced loan payments rose by \$77,918 (0.1%) to a total of \$86.4 million as the result of re-financings and payoffs by borrowers.

NMFA's *assets to liability coverage ratio* remained within the expected parameters. The chart below illustrates the results over the past three years:



**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

**Statement of Revenue, Expenses and Changes in Net Position**

The table below presents in a condensed fashion the *statement of revenue, expenses and changes in net position* for 2018, 2017, and 2016 fiscal years and the corresponding net dollar amount and percentage changes from the 2017 to 2018 fiscal year.

**Condensed Combined Statement of Revenue and Expenses**

	2018	2017	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)	2016
<b>Operating Revenue</b>					
Administrative fees	\$ 5,460,694	\$ 5,701,200	\$ (240,506)	-4.2%	\$ 7,049,654
Interest on loans	52,732,085	47,865,124	4,866,961	10.2%	51,736,376
Interest on investments	2,964,201	946,513	2,017,688	213.2%	2,195,762
<b>Total Operating Revenues</b>	<b>61,156,980</b>	<b>54,512,837</b>	<b>6,644,143</b>	<b>12.2%</b>	<b>60,981,792</b>
<b>Expenses</b>					
Grants to others	36,143,867	51,299,208	(15,155,341)	-29.5%	47,888,370
Bond interest expense	45,522,536	51,088,846	(5,566,310)	-10.9%	45,756,069
Loan refinancing pass-through	7,059,254	17,476,331	(10,417,077)	-59.6%	21,455,228
Salaries and benefits	4,110,925	4,463,828	(352,903)	-7.9%	4,515,210
Other operating costs	1,018,054	1,349,403	(331,349)	-24.6%	1,960,328
Professional services	2,155,028	2,570,063	(415,035)	-16.1%	2,389,037
Bond issuance costs	1,971,304	2,847,995	(876,691)	-30.8%	1,525,161
Interest expense	331,022	395,624	(64,602)	-16.3%	296,138
Rent and Utilities	393,992	389,092	4,900	1.3%	87,289
Provision for loan losses	534,614	458,701	75,913	16.5%	2,241
Depreciation expense	51,674	3,240	48,434	1494.9%	2,191
<b>Total Operating Expenses</b>	<b>99,292,270</b>	<b>132,342,331</b>	<b>(33,050,061)</b>	<b>-25.0%</b>	<b>125,877,262</b>
<b>Net Operating Loss</b>	<b>(38,135,290)</b>	<b>(77,829,494)</b>	<b>(39,694,204)</b>	<b>-51.0%</b>	<b>(64,895,470)</b>
<b>Non-operating Revenue (Expenses)</b>					
Appropriation revenue	36,463,733	34,578,969	1,884,764	5.5%	33,127,879
Grant revenue and transfers from State	40,589,738	53,454,414	(12,864,676)	-24.1%	56,602,986
Transfers to State	(34,329,468)	(10,406,942)	23,922,526	229.9%	(19,199,552)
<b>Net Non-operating Revenue</b>	<b>42,724,003</b>	<b>77,626,441</b>	<b>(34,902,438)</b>	<b>-45.0%</b>	<b>70,531,313</b>
Increase (decrease) in net position	4,588,713	(203,053)	4,791,766	2359.9%	5,635,843
Net position, beginning of year	505,439,312	505,642,365	(203,053)	0.0%	500,006,522
<b>Net Position - End of Year</b>	<b>\$ 510,028,025</b>	<b>\$ 505,439,312</b>	<b>\$ 4,588,713</b>	<b>0.9%</b>	<b>\$ 505,642,365</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

Operating revenue increased \$6.6 million (12.2%) in fiscal year 2018. Interest on loans increased by 10.2%, and interest on investments by 213.2%.

Net non-operating revenue decreased \$34.9 million (45%) from \$77.6 million to \$42.7 million. The \$12.9 million decrease in grant revenue and transfers from the State, primarily in the WTB Program, and an increase of \$23.9 million in transfers to the State represent the biggest changes in this rubric.

Total operating expenses decreased \$33.1 million (25%) from \$132.3 million to \$99.3 million. A \$10.4 million decrease in loan financing pass-through, a \$15.2 million decrease in grants to others, and a \$5.6 million decrease in bond interest expense are the biggest factors driving this result.

The fiscal year 2018 increase in operating revenue and decrease in operating expenses offset the decrease in non-operating revenue and expenses, resulting in a net increase in net position of \$4.6 million.

***Long-Term Debt***

NMFA's long-term debt consists of outstanding bond issues related principally to the PPRF program. At the end of fiscal year 2018, the total principal outstanding, including unamortized premiums, was \$1.3 billion, excluding Governor Richardson's Investment Partnership (GRIP) bonds administered for the New Mexico Department of Transportation (NMDOT), which are not a direct liability of NMFA. More detailed information about NMFA's long-term debt is presented in Note 6 to the financial statements.

During the fiscal year, NMFA issued \$280.3 million in PPRF bond principal to directly fund loans, to reimburse the PPRF loan fund for loans already made and to pay off \$26 million drawn from its line of credit facility in October 2017.

***Programs***

NMFA accounts for each of its programs separately, each with its own assets, liabilities, net position, income and expense. The PPRF program is highlighted in the following discussion because of its materiality to NMFA's financial position. For example, PPRF assets comprise 89.4% of NMFA's total assets.

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

**Public Project Revolving Fund**

NMFA administers the PPRF, the purpose of which is to finance state and local public projects with qualified borrowers who cannot, on their own, access the bond market cost-effectively. Qualified entities, including counties, municipalities, school districts and tribes are eligible to borrow from the PPRF. For presentation and comparative purposes, the PPRF includes all combined PPRF related programs and financings.

Since 1993, 1,527 loans totaling \$3.4 billion have been made to qualified entities and the State of New Mexico through the PPRF.

*Loan Volume*

	<u>FY 2018*</u>	<u>FY 2017</u>	<u>Since Inception*</u>
Amount of loans made	\$252.7 million	\$323.2 million	\$3.4 billion
Number of loans made	133	96	1,527
Refunding loans (included above)	\$101.5 million	\$152.3 million	---
Average loan size	\$1.8 million	\$3.2 million	\$2.2 million
* Since June 2017, this number includes the distinction between pledged sources within a loan.			

The PPRF makes loans of less than \$10 million from funds on hand. NMFA's cash is replenished at a later date by "packaging" the loans to be reimbursed by bonds that are sold in the open market. Loans larger than \$10 million are funded through simultaneous closings with a reimbursement bond issue, ensuring a precise matching of loan and bond interest rates.

The PPRF accounts for most of NMFA's total financial activity. At June 30, 2018, the relationships were as follows:

	<u>PPRF</u>	<u>Total NMFA</u>	<u>% PPRF</u>
Total Assets	\$1.95 billion	\$2.18 billion	89.4%
Net Position	\$280.8 million	\$510.0 million	55.1%
Operating Revenue	\$56.8 million	\$61.1 million	93.0%

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

**Public Project Revolving Fund Statement of Net Position at June 30**

	2018	2017	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)	2016
<b>Assets</b>					
Cash and equivalents					
Unrestricted	\$ 23,271,873	\$ 22,761,512	\$ 510,361	2.2%	\$ 15,433,532
Restricted	183,035,751	176,564,015	6,471,736	3.7%	92,735,939
Restricted investments	307,908,070	328,814,510	(20,906,440)	-6.4%	281,248,545
Interest and administrative fee receivable	9,061,155	5,363,136	3,698,019	69.0%	8,428,979
Loans receivable, net	1,419,505,173	1,358,863,694	60,641,479	4.5%	1,226,196,718
Capital assets	699,649	616,594	83,055	13.5%	278,916
Grants and other assets	6,283,549	4,991,302	1,292,247	25.9%	14,147,904
<b>Total Assets</b>	<b>1,949,765,220</b>	<b>1,897,974,763</b>	<b>51,790,457</b>	<b>2.7%</b>	<b>1,638,470,533</b>
<b>Deferred Outflows of Resources</b>					
Deferred loss on refunding	793,710	843,732	(50,022)	-5.9%	823,233
<b>Total Deferred Outflows of Resources</b>	<b>793,710</b>	<b>843,732</b>	<b>(50,022)</b>	<b>-5.9%</b>	<b>823,233</b>
<b>Liabilities</b>					
Accounts payable and accrued payroll liabilities	\$ 1,008,855	944,748	64,107	6.8%	8,121,018
Undisbursed loan proceeds	267,191,118	226,538,142	40,652,976	17.9%	135,562,894
Borrowers' debt service and reserve deposits	89,710,597	89,910,023	(199,426)	-0.2%	86,119,297
Bonds payable, net	1,306,869,907	1,294,299,183	12,570,724	1.0%	1,113,198,718
<b>Total Liabilities</b>	<b>1,664,780,477</b>	<b>1,611,692,096</b>	<b>53,088,381</b>	<b>3.3%</b>	<b>1,343,001,927</b>
<b>Deferred Inflows of Resources</b>					
Deferred gain on refunding	4,971,687	5,663,528	(691,841)	-12.2%	1,575,177
<b>Total Deferred Inflows of Resources</b>	<b>4,971,687</b>	<b>5,663,528</b>	<b>(691,841)</b>	<b>-12.2%</b>	<b>1,575,177</b>
<b>Net Position</b>					
Invested in capital assets	699,649	616,594	83,055	13.5%	278,916
Restricted for program commitments	257,436,322	258,208,608	(772,286)	-0.3%	279,321,277
Unrestricted	22,670,795	22,637,669	33,126	0.1%	15,116,469
<b>Total Net Position</b>	<b>\$ 280,806,766</b>	<b>\$ 281,462,871</b>	<b>\$ (656,105)</b>	<b>-0.2%</b>	<b>\$ 294,716,662</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

**Public Project Revolving Fund**  
**Statement of Revenue, Expenses and Changes in Net Position for the Years Ended June 30**

	2018	2017	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)	2016
<b>Interest Income</b>					
Loans	\$ 51,079,532	\$ 46,217,201	\$ 4,862,331	10.5%	\$ 49,880,669
Investments	2,034,647	348,288	1,686,359	484.2%	1,547,385
<b>Total Interest Income</b>	<b>53,114,179</b>	<b>46,565,489</b>	<b>6,548,690</b>	<b>14.1%</b>	<b>51,428,054</b>
<b>Interest Expense</b>					
Bond interest expense	45,522,536	51,090,816	(5,568,280)	-10.9%	45,680,612
Loan financing pass-through	7,059,254	17,476,331	(10,417,077)	-59.6%	21,455,228
Short-term borrowing	331,022	395,624	(64,602)	-16.3%	296,138
<b>Total Interest Expense</b>	<b>52,912,812</b>	<b>68,962,771</b>	<b>(16,049,959)</b>	<b>-23.3%</b>	<b>67,431,978</b>
<b>Net Interest Income (Loss)</b>					
Interest income (loss)	201,367	(22,397,282)	22,598,649	100.9%	(16,003,924)
Provision for loan losses	190,138	120,313	69,825	58.0%	58,043
<b>Net Interest Income (Loss) After Loan Loss Provision</b>	<b>11,229</b>	<b>(22,517,595)</b>	<b>22,528,824</b>	<b>100.0%</b>	<b>(16,061,967)</b>
<b>Non-interest Income</b>					
Loan administration fees	3,693,061	3,333,747	359,314	10.8%	2,380,777
Appropriation revenue	30,663,733	29,540,672	1,123,061	3.8%	29,127,879
<b>Total Non-interest Income</b>	<b>34,356,794</b>	<b>32,874,419</b>	<b>1,482,375</b>	<b>4.5%</b>	<b>31,508,656</b>
<b>Non-interest Expense</b>					
Salaries and benefits	2,388,329	2,787,465	(399,136)	-14.3%	2,517,047
Professional services	1,569,428	1,557,894	11,534	0.7%	1,438,163
Bond issuance costs	1,971,304	2,847,995	(876,691)	-30.8%	1,525,161
Other	835,567	1,267,788	(432,221)	-34.1%	1,442,459
<b>Total Non-interest Expense</b>	<b>6,764,628</b>	<b>8,461,142</b>	<b>(1,696,514)</b>	<b>-20.1%</b>	<b>6,922,830</b>
Excess of revenue over expenditures	27,603,395	1,895,682	25,707,713	1356.1%	8,523,859
Transfers to other funds or agencies	(28,259,500)	(15,149,473)	13,110,027	86.5%	(19,479,644)
<b>Decrease in Net Position</b>	<b>(656,105)</b>	<b>(13,253,791)</b>	<b>(12,597,686)</b>	<b>-95.0%</b>	<b>(10,955,785)</b>
<b>Net Position - Beginning of Year</b>	<b>281,462,871</b>	<b>294,716,662</b>	<b>(13,253,791)</b>	<b>-4.5%</b>	<b>305,672,447</b>
<b>Net Position - End of Year</b>	<b>\$ 280,806,766</b>	<b>\$ 281,462,871</b>	<b>\$ (656,105)</b>	<b>-0.2%</b>	<b>\$ 294,716,662</b>



**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

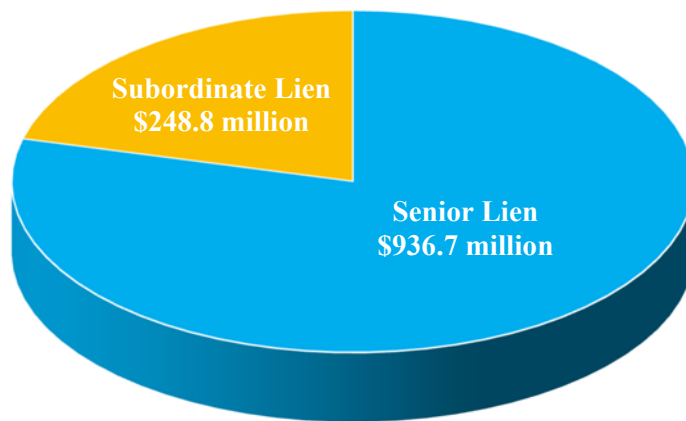
***Net Interest Income***

As a not-for-profit lender, NMFA attempts to pass on to its borrowers the same rates paid on the bonds issued to provide loaned funds. To accomplish this, it attempts to achieve a zero net interest income in the PPRF in its planning and management processes. In fiscal year 2018, net interest income for the PPRF increased by \$22.6 million, with an ending balance of \$0.2 million, compared to the net loss of \$22.4 million in 2017. This is mostly a result of a combination of higher interest loans having been issued and callable portions of outstanding bonds having been replaced by lower interest bonds.

