



**Timothy Keller**  
State Auditor

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Deputy State Auditor

**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**  
*Elected for Better Government*

February 4, 2015

SAO Ref. No. 385

Robert Coalter, CEO  
New Mexico Finance Authority  
207 Shelby Street  
Santa Fe, NM 87501

**SUBJECT:** Audit Report New Mexico Finance Authority—2013-2014 Fiscal Year—Prepared by REDW, LLC

The audit report for your agency was received by the Office of the State Auditor (Office) on December 16, 2014. The State Auditor's review of the audit report required by Section 12-6-14 (B) NMSA 1978 and 2.2.2.13 NMAC has been completed. This letter is your authorization to make the final payment to the independent public accountant (IPA) who contracted to perform your agency's financial and compliance audit. In accordance with Section 2 of the audit contract, the IPA is required to deliver the specified number of copies of the audit report to the agency.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the Office. Once the five-day period has expired or upon the Office's receipt of a written waiver, the audit report shall be:

- released by the Office to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer
- posted by the Office to our website

The IPA's findings and comments are included in the audit report on page none. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments. Section 2.2.2.10(J) NMAC requires that an exit conference be held with representatives of the agency's governing authority and top management.**

A handwritten signature in black ink that reads "Timothy Keller".

Timothy Keller  
State Auditor

cc: REDW, LLC

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**New Mexico Finance Authority**  
**(A Component Unit of the State of New Mexico)**

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*Financial Statements*  
*and*  
*Independent Auditor's Report*  
*June 30, 2014*

**REDW**<sup>LLC</sup>  
CPAs | Business & Financial Advisors

# New Mexico Finance Authority

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# New Mexico Finance Authority

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# **New Mexico Finance Authority**

## **Official Roster**

**Year Ended June 30, 2014**

### **Governing Board**

John E. McDermott, Chair  
William Fulginiti, Vice Chair  
David Martin, Secretary  
Katherine Ulibarri, Treasurer  
Steve Kopelman, Member  
Ryan Flynn, Member  
Tom Clifford, Member  
Jon Barela, Member  
Jerry L. Jones, Member  
Blake Curtis, Member  
Terry White, Member

### **Chief Executive Officer**

Robert P. Coalter

### **Acting Chief Financial Officer**

Robert Brannon

## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of New Mexico Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 17 to the financial statements, in 2014 the Authority changed its method of accounting for bond issuance cost with the adoption of Governmental Accounting Standards Board Statement No. 65. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "REDW LLC". The letters are cursive and somewhat stylized, with the "R" being particularly large and looping.

Albuquerque, New Mexico  
December 4, 2014

# **New Mexico Finance Authority**

## **Management's Discussion and Analysis**

### **June 30, 2014**

#### **Introduction**

This section of the New Mexico Finance Authority's (the "Authority") annual financial statements presents management's discussion and analysis of the Authority's financial position at June 30, 2014 and its financial performance during the fiscal year then ended. This section should be read together with the Authority's financial statements and accompanying notes.

#### **The New Mexico Finance Authority**

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

#### **Overview of the Financial Statements**

The financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's basic financial statements are comprised of the following:

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

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found immediately following the financial statements.

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Financial Highlights**

- ◆ The Authority's overall financial improved slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.
- ◆ During the fiscal year, unrestricted cash decreased 55.3% or \$64.2 million. Restricted cash decreased by 27.0% or \$29.7 million. Restricted investments increased by 39.6% or \$52.1 million.
- ◆ Loans receivable decreased by \$52.1 million or 4.2% during the fiscal year, primarily as a result of a large amount of prepayments on loans.
- ◆ Bonds payable decreased by \$132.3 million or 11.2% in 2014, the result of issuing of \$62.6 million of new bonds, principal payments on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.6 million.
- ◆ Undisbursed loan proceeds decreased by \$16.7 million or 36.8% during 2014 consistent with reduced loan activity against loan proceeds from borrowers.
- ◆ Appropriation revenue increased by \$9.1 million in fiscal year 2014, representing a 26.6% increase from fiscal year 2013. The addition reflects a subsequent tranche from the initial 2012 appropriation received to continue lending within the State Small Business Credit Initiative program, as well as increased pledged revenues received for payment on intergovernmental receivables.
- ◆ The Authority experienced a \$0.2 million or 5% decrease in administrative fees revenue from \$3.4 million in 2013 to \$3.2 million in 2014. This drop in revenue was in direct relation to the large amount of prepayments on loans experienced during the year, as discussed above.
- ◆ Expenses decreased 8.4% or from \$124.0 million in 2013 to \$113.6 million in 2014 representing an expected decrease of \$10.4 million.
- ◆ Grant revenue and corresponding activity increased 13.4% or \$6.5 million as the Authority experienced increased grant activity within the Water Trust Board, Colonias and Drinking Water programs during the year.
- ◆ No reversions were due to the State General Fund for fiscal year 2014.

**Statement of Net Position**

The following presents condensed, combined statements of net position as of June 30, 2014 and 2013, with the dollar and percentage change:

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2014**

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
<b>Assets</b>				
Cash and equivalents				
Unrestricted	\$ 51,834,915	\$ 116,073,324	\$ (64,238,409)	-55.3%
Restricted	80,305,540	109,965,262	(29,659,722)	-27.0%
Investments – restricted	183,692,467	131,565,455	52,127,012	39.6%
Loans receivable, net of allowance	1,179,166,365	1,231,232,043	(52,065,678)	-4.2%
Intergovernmental receivables	118,148,921	125,274,549	(7,125,628)	-5.7%
Other receivables	9,405,694	10,960,455	(1,554,761)	-14.2%
Capital assets	104,378	220,772	(116,394)	-52.7%
Other assets	118,610	118,630	(20)	0.0%
<b>Total assets</b>	<b><u>\$ 1,622,776,890</u></b>	<b><u>\$ 1,725,410,490</u></b>	<b><u>\$ (102,633,600)</u></b>	<b><u>-5.9%</u></b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ 1,191,181	100%
<b>Total deferred outflows of resources</b>	<b><u>\$ 1,191,181</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,191,181</u></b>	<b><u>100%</u></b>
<b>Liabilities</b>				
Bonds payable, net	\$ 1,048,141,351	\$ 1,180,405,517	\$ (132,264,166)	-11.2%
Undisbursed loan proceeds	28,744,630	45,485,533	(16,740,903)	-36.8%
Advanced loan payments	72,189,707	68,380,111	3,809,596	5.6%
Accounts payable, accrued payroll and compensated absences	627,178	831,236	(204,058)	-24.5%
Line of credit	12,006,298	-	12,006,298	100.0%
Other liabilities	3,706,408	4,998,215	(1,291,807)	-25.8%
<b>Total liabilities</b>	<b><u>1,165,415,572</u></b>	<b><u>1,300,100,612</u></b>	<b><u>(134,685,040)</u></b>	<b><u>-10.4%</u></b>
<b>Net Position</b>				
Invested in capital assets	104,378	220,772	(116,394)	-52.7%
Restricted for debt service	71,462,270	68,069,252	3,393,018	5.0%
Restricted for program commitments	114,074,025	143,292,282	(29,218,257)	-20.4%
Unrestricted	272,911,826	213,727,572	59,184,254	27.7%
<b>Total net position</b>	<b><u>458,552,499</u></b>	<b><u>425,309,878</u></b>	<b><u>33,242,621</u></b>	<b><u>7.8%</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 1,623,968,071</u></b>	<b><u>\$ 1,725,410