***PPRF Indentures***

The PPRF maintains a General Indenture of Trust (Senior Lien) and a Subordinated Indenture of Trust (Subordinate Lien). At the end of Fiscal Year 2018, there were 780 active loans totaling \$1.4 billion outstanding. This represents an increase of \$60.6 million (4.5%) from last year. Most (75%) of the revenue from the PPRF loans is pledged to the Senior Lien Indenture, with the balance (25%) pledged to the Subordinate Lien Indenture. In terms of outstanding principal, the Senior Lien Indenture loans comprise 79% of the total.

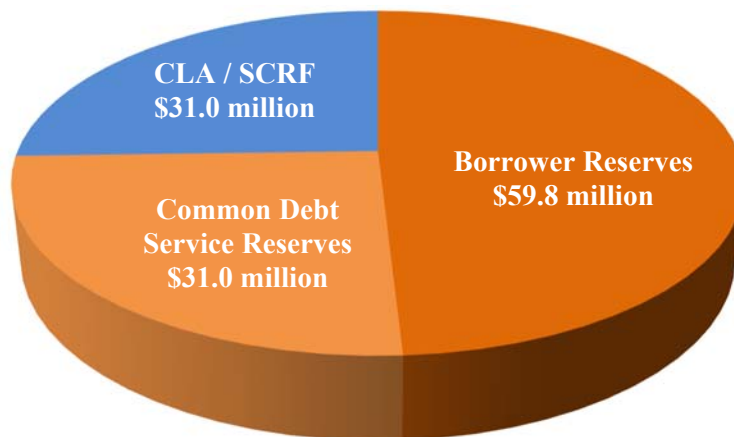
**PPRF OUTSTANDING BOND PRINCIPAL:  
SENIOR LIEN VS. SUBORDINATE LIEN**



**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

As of September 1, 2018, the Senior Lien is rated AAA and the Subordinate Lien is rated AAA by Standard & Poor's, and the Senior Lien is rated Aa1 by Moody's and the Subordinate Lien is rated Aa2 by Moody's. In order to maintain these ratings, the PPRF holds reserves and credit enhancements. These include the Common Debt Service Reserve Fund, Supplemental Credit Reserve Fund (SCRF), and pooled borrower debt service reserve. The Common Debt Service Reserve is subject to the General Indenture of Trust for the Senior Lien, and the Supplemental Credit Reserve Fund is subject to the Subordinated Indenture governing the subordinate lien. Borrower reserves are pledged to the individual loans. On July 5, 2017, the Contingent Liquidity Account was deactivated, and the funds were transferred to the Trustee to establish the Supplemental Credit Reserve Fund. As a consequence of this and other positive factors, on July 28, 2017, Standard & Poor's upgraded the subordinate lien from AA/Stable to AAA/Stable.

**DEBT SERVICE RESERVES**



***Governmental Gross Receipts Tax***

The GGRT is a tax imposed on the gross receipts of state and local governments for services rendered to customers such as water, sewer and solid waste collection. Three quarters (75%) of GGRT collections are appropriated to the PPRF by statute. NMFA's share of GGRT collections was \$30.1 million in 2018, up 2.4% from 2017. The GGRT funds are used:

- ◆ 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 are not cost-effective to reimburse in a bond issue.

**NEW MEXICO FINANCE AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2018 and 2017**

**Contacting NMFA's Financial Management**

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

New Mexico Finance Authority  
ATTN: Records Custodian  
207 Shelby Street  
Santa Fe, New Mexico 87501

## **FINANCIAL STATEMENTS**

**NEW MEXICO FINANCE AUTHORITY**  
**Statements of Net Position**  
**June 30**

	2018	2017
<b>Assets</b>		
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 23,271,873	\$ 22,761,512
Restricted	237,742,689	218,397,691
Interest receivable	7,952,079	5,370,899
Grants and other receivable	358,508	13,271
Prepaid rent	19,500	19,500
Administrative fees receivable	2,106,456	445,996
Loans receivable, net of allowance	148,575,374	115,007,192
Total Current Assets	420,026,479	362,016,061
Non-current assets		
Restricted investments	361,758,979	385,451,491
Loans receivable, net of allowance	1,399,561,290	1,375,061,044
Capital assets, net of accumulated depreciation	699,649	616,594
Total Assets	2,182,046,397	2,123,145,190
<b>Deferred Outflows of Resources</b>		
Deferred loss on refunding	793,710	843,732
Total Deferred Outflows of Resources	793,710	843,732
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	353,917	302,821
Accrued payroll	233,251	243,439
Compensated absences	421,635	328,848
Bond interest payable	3,960,649	4,183,050
Undisbursed loan proceeds	267,191,118	226,600,234
Advanced loan payments	86,386,698	86,308,780
Bonds payable, net	101,240,000	123,840,000
Other liabilities	2,423,220	619,727
Total Current Liabilities	462,210,488	442,426,899
Non-current liabilities		
Bonds payable, net	1,205,629,907	1,170,459,183
Total Liabilities	1,667,840,395	1,612,886,082
<b>Deferred Inflows of Resources</b>		
Deferred gain on refunding	4,971,687	5,663,528
Total Deferred Inflows of Resources	4,971,687	5,663,528
<b>Net Position</b>		
Net investment in capital assets	699,649	616,594
Restricted for program commitments	492,583,687	486,992,135
Unrestricted	16,744,689	17,830,583
Total net position	\$ 510,028,025	\$ 505,439,312

The accompanying notes are an integral part of these financial statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statements of Revenue, Expenses and Changes in Net Position**  
**For the Years Ended June 30**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenue</b>		
Interest on loans	\$ 52,732,085	\$ 47,865,124
Administrative fees revenue	5,460,694	5,701,200
Interest on investments	2,964,201	946,513
<b>Total Operating Revenues</b>	<u>61,156,980</u>	<u>54,512,837</u>
<b>Operating Expenses</b>		
Bond interest expense	45,522,536	51,088,846
Grants to others	36,143,867	51,299,208
Loan financing pass-through	7,059,254	17,476,331
Salaries and benefits	4,110,925	4,463,828
Bond issuance costs	1,971,304	2,847,995
Professional services	2,155,028	2,570,063
Other operating costs	1,018,054	1,349,403
Provision for loan losses	534,614	458,701
Interest expense	331,022	395,624
Rent and utilities	393,992	389,092
Depreciation expense	51,674	3,240
<b>Total Operating Expenses</b>	<u>99,292,270</u>	<u>132,342,331</u>
<b>Net Operating Loss</b>	<u>(38,135,290)</u>	<u>(77,829,494)</u>
<b>Non-operating Revenue (Expenses)</b>		
Appropriation revenue	36,463,733	34,578,969
Federal Grant Revenue	14,138,074	8,511,355
Transfers from the State of New Mexico	26,451,664	44,943,059
Transfers to the State of New Mexico	(34,329,468)	(10,406,942)
<b>Increase (Decrease) in Net Position</b>	<u>4,588,713</u>	<u>(203,053)</u>
Net Position, Beginning of Year	<u>505,439,312</u>	<u>505,642,365</u>
<b>Net Position, End of Year</b>	<u>\$ 510,028,025</u>	<u>\$ 505,439,312</u>

The accompanying notes are an integral part of these financial statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statements of Cash Flows**  
**For the Years Ended June 30**

	2018	2017
<b>Cash flows from operating activities</b>		
Cash paid for employee services	\$ (4,186,997)	\$ (3,748,240)
Cash paid to vendors for services	(4,028,326)	(4,000,907)
Loan payments received	205,957,418	202,654,868
Loans funded	(223,086,829)	(247,161,099)
Grants to local governments	(36,143,867)	(51,299,208)
Cash received from federal gov't capitalization grant	14,138,074	8,511,355
Interest on loans	50,150,905	50,999,298
Administrative fees received	3,800,234	5,701,200
Net cash provided by (used in) operating activities	<u>6,600,612</u>	<u>(38,342,733)</u>
<b>Cash flows from noncapital financing activities</b>		
Appropriations received from the State of New Mexico	36,463,733	34,578,969
Cash transfers from the State of New Mexico	26,451,664	44,943,059
Cash transfers to the State of New Mexico	(34,329,468)	(10,406,942)
Proceeds from the sale of bonds, including premiums	305,982,111	407,221,842
Payment of bonds	(284,100,000)	(216,100,000)
Bond issuance costs	(1,971,304)	(2,847,995)
Bond interest expense paid	(55,885,612)	(57,638,425)
Proceeds from line of credit	26,700,000	-
Payments on line of credit	(26,700,000)	-
Loan financing pass-through to borrowers	(7,059,254)	(17,476,331)
Net cash (used in) provided by noncapital financing activities	<u>(14,448,130)</u>	<u>182,274,177</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(355,278,386)	(308,018,209)
Sale of investments	379,965,446	253,470,040
Interest received on investments	3,150,546	1,547,727
Capital financing activities	(134,729)	(340,918)
Net cash provided by (used in) investing activities	<u>27,702,877</u>	<u>(53,341,360)</u>
Net increase in cash and cash equivalents	<u>19,855,359</u>	<u>90,590,084</u>
Cash and cash equivalents, beginning of year	<u>241,159,203</u>	<u>150,569,119</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 261,014,562</u>	<u>\$ 241,159,203</u>
<b>Reconciliation of Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 23,271,873	\$ 22,761,512
Restricted cash and cash equivalents	<u>237,742,689</u>	<u>218,397,691</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 261,014,562</u>	<u>\$ 241,159,203</u>

The accompanying notes are an integral part of these financial statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statements of Cash Flows, Continued**  
**For the Years Ended June 30**

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Net operating loss	\$ (38,135,290)	\$ (77,829,494)
Adjustments to change in net position		
Deferred Revenue	(1,800,000)	-
Depreciation	51,674	3,240
Amortization on bond premiums	(9,311,387)	(11,271,377)
Provision for loan losses	534,614	458,701
Interest on investments	(2,964,201)	(946,513)
Bond interest paid	54,774,863	62,156,581
Loan financing pass-through to borrowers	7,059,254	17,476,331
Bond issuance costs	1,971,304	2,847,995
Cash received from federal grants	14,138,074	8,511,355
Interest expense	331,022	395,624
Changes in assets and liabilities		
Interest receivable	(2,581,180)	3,134,174
Grants and other receivable	(345,237)	876,942
Administrative fees receivable	(1,660,460)	(255,058)
Loans receivable, net of allowance	(58,068,428)	(138,323,550)
Accounts payable	51,096	(4,476)
Accrued payroll	(10,188)	67,001
Compensated absences	92,787	(3,365)
Undisbursed loan proceeds	40,590,884	90,975,248
Advanced loan payments	77,918	3,300,772
Other liabilities	1,803,493	87,136
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 6,600,612</b>	<b>\$ (38,342,733)</b>

The accompanying notes are an integral part of these financial statements



**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds – Statements of Assets and Liabilities**  
**For the Years Ended June 30**

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	<b>2018</b>	2017
<b>Assets</b>		
Cash held by Trustee	<b>\$ 28,003,690</b>	\$ 31,605,343
<b>Total Assets</b>	<b>\$ 28,003,690</b>	\$ 31,605,343
<b>Liabilities</b>		
Debt service payable	<b>\$ 13,245,875</b>	\$ 3,889,860
Program funds held for NM Dept of Transportation	<b>14,757,815</b>	27,715,483
<b>Total Liabilities</b>	<b>\$ 28,003,690</b>	\$ 31,605,343

The accompanying notes are an integral part of these financial statements

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**1) Nature of Organization**

The New Mexico Finance Authority (“NMFA”), a component unit of the State of New Mexico (the “State”), is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality, organized and existing pursuant to the New Mexico Finance Authority Act (the “Act”) created by the Laws of 1992 Chapter 61, as amended. NMFA has broad powers to provide financing for an array of infrastructure and economic development projects. The Act 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.

NMFA’s governing board is composed of eleven members. The Secretary of the Department of Finance and Administration; the Secretary of the Economic Development Department; the Secretary of the Energy, Minerals and Natural Resources Department; 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 board with voting privileges. The Governor, with the advice and consent of the Senate, appoints to the NMFA Board. The Board’s membership must include the Chief Financial Officer of a New Mexico institution of higher education and four other members who are residents of the state. The appointed members serve at the pleasure of the Governor.

NMFA issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving 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 collected by the State of New Mexico pursuant to section 7-1-6.1 New Mexico Statutes Annotated (NMSA), 1978. NMFA may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the Act. During fiscal years 2018 and 2017, pursuant to legislative action, NMFA transferred \$23,500,000 and \$10,000,000, respectively, from collections of NMFA’s portion of the Governmental Gross Receipts Tax (GGRT) to the State’s general fund for purposes permitted by law. 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 NMFA.

NMFA may also serve as conduit issuer of revenue bonds for other governmental agencies. This activity is reported as an Agency Fund.

NMFA manages the Drinking Water State Revolving Loan Fund (DWSRLF) and the Water Trust Board Program (WTB).

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

The DWSRLF 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 from the Environmental Protection Agency (EPA), with the State providing a 20% cost share.

The WTB program provides grants and interest-free loans to water projects supporting water use efficiency, resource conservation and protection, and fair distribution and allocation of water. In the accompanying statements, the receipts of funds for the WTB program are reflected as transfers from the State in the amount of \$11,389,715 and \$30,527,900 at June 30, 2018 and 2017, respectively.

Other significant programs and financing administered by NMFA include:

- ◆ The New Markets Tax Credit Program (NMTC), whereby NMFA acts as managing member in Finance New Mexico, LLC (FNMLLC), a subsidiary for-profit company that has received allocations of federal tax credits under the NMTC Program.
- ◆ The Smart Money Loan Participation Program (SM) provides comprehensive financing tools to stimulate economic development projects statewide.
- ◆ The Primary Care Capital Fund (PCCF) is a revolving loan program which provides financial assistance to eligible rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide 20 percent annual loan forgiveness if the borrower, through a contract-for-services, provides medical care free or at reduced prices to sick and indigent clients.
- ◆ The Local Government Planning Fund (LGPf) provides grants to qualified entities on a per-project basis for water and wastewater related studies, long-term water management plans, economic development plans and infrastructure plans.
- ◆ The Colonias Infrastructure Act appropriates to NMFA 4.5% 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, and roads. In the accompanying statements, the receipts of funds from the Colonias Infrastructure Fund (CIF) are reflected as transfers from the State of New Mexico in the amount of \$15,061,949 and \$14,415,159 at June 30, 2018 and 2017, respectively.
- ◆ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, NMFA received federal State Small Business Credit Initiative (SSBCI) funds to help increase the flow of capital to small businesses by mitigating bank risk. NMFA used the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation Program. New loans are no longer issued under the SSBCI program. Payments collected on existing loans in fiscal year 2018 totaled \$4,621,640 and were remitted to the State.

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

NMFA 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 NMFA under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The NMFA Oversight Committee was created by the Act, and its membership is appointed by the Legislative Council to provide legislative oversight.

The financial statements include the accounts of NMFA and its blended component unit, FNMLLC. All intercompany transactions and balances are eliminated. The condensed financial statements of FNMLLC are disclosed in Note 14.

## **2) Summary of Significant Accounting Policies**

### Accounting Principles

The financial statements of NMFA 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 NMFA have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of NMFA's activities, except those in which NMFA 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.

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

Non-operating items primarily consist of GGRT and WTB designations from the State legislature, which are reported as appropriations. Transfers to the State consist of excess distributions and reversions of prior-year appropriated revenue.

Grant revenue and transfers from the State are restricted for specific uses and are recognized when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, NMFA uses 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.

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Agency Funds

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

Cash, Cash Equivalents and Investments

NMFA 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 NMFA's bonds, as well as certain resources set aside for their repayment, are invested in allowable securities pursuant to its investment policy.

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 if they are sufficiently 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, third party risk ratings 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 as a charge to income in the period they become known.

State Loans Receivable

State loans receivable consist of amounts due from the State based on legislated appropriations of specified taxes for repayment of certain bonds issued by NMFA on behalf of State entities. The related statutes direct NMFA to issue bonds and make proceeds available to specified State entities to fund various projects. The statutes appropriate a portion of pledged future taxes or fees to fund the payment of the related bonds. No allowance has been established, as all such receivables are considered collectable.

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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.

Loan Financing Pass-Through

Loan financing pass-through expenses are bond premiums associated with certain financed loans passed through by NMFA to the respective borrowers. The financed loans were associated with certain bond premiums that reduced the outstanding principal. The reductions resulted in a loan financing pass-through expense to NMFA. For fiscal years 2018 and 2017, loan financing pass-through expenses were \$7,059,254 and \$17,476,331, respectively.

Compensated Absences

Full-time employees with up to ten years of employment with NMFA are entitled to fifteen days of vacation leave each fiscal year. Employees with more than ten years of service receive twenty days per fiscal year. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave.

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Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five percent (25%) of their current hourly rate of accumulated unpaid sick leave, up to 320 hours. Part-time employees accrue vacation 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. Historically, the year-end balances are used within one year; thus the compensated absence liability is recorded as a current liability.

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 vast majority of the balance in undisbursed loan proceeds is for loans in the PPRF program.

Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients that have not been applied as a payment against their loan, as well as debt service reserve accounts funded from the loan proceeds. NMFA applies loan payments semi-annually; therefore, any payments received prior to being applied to the loan are held in an account that 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 \$86,386,698 and \$86,308,780 at June 30, 2018 and 2017, respectively.

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, or unrestricted based on the following:

*Net investment in capital assets* is intended to reflect the portion of net position associated with capital assets less any outstanding related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. NMFA has no capital asset-related debt.

*Restricted net position* reflects the portion of net position with third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, NMFA spends restricted resources first.

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The following lists significant programs and the associated restricting statutes and bond covenants:

PPRF	6-21-6 NMSA 1978; General and Subordinated Indentures of Trust
DWSRLF	6-21A-4 NMSA 1978; EPA Capitalization Grant Agreements
WTB	72-4A-9 NMSA 1978
NMTC	6-25-6.1 NMSA 1978; NMTC Allocation Agreement
SM	6-25-1 NMSA 1978
PCCF	24-1C-4 NMSA 1978
LGPF	6-21-6.4 NMSA 1978
COLONIAS	6-30-1.0 NMSA 1978
SSBCI	6-25-13 NMSA 1978; SSBCI Allocation Agreement

*Unrestricted net position* represents the portion of net position not otherwise classified as invested in capital assets or restricted net position.

Income Taxes

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

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

NMFA'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.

Reclassification

Certain comparative amounts in the statement of revenues, expenses and changes in net position were reclassified to conform to the current year's presentation. These reclassifications had no impact on net position.



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**3) Cash and Cash Equivalents and Investments**

NMFA's investments conform to the provisions of the Amended and Restated Investment Policy adopted on April 26, 2018. The investment policy applies to all of NMFA's funds, including funds NMFA 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 NMFA master investment policy and may be amended or supplemented as applied to specific categories of funds by adoption of the NMFA Board of Directors.

Except where prohibited by statute, trust indenture or other controlling authority, NMFA 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 of investment activity, in order of priority, shall be safety, liquidity and yield.

The policy provides investments are undertaken in a manner that seeks to ensure the preservation and principal in the overall portfolio while mitigating credit risk and interest rate risk.

NMFA invests PCCF funds in the New Mexico State Treasurer's Office (STO) investment pool. State law (Section 8-6-3 NMSA 1978) requires that investments of these funds be managed by the STO.

Credit Risk

NMFA 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 NMFA does business; and diversifying the investment portfolio to minimize the impact of potential losses from any one type of security or from any individual issuer.

The STO pools are not rated.

FNMLLC cash balances are maintained in several accounts in several banks. At times, these balances may exceed the federal insurance limits; however, FNMLLC 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, 2018 and 2017.

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Interest Rate Risk

NMFA 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 PCCF funds invested in the STO investment pool, the STO has an investment policy that limits investment maturities to five years or fewer 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 disclosure information regarding cash held by the STO, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for the fiscal years ended June 30, 2018 and 2017.

State General Fund Investment Pool

NMFA, as required by Section 24-1C-4, NMSA 1978, administers the PCCF which was created as a revolving fund in the STO. PCCF funds are deposited into the State General Fund Investment Pool (SGFIP), as are funds of state agencies, and as of fiscal year 2018 and 2017 totaled \$ 2,709,842 and \$1,284,081, respectively, representing less than 1% of total NMFA funds.

It is important to note that all other funds of NMFA, including PPRF funds that are subject to the General and Subordinated Indentures of Trust, are held outside of the STO with a Trustee and secured in accordance with NMFA's Investment Policy.

Permitted Investments

As provided in Sections 6-21-5 and 6-21-6 of the Act, money pledged for or securing payment of bonds issued by NMFA 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 NMFA's Investment Policy:

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<b>Issue Type</b>	<b>Maximum % Holdings</b>	<b>Maximum % per Issuer</b>	<b>Ratings</b>
US Treasury Obligations	100%	100%	AA+ Or Current Rating
US Agency Obligations	75%	40%	AA+ OR Current Rating
SEC- Registered Money Market Fund	100%	50%	Govt Only- AAAm
Bank Deposits or Certificates of Deposit	20%	10%	NMSA Required collateral
Commercial Paper	10%	5%	A-1+
New Mexico Municipal Obligations	10%	5%	AA- or better
Repurchase Agreements	25%	10%	NMSA Required Collateral
Guaranteed Investment Contracts	Bond Only	N/A	AA- Underlying
Local Government Investment Pool	50%	50%	NMSA Statute Rating

**Investment of Bond Proceeds**

All or any portion of the proceeds of bonds or other obligations of NMFA may be invested in a guaranteed investment contract (GIC) or flexible repurchase agreement without regard to the investment allocation ranges set forth in NMFA's Investment Policy, if the GIC or repurchase agreement provides for disbursement upon request of NMFA in amounts necessary to meet expense requirements for the bonds or other obligations.

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Cash and equivalents at June 30, 2018 and 2017 were as follows:

<b>Description</b>	<b>Balance at June 30, 2018</b>	<b>Rated</b>	<b>Percentage of NMFA Funds <sup>1</sup></b>
Bank deposits	\$ -	N/A	-
FNMLLC cash equivalents	6,320,331	N/A	1%
Wells Fargo deposit account book balance	739,760	N/A	<1%
Wells Fargo Repurchase agreement -fully secured <sup>2</sup>	282,135	N/A	<1%
Government Money Market Funds	250,962,494	AAA	40%
PCCF funds held with the SGFIP	<u>2,709,842</u>	N/A	<1%
Total Cash and Equivalents	<u>\$ 261,014,562</u>		
Cash held in agency fund	<u>\$ 28,003,690</u>		

<b>Description</b>	<b>Balance at June 30, 2017</b>	<b>Rated</b>	<b>Percentage of NMFA Funds <sup>1</sup></b>
Bank deposits	\$ -	N/A	-
FNMLLC cash equivalents	5,589,385	N/A	<1%
Wells Fargo deposit account book balance	286,899	N/A	<1%
Wells Fargo Repurchase agreement -fully secured <sup>2</sup>	520,567	N/A	<1%
Government Money Market Funds	233,478,271	AAA	37%
PCCF funds held with the SGFIP	<u>1,284,081</u>	N/A	<1%
Total Cash and Equivalents	<u>\$ 241,159,203</u>		
Cash held in agency fund	<u>\$ 31,605,343</u>		

**Maturity Restrictions**

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

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

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

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Investments consist of bond proceeds, which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2018 and 2017 are comprised of the following:

Description	Fair Value Level 1 at June 30, 2018	Average Years to Maturity	Percentage of NMFA Funds
U.S. Treasury notes	\$293,618,426	1.25	47%
Federal Home Loan Mortgage Corporation Bonds	<u>68,140,553</u>	1.21	11%
<b>Total restricted investments</b>	<b><u><u>\$361,758,979</u></u></b>		

Description	Fair Value Level 1 at June 30, 2017	Average Years to Maturity	Percentage of NMFA Funds
U.S. Treasury notes	\$321,722,370	1.08	51%
Federal Home Loan Mortgage Corporation Bonds	<u>63,729,121</u>	1.78	10%
<b>Total restricted investments</b>	<b><u><u>\$385,451,491</u></u></b>		

Fair Value Measurement

NMFA's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

At June 30, 2018 and 2017, NMFA's investments are classified as Level 1.

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**4) Loans Receivable**

Loans receivable activity for the fiscal year ending June 30, 2018 and 2017, respectively, was as follows:

Program	Term (Years)	Rates	2017	Increases	Decreases	2018
PPRF	1 to 30	0% to 6%	\$ 1,360,054,265	\$ 252,722,143	\$ 191,890,526	\$ 1,420,885,882
DWSRLF	1 to 30	0% to 4%	86,555,640	7,120,040	6,424,924	87,250,756
PCCF	10 to 20	3%	3,167,759	-	1,398,895	1,768,864
WPF	10 to 20	0%	31,778,267	3,039,968	3,142,743	31,675,492
SM	3 to 20	2% to 5%	3,723,002	-	633,666	3,089,336
BHCF	15	3%	854,722	-	68,875	785,847
CIF	10 to 20	0%	3,235,664	881,750	361,871	3,755,543
SSBCI	10 to 20	3%	4,271,361	182,354	1,421,714	3,032,001
			<u>1,493,640,680</u>	<u>263,946,255</u>	<u>205,343,214</u>	<u>1,552,243,721</u>
		Less allowance for loan losses	<u>3,572,444</u>	<u>534,614</u>	<u>-</u>	<u>4,107,057</u>
		Net Total	<u>\$ 1,490,068,236</u>	<u>\$ 263,411,642</u>	<u>\$ 205,343,214</u>	<u>\$ 1,548,136,664</u>

Program	Term (Years)	Rates	2016	Increases	Decreases	2017
PPRF	1 to 30	0% to 6%	\$ 1,227,266,976	\$ 323,167,993	\$ 190,380,704	\$ 1,360,054,265
DWSRLF	1 to 30	0% to 4%	86,035,291	4,972,147	4,451,798	86,555,640
PCCF	10 to 20	3%	3,501,848	-	334,089	3,167,759
WPF	10 to 20	0%	27,501,675	7,620,899	3,344,307	31,778,267
SM	3 to 20	2% to 5%	3,786,054	-	63,052	3,723,002
BHCF	15	3%	912,070	-	57,348	854,722
CIF	10 to 20	0%	2,272,268	1,261,662	298,266	3,235,664
SSBCI	10 to 20	3%	3,575,329	1,113,646	417,614	4,271,361
Other	8	3%	6,918	-	6,918	-
			<u>1,354,858,429</u>	<u>338,136,347</u>	<u>199,354,096</u>	<u>1,493,640,680</u>
		Less allowance for loan losses	<u>3,113,743</u>	<u>458,701</u>	<u>-</u>	<u>3,572,444</u>
		Net Total	<u>\$ 1,351,744,686</u>	<u>\$ 337,677,646</u>	<u>\$ 199,354,096</u>	<u>\$ 1,490,068,236</u>

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The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2018:

Fiscal year ending June 30	Principal	Interest	Total
2019	\$ 148,644,490	\$ 48,722,725	\$ 197,367,215
2020	127,115,223	45,521,191	172,636,414
2021	128,785,868	41,959,192	170,745,061
2022	112,698,029	38,373,641	151,071,670
2023	107,529,331	34,839,084	142,368,415
2024-2028	428,752,503	127,676,151	556,428,654
2029-2033	294,955,748	64,754,208	359,709,956
2034-2038	158,528,982	21,949,373	180,478,355
2039-2043	35,321,861	4,141,979	39,463,839
2044-2048	9,911,685	673,299	10,584,984
Subtotals	1,552,243,721	\$ 428,610,842	\$ 1,980,854,563
Less allowance for loan losses	4,107,057		
Loans receivable, net	\$ 1,548,136,664		

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State Loans Receivable

NMFA 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 in the PPRF. Pursuant to the legislation, the debt service on these bonds is payable solely from pledged future revenue from the State. The following activity represents amounts due to NMFA under these agreements during the year ended June 30, 2018 and 2017, respectively. These loans are included in the PPRF loans on page 32.

State Entity	Revenue Pledge	Rates	Maturity	2017	Increases	Decreases	2018	Due in One Year
Administrative Office of the Courts	Court Facilities fees	1.25% to 5.0%	6/15/2025	\$ 25,325,000	\$ -	\$ 2,600,000	\$ 22,725,000	\$ 2,780,000
NM Department of Health	Cigarette excise tax	3.77% to 5.00%	6/1/2037	21,564,000	-	1,304,200	20,259,800	1,299,200
NM Cultural Affairs	State special tax	3.06% to 3.82%	2/1/2023	993,472	-	168,421	825,051	175,004
University of New Mexico Health Sciences Center	Cigarette excise tax	4.91%	6/1/2025	21,470,000	-	1,965,000	19,505,000	1,995,000
NM General Services Department	State Gross Receipts tax	1.27% to 5.15%	6/1/2039	72,721,455	-	33,395,023	39,326,432	2,552,664
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	1,534,485	-	765,443	769,042	769,042
Totals				<u>\$ 143,608,412</u>	<u>\$ -</u>	<u>\$ 40,198,087</u>	<u>\$ 103,410,325</u>	<u>\$ 9,570,910</u>

State Entity	Revenue Pledge	Rates	Maturity	2016	Increases	Decreases	2017	Due in One Year
Administrative Office of the Courts	Court Facilities fees	1.25% to 5.0%	6/15/2025	\$ 27,805,000	\$ -	\$ 2,480,000	\$ 25,325,000	\$ 2,600,000
NM Department of Health	Cigarette excise tax	3.77% to 5.00%	6/1/2037	22,888,200	-	1,324,200	21,564,000	1,304,200
NM Cultural Affairs	State special tax	3.06% to 3.82%	2/1/2023	1,155,753	-	162,281	993,472	168,421
University of New Mexico Health Sciences Center	Cigarette excise tax	4.91%	6/1/2025	23,480,000	-	2,010,000	21,470,000	1,965,000
NM General Services Department	State Gross Receipts tax	1.27% to 5.15%	6/1/2039	75,185,354	-	2,463,899	72,721,455	2,530,023
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	2,298,299	-	763,814	1,534,485	765,443
Totals				<u>\$ 152,812,606</u>	<u>\$ -</u>	<u>\$ 9,204,194</u>	<u>\$ 143,608,412</u>	<u>\$ 9,333,087</u>



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**5) Capital Assets**

The following is a summary of changes in capital assets during fiscal years 2018 and 2017:

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Capital assets not being depreciated				
Construction in progress	\$ 405,566	\$ 113,706	\$ -	\$ 519,272
Capital assets being depreciated				
Furniture and fixtures	46,033	-	-	46,033
Computer hardware and software	928,517	21,023	-	949,540
Leasehold improvement	8,241	-	-	8,241
	<u>1,388,357</u>	<u>134,729</u>	<u>-</u>	<u>1,523,086</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	(5,789)	-	(34,454)
Computer hardware and software	(734,857)	(45,885)	-	(780,742)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(771,763)</u>	<u>(51,674)</u>	<u>-</u>	<u>(823,437)</u>
Net total	<u>\$ 616,594</u>	<u>\$ 83,055</u>	<u>\$ -</u>	<u>\$ 699,649</u>

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
Capital assets not being depreciated				
Construction in progress	\$ 276,240	\$ 129,326	\$ -	\$ 405,566
Capital assets being depreciated				
Furniture and fixtures	28,665	17,368	-	46,033
Computer hardware and software	734,293	194,224	-	928,517
Leasehold improvement	8,241	-	-	8,241
	<u>1,047,439</u>	<u>340,918</u>	<u>-</u>	<u>1,388,357</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(731,617)	(3,240)	-	(734,857)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(768,523)</u>	<u>(3,240)</u>	<u>-</u>	<u>(771,763)</u>
Net total	<u>\$ 278,916</u>	<u>\$ 337,678</u>	<u>\$ -</u>	<u>\$ 616,594</u>

Depreciation expense for the fiscal year ending June 30, 2018 and 2017, respectively, was \$51,674 and \$3,240.

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**6) Bonds Payable**

Bonds have been issued to provide financing for various NMFA 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 NMFA.
- ◆ Amounts held in the Agreement Reserve Accounts.
- ◆ Additional pledged loans.
- ◆ Revenues received by NMFA from the allocation of NMFA'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 mainly Court Facilities Fees, Cigarette Excise and Tax, State Gross Receipts Tax.

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Bonds payable consist of the following at June 30, 2018 and 2017:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount	
				June 30, 2018	June 30, 2017
<b>Public Project Revolving Fund Revenue Bonds - Senior Lien Debt</b>					
2008 A	3.250% to 5.000%	June 1, 2018 to June 1, 2038	\$ 158,965,000	\$ -	\$ 113,065,000
2008 B	4.000% to 5.000%	June 1, 2018 to June 1, 2035	36,545,000	-	20,725,000
2008 C	3.250% to 6.000%	June 1, 2018 to June 1, 2033	29,130,000	-	10,305,000
2009 A	2.000% to 5.000%	June 1, 2018 to June 1, 2038	18,435,000	10,470,000	11,370,000
2009 C	2.500% to 5.000%	June 1, 2018 to June 1, 2029	55,810,000	36,480,000	38,975,000
2009 D-1	3.000% to 4.000%	June 1, 2018 to June 1, 2030	13,570,000	5,465,000	6,455,000
2009 D-2	1.810% to 6.070%	June 1, 2018 to June 1, 2036	38,845,000	33,370,000	34,145,000
2009 E	3.000% to 4.500%	June 1, 2018 to June 1, 2019	35,155,000	4,365,000	8,610,000
2010 A-1	2.000% to 4.500%	June 1, 2018 to June 1, 2034	13,795,000	4,310,000	5,060,000
2010 A-2	3.777% to 5.880%	June 1, 2018 to June 1, 2039	15,170,000	11,270,000	12,145,000
2010 B-1	2.000% to 5.000%	June 1, 2018 to June 1, 2035	38,610,000	19,225,000	21,540,000
2010 B-2	2.230% to 4.740%	June 1, 2018 to June 1, 2035	17,600,000	16,590,000	16,775,000
2011 B-1	0.220% to 4.000%	June 1, 2018 to June 1, 2036	42,735,000	20,165,000	23,065,000
2011 B-2	2.000% to 4.450%	June 1, 2018 to June 1, 2031	14,545,000	8,950,000	9,800,000
2011 C	3.000% to 5.000%	June 1, 2018 to June 1, 2036	53,400,000	32,120,000	35,855,000
2012 A	1.500% to 5.500%	June 1, 2018 to June 1, 2038	24,340,000	17,520,000	18,780,000
2013 A	2.000% to 5.000%	June 1, 2018 to June 1, 2038	44,285,000	28,105,000	31,200,000
2013 B	2.000% to 5.000%	June 1, 2018 to June 1, 2036	16,360,000	10,695,000	11,865,000
2014 B	2.000% to 5.000%	June 1, 2018 to June 1, 2035	58,235,000	40,435,000	45,535,000
2015 B	2.250% to 5.000%	June 1, 2018 to June 1, 2045	45,325,000	37,240,000	39,905,000
2015 C	3.000% to 5.000%	June 1, 2018 to June 1, 2035	45,475,000	44,700,000	44,945,000
2016 A	2.500% to 5.000%	June 1, 2018 to June 1, 2036	52,070,000	41,795,000	45,290,000
2016 C	2.000% to 5.000%	June 1, 2018 to June 1, 2046	67,540,000	64,070,000	65,415,000
2016 D	2.000% to 5.000%	June 1, 2018 to June 1, 2046	116,485,000	108,255,000	112,820,000
2016 E	3.000% to 5.000%	June 1, 2018 to June 1, 2046	40,870,000	33,820,000	36,525,000
2016 F	3.375% to 5.000%	June 1, 2018 to June 1, 2046	38,575,000	34,625,000	38,330,000
2017A	3.000% to 5.000%	June 1, 2018 to June 1, 2046	60,265,000	56,420,000	58,825,000
2017 C	3.000% to 5.000%	June 1, 2018 to June 1, 2030	37,675,000	32,435,000	37,675,000
2017 E	5.000%	June 1, 2019 to June 1, 2038	40,190,000	39,740,000	-
2018 A	3.250% to 5.000%	June 1, 2019 to June 1, 2038	124,330,000	121,530,000	-
2018 B	2.50% to 5.000%	June 1, 2019 to June 1, 2031	22,530,000	22,530,000	-
			1,416,860,000	936,695,000	955,000,000

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount	
				June 30, 2018	June 30, 2017
<b>Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt</b>					
2007 B	4.750% to 5.000%	June 15, 2018 to June 15, 2034	\$ 38,475,000	\$ -	\$ 18,195,000
2007 C	4.250% to 5.250%	June 15, 2018 to June 15, 2027	131,860,000	-	37,500,000
2013 C-1	2.000% to 4.000%	June 15, 2018 to June 15, 2028	3,745,000	-	2,540,000
2013 C-2	2.900% to 5.000%	June 15, 2018 to June 15, 2029	10,550,000	-	6,915,000
2014 A-1	2.000% to 5.000%	June 15, 2018 to June 15, 2033	15,135,000	12,900,000	13,490,000
2014 A-2	4.432% to 4.491%	June 15, 2018 to June 15, 2034	16,805,000	10,725,000	12,240,000
2015 A	3.000% to 5.000%	June 15, 2018 to June 15, 2035	63,390,000	53,670,000	56,325,000
2015 D	4.000% to 5.000%	June 15, 2018 to June 15, 2027	29,355,000	23,625,000	25,440,000
2016 B	5.000%	June 15, 2018 to June 15, 2021	8,950,000	4,630,000	6,045,000
2017 B	2.250% to 5.000%	June 15, 2018 to June 15, 2046	68,015,000	53,385,000	62,240,000
2017 D	5.000%	June 15, 2019 to June 15, 2033	41,395,000	38,955,000	-
2017 F	1.883% to 5.000%	June 15, 2019 to June 15, 2036	19,315,000	18,370,000	-
2018 C-1	4.000% to 5.000%	June 15, 2019 to June 15, 2039	19,400,000	19,400,000	-
2018 C-2	2.496% to 5.000%	June 15, 2019 to June 15, 2038	13,175,000	13,175,000	-
			479,565,000	248,835,000	240,930,000
Total bonds outstanding			\$ 1,896,425,000	1,185,530,000	240,930,000
Add net unamortized premium				121,339,907	98,369,183
Total bonds payable, net				1,306,869,907	339,299,183
Less current portion of bonds payable				(101,240,000)	(123,840,000)
Noncurrent portion of bonds payable				\$1,205,629,907	\$ 215,459,183

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Maturities of bonds payable and interest are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2019	\$ 101,240,000	\$ 53,875,885	\$ 155,115,885
2020	100,210,000	49,422,549	149,632,549
2021	101,165,000	44,690,824	145,855,824
2022	93,515,000	39,843,929	133,358,929
2023	88,320,000	35,384,427	123,704,427
2024-2028	333,795,000	120,954,785	454,749,785
2029-2033	203,800,000	58,055,514	261,855,514
2034-2038	127,000,000	19,531,547	146,531,547
2039-2043	29,530,000	3,423,036	32,953,036
2044-2048	6,955,000	418,200	7,373,200
	<u>1,185,530,000</u>	<u>\$ 425,600,696</u>	<u>\$ 1,611,130,696</u>
Add unamortized premium	121,339,907		
Bonds payable, net	<u><u>\$ 1,306,869,907</u></u>		

The bonds payable activity is as follows:

**Activity for Fiscal Year 2018**

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018	Due within One Year
Bonds payable	\$ 1,195,930,000	\$ 273,700,000	\$ 284,100,000	\$ 1,185,530,000	\$ 101,240,000
Add unamortized premium	98,369,183	32,282,111	9,311,387	121,339,907	-
Total	<u>\$ 1,294,299,183</u>	<u>\$ 305,982,111</u>	<u>\$ 293,411,387</u>	<u>\$ 1,306,869,907</u>	<u>\$ 101,240,000</u>

**Activity for Fiscal Year 2017**

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017	Due within One Year
Bonds payable	\$ 1,050,145,000	\$ 361,885,000	\$ 216,100,000	\$ 1,195,930,000	\$ 123,840,000
Add unamortized premium	64,303,718	45,336,842	11,271,377	98,369,183	-
Total	<u>\$ 1,114,448,718</u>	<u>\$ 407,221,842</u>	<u>\$ 227,371,377</u>	<u>\$ 1,294,299,183</u>	<u>\$ 123,840,000</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

Current and Advance Refunding of Debt

During the fiscal year ended June 30, 2018, there was no current and advance refunding of debt.

During the fiscal year ended June 30, 2017, the PPRF Revenue Refunding Bonds Senior Lien 2017C series, issued in the total par amount of \$37,675,000, refunded the outstanding portion of the PPRF Revenue Bonds Senior Lien 2007E series in the amount of \$34,672,636. The refunding resulted in debt service savings over 1 to 15 years of \$7,299,799 and a Net Present Value (NPV) savings of \$5,755,633.

Additionally, during the fiscal year ended June 30, 2017, the PPRF Revenue Refunding Bonds Senior Lien 2016E series, issued in the total par amount of \$40,870,000, refunded the outstanding portion of the PPRF Revenue Bonds Senior Lien 2006B series in the amount of \$24,589,330. The refunding resulted in debt service savings over 13 to 20 years of \$7,945,508 and a NPV savings of \$5,954,249.

**7) Line of Credit**

NMFA maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000. Using the Supplemental Credit Reserve Fund as collateral, up to \$15,000,000 of the line can be drawn for general PPRF liquidity purposes and can be repaid prior to the end of the fiscal year. Less any draws for liquidity purposes, the remainder of the line is available for obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain PPRF Revenue Bonds and to reimburse NMFA 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 London Interbank Offered Rate (LIBOR) plus 55 basis points. The LIBOR rate at June 30, 2018, was 2.09%. NMFA pays a 25 basis point fee on the unused portion of the facility. For fiscal year 2018, the line of credit had \$26,700,000 of proceeds and payments resulting in a zero balance at year end. During fiscal year 2017, the line of credit had no activity.

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**8) Operating Lease Commitment**

NMFA is committed under various lease agreements for office space and office equipment. These leases are classified as operating leases. Lease expenditures for the years ended June 30, 2018 and 2017, were \$393,992 and \$389,092. Future minimum lease payments are as follows:

Fiscal year ending June 30	
2019	\$383,127
2020	<u>258,000</u>
<b>Total</b>	<b><u><u>\$641,127</u></u></b>

**9) Retirement Plans**

The NMFA’s retirement plan was organized under Section 401(a) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of NMFA. Each eligible employee participating in the plan must contribute 3% of their compensation, to which NMFA makes a matching contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. NMFA also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and NMFA contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. NMFA’s contributions for this retirement plan for the years ended June 30, 2018 and 2017, respectively, were \$514,163 and \$524,015. Additionally, employee contributions for the retirement plan for the years ended June 30, 2018 and 2017, respectively, were \$174,186 and \$169,633. All full-time employees participate in this plan.

NMFA maintains a retirement plan in accordance with an “eligible deferred compensation plan” pursuant to Section 457 of the Internal Revenue Code for its highly compensated employees. 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, 2018 and 2017.

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**10) Compensated Absences**

The following changes occurred during the fiscal year in the compensated absences liabilities:

Balance at June 30, 2017	\$ 328,848
Additions	242,085
Deletions	<u>(149,298)</u>
Balance at June 30, 2018	<u>421,635</u>
Due within one year	<u><u>\$ 421,635</u></u>

Balance at June 30, 2016	\$ 332,213
Additions	323,227
Deletions	<u>(326,592)</u>
Balance at June 30, 2017	<u>328,848</u>
Due within one year	<u><u>\$ 328,848</u></u>

**11) Agency Transactions**

NMFA acts as a fiscal agent for the NMDOT.

NMFA has been authorized since 2003 to issue bonds on behalf of NMDOT. Approximately \$1.1 and \$1.2 billion of such bonds are outstanding at June 30, 2018 and 2017, respectively.

Debt service for the bonds is payable solely from certain revenues of NMDOT. In the opinion of legal counsel, there is no claim that could be asserted against NMFA's assets for payment of debt service on the bonds; therefore, these bonds are not reflected in NMFA's financial statements. NMFA receives a biannual cost reimbursement from NMDOT equal to the actual and overhead costs for management of the bond issues.

**12) Contingencies**

Litigation

In the normal course of operations, NMFA 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 NMFA.



**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

NMFA 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. NMFA participates in the State of New Mexico self-insurance program offered through the Risk Management Division of the New Mexico General Services Department. Under this program, NMFA pays an annual premium to the State for the following types of insurance coverage:

- ◆ Workers' compensation insurance
- ◆ General liability insurance
- ◆ Civil rights
- ◆ Auto physical damage insurance
- ◆ Crime insurance

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

**13) Related Party Transactions**

NMFA 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 NMFA's Board of Directors. Additionally, a representative serving on the Board holds a position as Cabinet Secretary of the New Mexico Environmental Department (NMED). NMFA is partnered with the NMED in the administration of the DWSRLF federal program pursuant to a Memorandum of Understanding.

**14) Finance New Mexico, LLC**

NMFA has invested in, and is the managing member of FNMLLC, which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is a certified Community Development Entity (CDE) that holds 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 to enhance the return on such investments by providing its members with federal new markets 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 over a seven-year period.

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

In accordance with the operating agreement of FNMLLC, 99% of profits, losses and cash flows are allocated to NMFA, the managing member, and 1% to New Mexico Community Capital, the non-managing member.

FNMLLC is a blended component unit of NMFA. As such, NMFA has consolidated FNMLLC's financial statement amounts within NMFA's NMTC program. The condensed component unit information for FNMLLC and subsidiaries for the years ended June 30, 2018 and 2017 was as follows:

<b><u>Statement of Net Position</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Assets</b>		
Cash	\$ 6,320,331	\$ 5,589,385
Asset management fee receivable	670,333	214,999
Investment in Limited Liability Companies	16,017	13,271
<b>Total assets</b>	<b>\$ 7,006,681</b>	<b>\$ 5,817,655</b>
<b>Liabilities</b>		
Accrued Expenses	\$ 97,383	\$ 94,848
Due to affiliate	896,660	488,441
<b>Total liabilities</b>	<b>994,043</b>	<b>583,289</b>
<b>Net Position</b>		
Unrestricted	6,012,638	5,234,366
<b>Total liabilities and net position</b>	<b>\$ 7,006,681</b>	<b>\$ 5,817,655</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

<b>Statement of Revenue, Expenses and Changes in Net Position</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenue</b>		
Interest earned on cash	\$ 3,990	\$ 1,698
Sponsor fee income	450,000	582,120
Exit fees	297,279	764,281
Asset management fee income	609,573	719,517
<b>Total operating income</b>	<b>1,360,842</b>	<b>2,067,616</b>
 <b>Operating Expenses</b>		
Sponsor fee expense	412,031	533,731
Professional fees	54,600	83,450
Gross receipts tax	114,298	166,741
Bank fees	480	11,488
<b>Total operating expenses</b>	<b>581,409</b>	<b>795,410</b>
<b>Net operating income</b>	<b>779,433</b>	<b>1,272,206</b>
 <b>Nonoperating Income</b>		
Share of income (loss) from investment in LLC's	(1,161)	722
Increase in net position	778,272	1,272,928
Net position, beginning of year	5,234,366	3,961,438
<b>Net position, end of year</b>	<b>\$ 6,012,638</b>	<b>\$ 5,234,366</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

<u>Statement of Cash Flow</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Sponsor fees	\$ 450,000	\$ 582,120
Asset management fees	154,239	1,349,212
Exit fees	297,279	764,281
Total receipts	<u>901,518</u>	<u>2,695,613</u>
Payments to vendors	(54,600)	(112,600)
Payment of sponsor fees to NMFA	-	(549,088)
Payment of exit fees to NMFA	-	(746,905)
Payment of gross receipts tax	(111,763)	(161,987)
Bank fees	(480)	(11,494)
Total disbursements	<u>(166,843)</u>	<u>(1,582,074)</u>
<b>Net cash provided by operating activities</b>	<u>734,675</u>	<u>1,113,539</u>
<b>Cash flows from investing activities</b>		
Investment income	3,990	1,698
Capital contributions to Limited Liability Companies	(4,000)	(100)
Return of capital from Limited Liability Companies	265	2,255
Distributions from Limited Liability Companies	841	32
Deconsolidation of Limited Liability Companies	(4,825)	-
<b>Net cash (used in) provided by investing activities</b>	<u>(3,729)</u>	<u>3,885</u>
<b>Net increase in cash and cash equivalents</b>	<b>730,946</b>	<b>1,117,424</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,589,385</b>	<b>4,471,961</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 6,320,331</b>	<b>\$ 5,589,385</b>

## **SUPPLEMENTARY SCHEDULES**

	PPRF	Behavioral Health	Colonias	DWSRLF	SM	Local Government Planning Fund
<b>Assets</b>						
Current assets						
Cash and equivalents						
Unrestricted	\$ 23,271,873	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	183,035,751	2,170,325	1,184,846	27,077,564	2,542,443	3,733,224
Interest receivable	7,729,942	1,891	-	216,174	-	-
Grants and other receivable	342,491	-	-	-	-	-
Due from other funds	5,921,558	-	-	-	-	-
Prepaid rent	19,500	-	-	-	-	-
Administrative fees receivable	1,331,213	-	-	95,185	-	-
Loans receivable, net of allowance	139,934,425	61,766	195,201	5,607,568	96,759	-
<b>Total current assets</b>	<b>361,586,753</b>	<b>2,233,982</b>	<b>1,380,047</b>	<b>32,996,491</b>	<b>2,639,202</b>	<b>3,733,224</b>
Noncurrent assets						
Restricted investments	307,908,070	-	-	42,427,989	-	-
Loans receivable, net of allowance	1,279,570,748	198,022	3,560,342	81,643,188	943,888	-
Capital assets, net of accumulated depreciation	699,649	-	-	-	-	-
<b>Total assets</b>	<b>1,949,765,220</b>	<b>2,432,004</b>	<b>4,940,389</b>	<b>157,067,668</b>	<b>3,583,090</b>	<b>3,733,224</b>
<b>Deferred Outflows of Resources</b>						
Deferred loss on refunding	793,710	-	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>793,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Current liabilities						
Accounts payable	353,917	-	-	-	-	-
Accrued payroll	233,251	-	-	-	-	-
Compensated absences	421,635	-	-	-	-	-
Due to other funds	52	358,929	3,248,237	297,687	1,384,025	-
Bond interest payable	3,960,649	-	-	-	-	-
Undisbursed loan proceeds	267,191,118	-	-	-	-	-
Advanced loan payments	85,618,003	-	-	751,682	-	-
Bonds payable, net	101,240,000	-	-	-	-	-
Other liabilities	131,945	-	-	1,803,743	-	-
<b>Total current liabilities</b>	<b>459,150,570</b>	<b>358,929</b>	<b>3,248,237</b>	<b>2,853,112</b>	<b>1,384,025</b>	<b>-</b>
Noncurrent liabilities						
Bonds payable, net	1,205,629,907	-	-	-	-	-
<b>Total liabilities</b>	<b>1,664,780,477</b>	<b>358,929</b>	<b>3,248,237</b>	<b>2,853,112</b>	<b>1,384,025</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>						
Deferred gain on refunding	4,971,687	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>4,971,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	699,649	-	-	-	-	-
Restricted for program commitments	257,436,322	2,432,004	4,940,389	154,512,243	3,583,090	3,733,224
Unrestricted	22,670,795	(358,929)	(3,248,237)	(297,687)	(1,384,025)	-
<b>Total net position</b>	<b>\$ 280,806,766</b>	<b>\$ 2,073,075</b>	<b>\$ 1,692,152</b>	<b>\$ 154,214,556</b>	<b>\$ 2,199,065</b>	<b>\$ 3,733,224</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Net Position**  
**June 30, 2018**

New Markets Tax Credits	Primary Care	SSBCI	Water Trust Board	Other Programs	Intra-Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,271,873
6,423,242	3,361,904	32,749	7,957,980	222,661	-	237,742,689
-	4,072	-	-	-	-	7,952,079
16,017	-	-	-	-	-	358,508
605,623	-	-	-	-	(6,527,181)	-
-	-	-	-	-	-	19,500
670,333	-	-	9,725	-	-	2,106,456
-	239,903	128,205	2,311,547	-	-	148,575,374
<u>7,715,215</u>	<u>3,605,879</u>	<u>160,954</u>	<u>10,279,252</u>	<u>222,661</u>	<u>(6,527,181)</u>	<u>420,026,479</u>
-	-	-	11,422,920	-	-	361,758,979
-	1,528,961	2,752,196	29,363,945	-	-	1,399,561,290
-	-	-	-	-	-	699,649
<u>7,715,215</u>	<u>5,134,840</u>	<u>2,913,150</u>	<u>51,066,117</u>	<u>222,661</u>	<u>(6,527,181)</u>	<u>2,182,046,397</u>
-	-	-	-	-	-	793,710
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,710</u>
-	-	-	-	-	-	353,917
-	-	-	-	-	-	233,251
-	-	-	-	-	-	421,635
-	569,089	669,162	-	-	(6,527,181)	-
-	-	-	-	-	-	3,960,649
-	-	-	-	-	-	267,191,118
-	16,785	-	-	228	-	86,386,698
-	-	-	-	-	-	101,240,000
487,532	-	-	-	-	-	2,423,220
<u>487,532</u>	<u>585,874</u>	<u>669,162</u>	<u>-</u>	<u>228</u>	<u>(6,527,181)</u>	<u>462,210,488</u>
-	-	-	-	-	-	1,205,629,907
<u>487,532</u>	<u>585,874</u>	<u>669,162</u>	<u>-</u>	<u>228</u>	<u>(6,527,181)</u>	<u>1,667,840,395</u>
-	-	-	-	-	-	4,971,687
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,971,687</u>
-	-	-	-	-	-	699,649
6,626,660	5,118,055	2,913,150	51,066,117	222,433	-	492,583,687
601,023	(569,089)	(669,162)	-	-	-	16,744,689
<u>\$ 7,227,683</u>	<u>\$ 4,548,966</u>	<u>\$ 2,243,988</u>	<u>\$ 51,066,117</u>	<u>\$ 222,433</u>	<u>\$ -</u>	<u>\$ 510,028,025</u>

	PPRF	Behavioral Health	Colonias	DWSRLF	SM	Local Government Planning Fund
<b>Assets</b>						
Current assets						
Cash and equivalents						
Unrestricted	\$ 22,761,512	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	176,564,015	524,525	811,129	16,909,442	325,083	6,377,731
Interest receivable	5,143,303	4,138	-	216,091	-	-
Grants and other receivables	-	-	-	-	-	-
Due from other funds	4,971,802	-	-	-	-	-
Prepaid rent	19,500	-	-	-	-	-
Administrative fees receivable	219,833	-	-	375	-	-
Loans receivable, net of allowance	105,371,191	97,087	157,216	5,372,963	175,134	-
<b>Total current assets</b>	<b>315,051,156</b>	<b>625,750</b>	<b>968,345</b>	<b>22,498,871</b>	<b>500,217</b>	<b>6,377,731</b>
Noncurrent assets						
Restricted investments	328,814,510	1,541,806	-	43,941,470	1,541,806	-
Loans receivable, net of allowance	1,253,492,503	757,634	3,078,448	81,182,677	1,379,565	-
Capital assets, net of accumulated depreciation	616,594	-	-	-	-	-
<b>Total assets</b>	<b>1,897,974,763</b>	<b>2,925,190</b>	<b>4,046,793</b>	<b>147,623,018</b>	<b>3,421,588</b>	<b>6,377,731</b>
<b>Deferred Outflows of Resources</b>						
Deferred loss on refunding	843,732	-	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>843,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Current liabilities						
Accounts payable	207,745	-	-	-	-	-
Accrued payroll	243,439	-	-	-	-	-
Compensated absences	328,848	-	-	-	-	-
Due to other funds	164,716	328,119	2,723,617	322,101	1,310,510	-
Bond interest payable	4,183,050	-	-	-	-	-
Undisbursed loan proceeds	226,538,142	-	-	-	-	-
Advanced loan payments	85,501,207	-	-	790,788	-	-
Line of credit	-	-	-	-	-	-
Bonds payable, net	123,840,000	-	-	-	-	-
Other liabilities	225,766	-	-	-	-	-
<b>Total current liabilities</b>	<b>441,232,913</b>	<b>328,119</b>	<b>2,723,617</b>	<b>1,112,889</b>	<b>1,310,510</b>	<b>-</b>
Noncurrent liabilities						
Bonds payable, net	1,170,459,183	-	-	-	-	-
<b>Total liabilities</b>	<b>1,611,692,096</b>	<b>328,119</b>	<b>2,723,617</b>	<b>1,112,889</b>	<b>1,310,510</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>						
Deferred gain on refunding	5,663,528	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>5,663,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	616,594	-	-	-	-	-
Restricted for program commitments	258,208,608	2,925,190	4,046,793	146,832,230	3,421,588	6,377,731
Unrestricted	22,637,669	(328,119)	(2,723,617)	(322,101)	(1,310,510)	-
<b>Total net position</b>	<b>\$ 281,462,871</b>	<b>\$ 2,597,071</b>	<b>\$ 1,323,176</b>	<b>\$ 146,510,129</b>	<b>\$ 2,111,078</b>	<b>\$ 6,377,731</b>



**NEW MEXICO FINANCE AUTHORITY**  
**Combined Statement of Net Position**  
**June 30, 2017**

New Markets Tax Credits	Primary Care	SSBCI	Water Trust Board	Other Programs	Intra-Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,761,512
5,641,448	1,928,789	-	7,982,147	1,333,382	-	218,397,691
-	7,367	-	-	-	-	5,370,899
13,271	-	-	-	-	-	13,271
1,225,951	-	-	-	3,396	(6,201,149)	-
-	-	-	-	-	-	19,500
214,999	-	-	10,789	-	-	445,996
-	489,270	1,268,134	2,076,197	-	-	115,007,192
7,095,669	2,425,426	1,268,134	10,069,133	1,336,778	(6,201,149)	362,016,061
-	-	3,444,676	5,781,772	385,451	-	385,451,491
-	2,678,489	2,789,659	29,702,069	-	-	1,375,061,044
-	-	-	-	-	-	616,594
7,095,669	5,103,915	7,502,469	45,552,974	1,722,229	(6,201,149)	2,123,145,190
-	-	-	-	-	-	843,732
-	-	-	-	-	-	843,732
94,848	-	-	-	228	-	302,821
-	-	-	-	-	-	243,439
-	-	-	-	-	-	328,848
-	541,577	689,055	-	121,454	(6,201,149)	-
-	-	-	-	-	-	4,183,050
-	-	-	-	62,092	-	226,600,234
-	16,785	-	-	-	-	86,308,780
-	-	-	-	-	-	-
-	-	-	-	-	-	123,840,000
393,961	-	-	-	-	-	619,727
488,809	558,362	689,055	-	183,774	(6,201,149)	442,426,899
-	-	-	-	-	-	1,170,459,183
488,809	558,362	689,055	-	183,774	(6,201,149)	1,612,886,082
-	-	-	-	-	-	5,663,528
-	-	-	-	-	-	5,663,528
-	-	-	-	-	-	616,594
5,380,909	5,087,130	7,502,469	45,552,974	1,656,513	-	486,992,135
1,225,951	(541,577)	(689,055)	-	(118,058)	-	17,830,583
\$ 6,606,860	\$ 4,545,553	\$ 6,813,414	\$ 45,552,974	\$ 1,538,455	\$ -	\$ 505,439,312

	PPRF	Behavioral Health	Colonias	DWSRLF	SM	Local Government Planning Fund
<b>Operating Revenue</b>						
Interest on loans	\$ 51,079,532	\$ 24,944	\$ -	\$ 1,442,318	\$ 13,390	\$ -
Administrative fees revenue	3,693,061	-	-	318,900	-	-
Interest on investments	2,034,647	26,688	10,187	580,754	28,498	59,118
<b>Total operating revenues</b>	<b>56,807,240</b>	<b>51,632</b>	<b>10,187</b>	<b>2,341,972</b>	<b>41,888</b>	<b>59,118</b>
<b>Operating Expenses</b>						
Bond interest expense	45,522,536	-	-	-	-	-
Grants to others	-	-	14,178,540	10,384,187	-	2,211,199
Loan financing pass-through	7,059,254	-	-	-	-	-
Salaries and benefits	2,388,329	14,861	285,118	111,473	31,878	370,180
Bond issuance costs	1,971,304	-	-	-	-	-
Professional services	1,569,428	12,241	170,818	3,430	35,914	43,166
Other operating costs	561,915	20,814	45,415	39,321	3,269	46,036
Provision for loan losses	190,138	526,058	-	-	(119,614)	-
Interest expense	331,022	-	-	-	-	-
Rent and utilities	221,978	1,654	23,269	37,208	2,454	33,044
Depreciation expense	51,674	-	-	-	-	-
<b>Total operating expenses</b>	<b>59,867,578</b>	<b>575,628</b>	<b>14,703,160</b>	<b>10,575,619</b>	<b>(46,099)</b>	<b>2,703,625</b>
<b>Net operating (loss) income</b>	<b>(3,060,338)</b>	<b>(523,996)</b>	<b>(14,692,973)</b>	<b>(8,233,647)</b>	<b>87,987</b>	<b>(2,644,507)</b>
<b>Nonoperating Revenues (Expenses)</b>						
Appropriation revenue	30,663,733	-	-	1,800,000	-	-
Federal grant revenue	-	-	-	14,138,074	-	-
Transfers from the State of New Mexico	-	-	15,061,949	-	-	-
Inter-fund transfers	(59,500)	-	-	-	-	-
Transfers to the State of New Mexico	(28,200,000)	-	-	-	-	-
Reversions	-	-	-	-	-	-
Increase (decrease) in net position	(656,105)	(523,996)	368,976	7,704,427	87,987	(2,644,507)
Net position, beginning of year	281,462,871	2,597,071	1,323,176	146,510,129	2,111,078	6,377,731
<b>Net position, end of year</b>	<b>\$ 280,806,766</b>	<b>\$ 2,073,075</b>	<b>\$ 1,692,152</b>	<b>\$ 154,214,556</b>	<b>\$ 2,199,065</b>	<b>\$ 3,733,224</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combined Statement of Revenue, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

<b>New Markets Tax Credits</b>	<b>Primary Care</b>	<b>SSBCI</b>	<b>Water Trust Board</b>	<b>Other Programs</b>	<b>Total</b>
\$ -	\$ 69,387	\$ 102,514	\$ -	\$ -	\$ 52,732,085
1,356,852	-	-	91,881	-	5,460,694
3,677	25,676	18,633	167,479	8,844	2,964,201
<u>1,360,529</u>	<u>95,063</u>	<u>121,147</u>	<u>259,360</u>	<u>8,844</u>	<u>61,156,980</u>
-	-	-	-	-	45,522,536
-	-	-	9,369,941	-	36,143,867
-	-	-	-	-	7,059,254
387,181	21,718	97,564	479,892	(77,269)	4,110,925
-	-	-	-	-	1,971,304
150,565	1,853	10,489	177,873	(20,749)	2,155,028
171,396	66,469	13,751	67,266	(17,598)	1,018,054
-	-	(61,968)	-	-	534,614
-	-	-	-	-	331,022
30,564	1,610	9,097	40,960	(7,846)	393,992
-	-	-	-	-	51,674
<u>739,706</u>	<u>91,650</u>	<u>68,933</u>	<u>10,135,932</u>	<u>(123,462)</u>	<u>99,292,270</u>
<u>620,823</u>	<u>3,413</u>	<u>52,214</u>	<u>(9,876,572)</u>	<u>132,306</u>	<u>(38,135,290)</u>
-	-	-	4,000,000	-	36,463,733
-	-	-	-	-	14,138,074
-	-	-	11,389,715	-	26,451,664
-	-	-	-	59,500	-
-	-	(4,621,640)	-	(1,507,828)	(34,329,468)
-	-	-	-	-	-
<u>620,823</u>	<u>3,413</u>	<u>(4,569,426)</u>	<u>5,513,143</u>	<u>(1,316,022)</u>	<u>4,588,713</u>
<u>6,606,860</u>	<u>4,545,553</u>	<u>6,813,414</u>	<u>45,552,974</u>	<u>1,538,455</u>	<u>505,439,312</u>
<u>\$ 7,227,683</u>	<u>\$ 4,548,966</u>	<u>\$2,243,988</u>	<u>\$51,066,117</u>	<u>\$ 222,433</u>	<u>\$ 510,028,025</u>

	PPRF	Behavioral Health	Colonias	DWSRLF	SM	Local Government Planning Fund
<b>Operating Revenue</b>						
Interest on loans	\$ 46,217,201	\$ 29,293	\$ -	\$ 1,345,594	\$ 74,311	\$ -
Administrative fees revenue	3,333,747	-	-	203,999	-	-
Interest on investments	348,288	11,914	2,454	326,404	10,455	62,491
<b>Total operating revenues</b>	<b>49,899,236</b>	<b>41,207</b>	<b>2,454</b>	<b>1,875,997</b>	<b>84,766</b>	<b>62,491</b>
<b>Operating Expenses</b>						
Bond interest expense	51,090,816	(1,970)	-	-	-	-
Grants to others	250,000	-	13,153,497	5,155,506	-	1,612,946
Loan financing pass-through	17,476,331	-	-	-	-	-
Salaries and benefits	2,787,465	29,976	261,271	54,000	40,172	238,174
Bond issuance costs	2,847,995	-	-	-	-	-
Administrative fees	112,433	-	-	-	-	-
Professional services	1,557,894	4,620	169,487	98,662	20,884	46,079
Other operating costs	902,115	23,579	67,055	91,659	10,427	47,217
Provision for loan losses	120,313	-	-	-	303,586	-
Interest expense	395,624	-	-	-	-	-
Depreciation expense	3,240	-	-	-	-	-
<b>Total operating expenses</b>	<b>77,544,226</b>	<b>56,205</b>	<b>13,651,310</b>	<b>5,399,827</b>	<b>375,069</b>	<b>1,944,416</b>
<b>Net operating (loss) income</b>	<b>(27,644,990)</b>	<b>(14,998)</b>	<b>(13,648,856)</b>	<b>(3,523,830)</b>	<b>(290,303)</b>	<b>(1,881,925)</b>
<b>Nonoperating Revenues (Expenses)</b>						
Appropriation revenue	29,540,672	1,038,297	-	-	-	-
Federal grant revenue	-	-	-	8,511,355	-	-
Transfers from the State of New Mexico	-	-	14,415,159	-	-	-
Inter-fund transfers	(4,742,126)	(57,874)	-	1,800,000	-	3,000,000
Transfers to the State of New Mexico	(10,407,347)	-	-	-	-	-
Reversions	-	-	-	-	-	-
(Decrease) increase in net position	(13,253,791)	965,425	766,303	6,787,525	(290,303)	1,118,075
Net position, beginning of year	294,716,662	1,631,646	556,873	139,722,604	2,401,381	5,259,656
<b>Net position, end of year</b>	<b>\$ 281,462,871</b>	<b>\$ 2,597,071</b>	<b>\$ 1,323,176</b>	<b>\$ 146,510,129</b>	<b>\$ 2,111,078</b>	<b>\$ 6,377,731</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combined Statement of Revenue, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**

New Markets Tax Credits	Primary Care	SSBCI	Water Trust Board	Other Programs	Total
\$ -	\$ 84,534	\$ 114,107	\$ -	\$ 84	\$ 47,865,124
2,065,918	-	-	97,536	-	5,701,200
2,924	10,688	23,323	135,047	12,525	946,513
<u>2,068,842</u>	<u>95,222</u>	<u>137,430</u>	<u>232,583</u>	<u>12,609</u>	<u>54,512,837</u>
-	-	-	-	-	51,088,846
-	-	-	31,127,259	-	51,299,208
-	-	-	-	-	17,476,331
371,189	19,167	160,022	501,741	651	4,463,828
-	-	-	-	-	2,847,995
-	-	-	-	-	112,433
178,741	1,961	15,855	475,687	193	2,570,063
259,915	70,557	34,429	118,953	156	1,626,062
-	-	34,802	-	-	458,701
-	-	-	-	-	395,624
-	-	-	-	-	3,240
<u>809,845</u>	<u>91,685</u>	<u>245,108</u>	<u>32,223,640</u>	<u>1,000</u>	<u>132,342,331</u>
1,258,997	3,537	(107,678)	(31,991,057)	11,609	(77,829,494)
-	-	-	4,000,000	-	34,578,969
-	-	-	-	-	8,511,355
-	-	-	30,527,900	-	44,943,059
-	-	-	-	-	-
-	405	-	-	-	(10,406,942)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,258,997	3,942	(107,678)	2,536,843	11,609	(203,053)
5,347,863	4,541,611	6,921,092	43,016,131	1,526,846	505,642,365
<u>\$ 6,606,860</u>	<u>\$ 4,545,553</u>	<u>\$ 6,813,414</u>	<u>\$ 45,552,974</u>	<u>\$ 1,538,455</u>	<u>\$ 505,439,312</u>

	Behavioral				
	PPRF	Health	Colonias	DWSRLF	SM
<b>Cash flows from operating activities</b>					
Cash paid for employee services	\$ (3,203,734)	\$ -	\$ -	\$ (111,473)	\$ -
Cash paid to vendors for services	(2,633,838)	(18,760)	-	(100,630)	-
Loan payments received	192,543,836	68,875	361,871	6,385,818	633,666
Loans funded	(211,862,717)	-	(881,750)	(7,120,040)	-
Grants to local governments	-	-	(14,178,540)	(10,384,187)	-
Cash received from federal gov't capitalization grant	-	-	-	14,138,074	-
Interest on loans	48,433,775	27,191	-	1,442,235	13,390
Administrative fees received	2,584,427	-	-	224,090	-
<b>Net cash provided by (used in) operating activities</b>	<b>25,861,749</b>	<b>77,306</b>	<b>(14,698,419)</b>	<b>4,473,887</b>	<b>647,056</b>
<b>Cash flows from noncapital financing activities</b>					
Appropriations received from the State of New Mexico	30,663,733	-	-	1,800,000	-
Cash transfers from the State of New Mexico	-	-	15,061,949	-	-
Cash transfers to the State of New Mexico	(28,200,000)	-	-	-	-
Intra-program transfers	(2,355,696)	-	-	1,800,000	-
Proceeds from the sale of bonds, including premiums	305,982,111	-	-	-	-
Payment of bonds	(284,100,000)	-	-	-	-
Bond issuance costs	(1,971,304)	-	-	-	-
Bond interest expense paid	(55,885,612)	-	-	-	-
Proceeds from line of credit	26,700,000	-	-	-	-
Payments on line of credit	(26,700,000)	-	-	-	-
Loan financing pass-through to borrower	(7,059,254)	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(42,926,022)</b>	<b>-</b>	<b>15,061,949</b>	<b>3,600,000</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Sale (Purchase) of investments, net	22,161,789	1,541,806	-	1,308,002	1,541,806
Interest received on investments	2,019,310	26,688	10,187	786,233	28,498
Capital financing activities	(134,729)	-	-	-	-
<b>Net cash (used in) provided by investing activities</b>	<b>24,046,370</b>	<b>1,568,494</b>	<b>10,187</b>	<b>2,094,235</b>	<b>1,570,304</b>
Net increase (decrease) in cash and cash equivalents	6,982,097	1,645,800	373,717	10,168,122	2,217,360
Cash and cash equivalents, beginning of year	199,325,527	524,525	811,129	16,909,442	325,083
<b>Cash and cash equivalents, end of year</b>	<b>\$ 206,307,624</b>	<b>\$ 2,170,325</b>	<b>\$ 1,184,846</b>	<b>\$ 27,077,564</b>	<b>\$ 2,542,443</b>
<b>Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities</b>					
Net operating income (loss)	\$ (3,060,338)	\$ (523,996)	\$ (14,692,973)	\$ (8,233,647)	\$ 87,987
Adjustments to change in net position					
Deferred Revenue	-	-	-	(1,800,000)	-
Depreciation	51,674	-	-	-	-
Amortization on bond premiums	(9,311,387)	-	-	-	-
Provision for loan losses	190,138	526,058	-	-	(119,614)
Interest on investments	(2,093,765)	(26,688)	(10,187)	(580,754)	(28,498)
Bond interest paid	54,774,863	-	-	-	-
Loan financing pass-through to borrowers	7,059,254	-	-	-	-
Bond issuance costs	1,971,304	-	-	-	-
Cash received from federal grants	-	-	-	14,138,074	-
Interest expense	331,022	-	-	-	-
Changes in assets and liabilities					
Interest receivable	(2,586,639)	2,247	-	(83)	-
Grants and other receivables	(342,491)	-	-	-	-
Due from other programs	105,340	-	-	(94,810)	-
Administrative fees receivable	(1,206,190)	-	-	-	-
Loans receivable, net of allowance	(60,761,094)	594,933	(519,879)	(695,116)	633,666
Accounts payable	145,944	-	-	-	-
Accrued payroll	(10,188)	-	-	-	-
Compensated absences	92,787	-	-	-	-
Due to other programs	(164,664)	(495,248)	524,620	(24,414)	73,515
Undisbursed loan proceeds	40,652,976	-	-	-	-
Advanced loan payments	117,024	-	-	(39,106)	-
Other liabilities	(93,821)	-	-	1,803,743	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 25,861,749</b>	<b>\$ 77,306</b>	<b>\$ (14,698,419)</b>	<b>\$ 4,473,887</b>	<b>\$ 647,056</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combined Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

Local Government Planning Fund	New Markets Tax Credits	Primary Care	SSBCI	Water Trust Board	Other Programs	Intra-Program Eliminations	Total
\$ (370,180)	\$ -	\$ (21,718)	\$ -	\$ (479,892)	\$ -	\$ -	\$ (4,186,997)
(122,246)	(120,655)	(42,420)	-	(1,052,089)	62,312	-	(4,028,326)
-	-	1,398,895	1,421,714	3,142,743	-	-	205,957,418
-	-	-	(182,354)	(3,039,968)	-	-	(223,086,829)
(2,211,199)	-	-	-	(9,369,941)	-	-	(36,143,867)
-	-	-	-	-	-	-	14,138,074
59,118	-	72,682	102,514	-	-	-	50,150,905
-	898,772	-	-	92,945	-	-	3,800,234
<u>(2,644,507)</u>	<u>778,117</u>	<u>1,407,439</u>	<u>1,341,874</u>	<u>(10,706,202)</u>	<u>62,312</u>	<u>-</u>	<u>6,600,612</u>
-	-	-	-	4,000,000	-	-	36,463,733
-	-	-	-	11,389,715	-	-	26,451,664
-	-	-	(4,621,640)	-	(1,507,828)	-	(34,329,468)
-	-	-	(150,794)	765,990	(59,500)	-	-
-	-	-	-	-	-	-	305,982,111
-	-	-	-	-	-	-	(284,100,000)
-	-	-	-	-	-	-	(1,971,304)
-	-	-	-	-	-	-	(55,885,612)
-	-	-	-	-	-	-	26,700,000
-	-	-	-	-	-	-	(26,700,000)
-	-	-	-	-	-	-	(7,059,254)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,772,434)</u>	<u>16,155,705</u>	<u>(1,567,328)</u>	<u>-</u>	<u>(14,448,130)</u>
-	-	-	3,444,676	(5,696,470)	385,451	-	24,687,060
-	3,677	25,676	18,633	222,800	8,844	-	3,150,546
-	-	-	-	-	-	-	(134,729)
<u>-</u>	<u>3,677</u>	<u>25,676</u>	<u>3,463,309</u>	<u>(5,473,670)</u>	<u>394,295</u>	<u>-</u>	<u>27,702,877</u>
(2,644,507)	781,794	1,433,115	32,749	(24,167)	(1,110,721)	-	19,855,359
6,377,731	5,641,448	1,928,789	-	7,982,147	1,333,382	-	241,159,203
<u>\$ 3,733,224</u>	<u>\$ 6,423,242</u>	<u>\$ 3,361,904</u>	<u>\$ 32,749</u>	<u>\$ 7,957,980</u>	<u>\$ 222,661</u>	<u>\$ -</u>	<u>\$ 261,014,562</u>
\$ (2,644,507)	\$ 620,823	\$ 3,413	\$ 52,214	\$ (9,876,572)	\$ 132,306	\$ -	\$ (38,135,290)
-	-	-	-	-	-	-	(1,800,000)
-	-	-	-	-	-	-	51,674
-	-	-	-	-	-	-	(9,311,387)
-	-	-	(61,968)	-	-	-	534,614
-	(3,677)	(25,676)	(18,633)	(167,479)	(8,844)	-	(2,964,201)
-	-	-	-	-	-	-	54,774,863
-	-	-	-	-	-	-	7,059,254
-	-	-	-	-	-	-	1,971,304
-	-	-	-	-	-	-	14,138,074
-	-	-	-	-	-	-	331,022
-	-	3,295	-	-	-	-	(2,581,180)
-	(2,746)	-	-	-	-	-	(345,237)
-	620,328	-	-	-	942	(631,800)	-
-	(455,334)	-	-	1,064	-	-	(1,660,460)
-	-	1,398,895	1,177,392	102,775	-	-	(58,068,428)
-	(94,848)	-	-	-	-	-	51,096
-	-	-	-	-	-	-	(10,188)
-	-	-	-	-	-	-	92,787
-	-	27,512	192,869	(765,990)	-	631,800	-
-	-	-	-	-	(62,092)	-	40,590,884
-	-	-	-	-	-	-	77,918
-	93,571	-	-	-	-	-	1,803,493
<u>\$ (2,644,507)</u>	<u>\$ 778,117</u>	<u>\$ 1,407,439</u>	<u>\$ 1,341,874</u>	<u>\$ (10,706,202)</u>	<u>\$ 62,312</u>	<u>\$ -</u>	<u>\$ 6,600,612</u>

	Behavioral				
	PPRF	Health	Colonias	DWSRLF	SM
<b>Cash flows from operating activities</b>					
Cash paid for employee services	\$ (2,563,969)	\$ -	\$ -	\$ (54,000)	\$ -
Cash paid to vendors for services	(690,986)	(17,497)	-	(102,140)	-
Loan payments received	193,376,419	57,348	298,266	4,757,260	63,052
Loans funded	(232,192,745)	-	(1,261,662)	(4,972,147)	-
Grants to local governments	(250,000)	-	(13,153,497)	(5,155,506)	-
Cash received from federal gov't capitalization grant	-	-	-	8,511,355	-
Interest on loans	49,345,449	26,249	-	1,355,546	74,311
Administrative fees received	3,526,400	-	-	233,289	-
<b>Net cash (used in) provided by operating activities</b>	<b>10,550,568</b>	<b>66,100</b>	<b>(14,116,893)</b>	<b>4,573,657</b>	<b>137,363</b>
<b>Cash flows from noncapital financing activities</b>					
Appropriations received from the State of New Mexico	29,540,672	1,038,297	-	-	-
Cash transfers from the State of New Mexico	-	-	14,415,159	-	-
Cash transfers to the State of New Mexico	(10,407,347)	-	-	-	-
Intra-program transfers	(4,742,126)	(57,874)	-	1,800,000	-
Proceeds from the sale of bonds, including premiums	407,221,842	-	-	-	-
Payment of bonds	(214,850,000)	(1,250,000)	-	-	-
Bond issuance costs	(2,847,995)	-	-	-	-
Bond interest expense paid	(57,628,916)	(9,509)	-	-	-
Loan financing pass-through to borrower	(17,476,331)	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>128,809,799</b>	<b>(279,086)</b>	<b>14,415,159</b>	<b>1,800,000</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Sale (Purchase) of investments, net	(48,725,067)	(105,746)	-	(4,870,643)	(301,781)
Interest received on investments	861,674	14,429	2,454	394,818	12,626
Capital financing activities	(340,918)	-	-	-	-
<b>Net cash (used in) provided by investing activities</b>	<b>(48,204,311)</b>	<b>(91,317)</b>	<b>2,454</b>	<b>(4,475,825)</b>	<b>(289,155)</b>
Net increase (decrease) in cash and cash equivalents	91,156,056	(304,303)	300,720	1,897,832	(151,792)
Cash and cash equivalents, beginning of year	108,169,471	828,828	510,409	15,011,610	476,875
<b>Cash and cash equivalents, end of year</b>	<b>\$ 199,325,527</b>	<b>\$ 524,525</b>	<b>\$ 811,129</b>	<b>\$ 16,909,442</b>	<b>\$ 325,083</b>
<b>Reconciliation of net operating (loss) income to net cash (used in) provided by operating activities</b>					
Net operating (loss) income	\$ (27,644,990)	\$ (14,998)	\$ (13,648,856)	\$ (3,523,830)	\$ (290,303)
Adjustments to change in net position					
Depreciation	3,240	-	-	-	-
Amortization on bond premiums	(11,271,377)	-	-	-	-
Provision for loan losses	120,313	-	-	-	303,586
Interest on investments	(348,288)	(11,914)	(2,454)	(326,404)	(10,455)
Bond interest paid	62,158,551	(1,970)	-	-	-
Loan financing pass-through to borrowers	17,476,331	-	-	-	-
Bond issuance costs	2,847,995	-	-	-	-
Cash received from federal grants	-	-	-	8,511,355	-
Interest expense	395,624	-	-	-	-
Changes in assets and liabilities					
Interest receivable	3,128,248	(3,044)	-	9,952	-
Grants and other receivables	-	-	-	-	-
Due from other programs	6,629,851	-	-	-	-
Administrative fees receivable	(62,405)	-	-	29,290	-
Loans receivable, net of allowance	(132,328,588)	57,348	(963,396)	(520,349)	63,052
Accounts payable	(9,229)	-	-	-	-
Accrued payroll	67,001	-	-	-	-
Compensated absences	(3,365)	-	-	-	-
Due to other programs	(4,705,076)	40,678	497,813	97,575	71,483
Undisbursed loan proceeds	90,975,248	-	-	-	-
Advanced loan payments	2,995,715	-	-	305,462	-
Other liabilities	125,769	-	-	(9,394)	-
<b>Net cash (used in) provided by operating activities</b>	<b>\$ 10,550,568</b>	<b>\$ 66,100</b>	<b>\$ (14,116,893)</b>	<b>\$ 4,573,657</b>	<b>\$ 137,363</b>



**NEW MEXICO FINANCE AUTHORITY**  
**Combined Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

Local Government Planning Fund	New Markets Tax Credits	Primary Care	SSBCI	Water Trust Board	Other Programs	Intra-Program Eliminations	Total
\$ (238,174)	\$ (371,189)	\$ (19,167)	\$ -	\$ (501,741)	\$ -	\$ -	\$ (3,748,240)
(313,630)	(389,726)	(47,651)	(647,882)	(1,791,395)	-	-	(4,000,907)
-	-	333,684	417,614	3,344,308	6,917	-	202,654,868
-	-	-	(1,113,646)	(7,620,899)	-	-	(247,161,099)
(1,612,946)	-	-	-	(31,127,259)	-	-	(51,299,208)
-	-	-	-	-	-	-	8,511,355
-	-	83,552	114,107	-	84	-	50,999,298
-	1,850,919	-	-	90,592	-	-	5,701,200
<u>(2,164,750)</u>	<u>1,090,004</u>	<u>350,418</u>	<u>(1,229,807)</u>	<u>(37,606,394)</u>	<u>7,001</u>	<u>-</u>	<u>(38,342,733)</u>
-	-	-	-	4,000,000	-	-	34,578,969
-	-	-	-	30,527,900	-	-	44,943,059
-	-	405	-	-	-	-	(10,406,942)
3,000,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	407,221,842
-	-	-	-	-	-	-	(216,100,000)
-	-	-	-	-	-	-	(2,847,995)
-	-	-	-	-	-	-	(57,638,425)
-	-	-	-	-	-	-	(17,476,331)
<u>3,000,000</u>	<u>-</u>	<u>405</u>	<u>-</u>	<u>34,527,900</u>	<u>-</u>	<u>-</u>	<u>182,274,177</u>
-	-	-	(82,317)	(531,838)	69,223	-	(54,548,169)
62,491	2,924	10,688	29,211	144,240	12,172	-	1,547,727
-	-	-	-	-	-	-	(340,918)
<u>62,491</u>	<u>2,924</u>	<u>10,688</u>	<u>(53,106)</u>	<u>(387,598)</u>	<u>81,395</u>	<u>-</u>	<u>(53,341,360)</u>
897,741	1,092,928	361,511	(1,282,913)	(3,466,092)	88,396	-	90,590,084
5,479,990	4,548,520	1,567,278	1,282,913	11,448,239	1,244,986	-	150,569,119
<u>\$ 6,377,731</u>	<u>\$ 5,641,448</u>	<u>\$ 1,928,789</u>	<u>\$ -</u>	<u>\$ 7,982,147</u>	<u>\$ 1,333,382</u>	<u>\$ -</u>	<u>\$ 241,159,203</u>
\$ (1,881,925)	\$ 1,258,997	\$ 3,537	\$ (107,678)	\$ (31,991,057)	\$ 11,609	\$ -	\$ (77,829,494)
-	-	-	-	-	-	-	3,240
-	-	-	-	-	-	-	(11,271,377)
-	-	-	34,802	-	-	-	458,701
(62,491)	(2,924)	(10,688)	(23,323)	(135,047)	(12,525)	-	(946,513)
-	-	-	-	-	-	-	62,156,581
-	-	-	-	-	-	-	17,476,331
-	-	-	-	-	-	-	2,847,995
-	-	-	-	-	-	-	8,511,355
-	-	-	-	-	-	-	395,624
-	-	-	-	-	-	-	-
-	-	(982)	-	-	-	-	3,134,174
-	876,942	-	-	-	-	-	876,942
-	(803,526)	-	-	-	401	(5,826,726)	-
-	(214,999)	-	-	(6,944)	-	-	(255,058)
-	-	334,089	(696,032)	(4,276,591)	6,917	-	(138,323,550)
-	4,753	-	-	-	-	-	(4,476)
-	-	-	-	-	-	-	67,001
-	-	-	-	-	-	-	(3,365)
(220,334)	-	24,867	(437,576)	(1,196,755)	599	5,826,726	-
-	-	-	-	-	-	-	90,975,248
-	-	(405)	-	-	-	-	3,300,772
-	(29,239)	-	-	-	-	-	87,136
<u>\$ (2,164,750)</u>	<u>\$ 1,090,004</u>	<u>\$ 350,418</u>	<u>\$ (1,229,807)</u>	<u>\$ (37,606,394)</u>	<u>\$ 7,001</u>	<u>\$ -</u>	<u>\$ (38,342,733)</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds – Statement of Assets and Liabilities**  
**For the Year Ended June 30, 2018**

		Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018
<b>Fund 322</b> NMDOT Revenue Bonds, Series 2006					
Cash and investments		\$ 9,221	\$ 48,087	\$ 12,838	\$ 44,470
	Total assets	\$ 9,221	\$ 48,087	\$ 12,838	\$ 44,470
Deposit held in trust for others		\$ 9,221	\$ 48,087	\$ 12,838	\$ 44,470
	Total liabilities	\$ 9,221	\$ 48,087	\$ 12,838	\$ 44,470
<b>Fund 326</b> NMDOT Refunding Revenue Bonds, Series 2008					
Cash and investments		\$ 1,406,628	\$ 3,268,361	\$ 319,475	\$ 4,355,514
	Total assets	\$ 1,406,628	\$ 3,268,361	\$ 319,475	\$ 4,355,514
Deposit held in trust for others		\$ 1,406,628	\$ 3,268,361	\$ 319,475	\$ 4,355,514
	Total liabilities	\$ 1,406,628	\$ 3,268,361	\$ 319,475	\$ 4,355,514
<b>Fund 327</b> NMDOT Refunding Revenue Bonds, Series 2009					
Cash and investments		\$ 22,061	-	\$ 22,061	-
	Total assets	\$ 22,061	-	\$ 22,061	-
Deposit held in trust for others		\$ 22,061	-	\$ 22,061	-
	Total liabilities	\$ 22,061	-	\$ 22,061	-
<b>Fund 328</b> NMDOT Refunding Revenue Bonds, Series 2010A					
Cash and investments		\$ 34,465	\$ 1,435,328	\$ 1,424,093	\$ 45,700
	Total assets	\$ 34,465	\$ 1,435,328	\$ 1,424,093	\$ 45,700
Deposit held in trust for others		\$ 34,465	\$ 1,435,328	\$ 1,424,093	\$ 45,700
	Total liabilities	\$ 34,465	\$ 1,435,328	\$ 1,424,093	\$ 45,700
<b>Fund 329</b> NMDOT Refunding Revenue Bonds, Series 2010B					
Cash and investments		\$ 196,192	\$ 87,688,034	\$ 87,143,667	\$ 740,559
	Total assets	\$ 196,192	\$ 87,688,034	\$ 87,143,667	\$ 740,559
Deposit held in trust for others		\$ 196,192	\$ 87,688,034	\$ 87,143,667	\$ 740,559
	Total liabilities	\$ 196,192	\$ 87,688,034	\$ 87,143,667	\$ 740,559
<b>Fund 330</b> NMDOT Refunding Revenue Bonds, Series 2011A					
Cash and investments		\$ 1,962,438	\$ 6,482,287	\$ 895,810	\$ 7,548,915
	Total assets	\$ 1,962,438	\$ 6,482,287	\$ 895,810	\$ 7,548,915
Deposit held in trust for others		\$ 1,962,438	\$ 6,482,287	\$ 895,810	\$ 7,548,915
	Total liabilities	\$ 1,962,438	\$ 6,482,287	\$ 895,810	\$ 7,548,915
<b>Fund 332</b> NMDOT Refunding Revenue Bonds, Series 2012					
Cash and investments		\$ 58,272	\$ 5,058,746	\$ 5,004,363	\$ 112,655
	Total assets	\$ 58,272	\$ 5,058,746	\$ 5,004,363	\$ 112,655
Deposit held in trust for others		\$ 58,272	\$ 5,058,746	\$ 5,004,363	\$ 112,655
	Total liabilities	\$ 58,272	\$ 5,058,746	\$ 5,004,363	\$ 112,655
<b>Fund 333 and 334</b> NMDOT Refunding Revenue Bonds, Series 2014					
Cash and investments		\$ 27,916,066	\$ 4,122,464	\$ 17,009,321	\$ 15,029,209
	Total assets	\$ 27,916,066	\$ 4,122,464	\$ 17,009,321	\$ 15,029,209
Deposit held in trust for others		\$ 27,916,066	\$ 4,122,464	\$ 17,009,321	\$ 15,029,209
	Total liabilities	\$ 27,916,066	\$ 4,122,464	\$ 17,009,321	\$ 15,029,209
<b>Fund 335</b> NMDOT Refunding Revenue Bonds, Series 2018					
Cash and investments		-	\$ 126,668	-	\$ 126,668
	Total assets	-	\$ 126,668	-	\$ 126,668
Deposit held in trust for others		-	\$ 126,668	-	\$ 126,668
	Total liabilities	-	\$ 126,668	-	\$ 126,668

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds – Statement of Assets and Liabilities**  
**For the Year Ended June 30, 2017**

		Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
<b>Fund 322</b> NMDOT Revenue Bonds, Series 2006					
Assets					
Cash and investments		\$ 5,874	\$ 4,495,496	\$ 4,492,149	\$ 9,221
	Total assets	\$ 5,874	\$ 4,495,496	\$ 4,492,149	\$ 9,221
Liabilities					
Deposit held in trust for others		\$ 5,874	\$ 4,495,496	\$ 4,492,149	\$ 9,221
	Total liabilities	\$ 5,874	\$ 4,495,496	\$ 4,492,149	\$ 9,221
<b>Fund 326</b> NMDOT Refunding Revenue Bonds, Series 2008					
Assets					
Cash and investments		\$ 713,050	\$ 6,408,247	\$ 5,714,669	\$ 1,406,628
	Total assets	\$ 713,050	\$ 6,408,247	\$ 5,714,669	\$ 1,406,628
Liabilities					
Deposit held in trust for others		\$ 713,050	\$ 6,408,247	\$ 5,714,669	\$ 1,406,628
	Total liabilities	\$ 713,050	\$ 6,408,247	\$ 5,714,669	\$ 1,406,628
<b>Fund 327</b> NMDOT Refunding Revenue Bonds, Series 2009					
Assets					
Cash and investments		\$ 9,688	\$ 5,175,784	\$ 5,163,411	\$ 22,061
	Total assets	\$ 9,688	\$ 5,175,784	\$ 5,163,411	\$ 22,061
Liabilities					
Deposit held in trust for others		\$ 9,688	\$ 5,175,784	\$ 5,163,411	\$ 22,061
	Total liabilities	\$ 9,688	\$ 5,175,784	\$ 5,163,411	\$ 22,061
<b>Fund 328</b> NMDOT Refunding Revenue Bonds, Series 2010A					
Assets					
Cash and investments		\$ 22,792	\$ 14,321,834	\$ 14,310,161	\$ 34,465
	Total assets	\$ 22,792	\$ 14,321,834	\$ 14,310,161	\$ 34,465
Liabilities					
Deposit held in trust for others		\$ 22,792	\$ 14,321,834	\$ 14,310,161	\$ 34,465
	Total liabilities	\$ 22,792	\$ 14,321,834	\$ 14,310,161	\$ 34,465
<b>Fund 329</b> NMDOT Refunding Revenue Bonds, Series 2010B					
Assets					
Cash and investments		\$ 13,402	\$ 82,857,469	\$ 82,674,679	\$ 196,192
	Total assets	\$ 13,402	\$ 82,857,469	\$ 82,674,679	\$ 196,192
Liabilities					
Deposit held in trust for others		\$ 13,402	\$ 82,857,469	\$ 82,674,679	\$ 196,192
	Total liabilities	\$ 13,402	\$ 82,857,469	\$ 82,674,679	\$ 196,192
<b>Fund 330</b> NMDOT Refunding Revenue Bonds, Series 2011A					
Assets					
Cash and investments		\$ 523,813	\$ 12,451,089	\$ 11,012,464	\$ 1,962,438
	Total assets	\$ 523,813	\$ 12,451,089	\$ 11,012,464	\$ 1,962,438
Liabilities					
Deposit held in trust for others		\$ 523,813	\$ 12,451,089	\$ 11,012,464	\$ 1,962,438
	Total liabilities	\$ 523,813	\$ 12,451,089	\$ 11,012,464	\$ 1,962,438
<b>Fund 332</b> NMDOT Refunding Revenue Bonds, Series 2012					
Assets					
Cash and investments		\$ 42,852	\$ 7,784,668	\$ 7,769,248	\$ 58,272
	Total assets	\$ 42,852	\$ 7,784,668	\$ 7,769,248	\$ 58,272
Liabilities					
Deposit held in trust for others		\$ 42,852	\$ 7,784,668	\$ 7,769,248	\$ 58,272
	Total liabilities	\$ 42,852	\$ 7,784,668	\$ 7,769,248	\$ 58,272
<b>Fund 333 and 334</b> NMDOT Refunding Revenue Bonds, Series 2014					
Assets					
Cash and investments		\$ 56,787,062	\$ 3,959,031	\$ 32,830,027	\$ 27,916,066
	Total assets	\$ 56,787,062	\$ 3,959,031	\$ 32,830,027	\$ 27,916,066
Liabilities					
Deposit held in trust for others		\$ 56,787,062	\$ 3,959,031	\$ 32,830,027	\$ 27,916,066
	Total liabilities	\$ 56,787,062	\$ 3,959,031	\$ 32,830,027	\$ 27,916,066

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Pledged Collateral**  
**June 30, 2018 and 2017**

**As of June 30, 2018**

	Bank Accounts:	Wells Fargo	Wells Fargo
Deposit account	\$	828,551	\$ 6,658
Repurchase agreements			275,477
Total amount of deposits (bank balances)		828,551	282,135
FDIC Coverage		(250,000)	(250,000)
Total uninsured public funds	\$	578,551	\$ 275,477
Collateral requirement @ 50%	\$	289,275	\$ -
Collateral requirement @ 102%	\$	-	\$ 280,987

**As of June 30, 2017**

	Bank Accounts:	Wells Fargo	Wells Fargo
Deposit account	\$	592,925	\$ -
Repurchase agreements		-	272,637
Total amount of deposits (bank balances)		592,925	272,637
FDIC Coverage		(250,000)	-
Total uninsured public funds	\$	342,925	\$ 272,637
Collateral requirement @ 50%	\$	171,463	\$ -
Collateral requirement @ 102%	\$	-	\$ 278,090

Additional deposits not covered by the FDIC, including those of NMFA, are collateralized, along with the deposits of the State, in accordance with applicable State statutes. As of June 30, 2018 and 2017, the value of collateral pledged on behalf of the State held at Wells Fargo met collateral requirements.

# **SINGLE AUDIT**

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

<u>Grantor / Program Title</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures FY 2018</u>	<u>Federal Awards Provided to Subrecipients</u>	<u>Loans and Loan Guarantees</u>	<u>Total</u>
Environmental Protection Agency					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 575,023	\$ 7,482,605	\$ 6,080,445	\$ 14,138,073
Total expenditures of federal awards		<u>\$ 575,023</u>	<u>\$ 7,482,605</u>	<u>\$ 6,080,445</u>	<u>\$ 14,138,073</u>

See notes to schedule of expenditures of federal awards.

**NEW MEXICO FINANCE AUTHORITY**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2018**

**1) General**

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of NMFA, and is presented using the accrual basis of accounting, which is described in Note 1 to NMFA's basic financial statements. NMFA uses a negotiated indirect cost rate approved by the grantor.

NMFA administers loans under the DWSRF Program (Federal Catalog Number 66.468). The outstanding balance on the loans at June 30, 2018 is \$87,250,756. Only the value of new loans disbursed during the fiscal year is included in the accompanying schedule.

**2) Subrecipients, including loans outstanding:**

Subrecipient Name	Pass-Through Funds
<b><u>State Revolving Fund</u></b>	
Alamogordo, City	\$ 306,760
Angel Fire, Village	172,839
Belen, City	1,002,463
Bluewater WSD	607,038
Dona Ana MDWCA	495,521
Eldorado Area WSD	531,128
Farmington, City	1,522,506
Las Vegas, City of	117,458
Lee Acres WUCA, Inc	135,410
Lower Rio Grande Public Works Authority	100,907
Moriarity, City	196,103
Ojo Caliente MDWCA	188,431
Rainsville WSD	33,540
Red River, Town	48,364
Roswell, City	2,199,819
Santa Clara, Village	277,342
Tucumcari, City	701,236
Upper La Plata MDWUA	138,065
NMED Drinking Water Bureau	<u>4,788,122</u>
 Total	 <u>\$ 13,563,052</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

Finding #	Description	Status
2017-001 (2016-001)	Financial Statement Adjustments	Resolved
2017-002	Sub-Recipient Monitoring	Resolved



**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***

Governing Board  
New Mexico Finance Authority  
and  
Mr. Wayne Johnson  
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 basic financial statements of the New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the NMFA'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 NMFA's internal control. Accordingly, we do not express an opinion on the effectiveness of the NMFA'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 NMFA'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 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.

*Moss Adams LLP*

Albuquerque, New Mexico  
October 29, 2018

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Governing Board  
New Mexico Finance Authority  
and  
Mr. Wayne Johnson  
New Mexico Office of the State Auditor  
Santa Fe, NM

### **Report on Compliance for the Major Federal Program**

We have audited New Mexico Finance Authority's (NMFA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on NMFA's major federal program for the year ended June 30, 2018. NMFA'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for NMFA'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 NMFA'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 NMFA's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, NMFA 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, 2018.

## **Report on Internal Control Over Compliance**

Management of NMFA 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 NMFA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 NMFA'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moss Adams LLP*

Albuquerque, New Mexico  
October 29, 2018

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

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**Section I – Summary of Auditor’s Results**

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*Financial Statements*

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

**Identification of Major Federal Programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

# **NEW MEXICO FINANCE AUTHORITY**

## **Exit Conference**

**June 30, 2018**

An exit conference was conducted on October 25, 2018, in which the contents of this report were discussed. The following individuals attended this meeting:

New Mexico Finance Authority:

John Gasparich, Interim CEO

Oscar Rodriguez, CFO

Katherine Ulibarri, NMFA Board Chair

William Fulginiti, NMFA Vice Chair

Steve Kopelman, NMFA Board Member

Blake Curtis, NMFA Board Member

A.J. Forte, NMFA Board Member

Judi Kahl, NMFA Board Member Designee

Matthew Lovato, NMFA Board Member Designee

Dan Opperman, General Counsel

Bryan Otero, Assisted General Counsel

Heather Boone, Chief Compliance Officer

Marquita Russel, Chief of Programs

John Brooks, Director of Commercial Lending

Moss Adams LLP:

Laurie Tish, CPA, Partner

Aaron Hamilton, CPA, Senior Manager

Faith Hagan, Senior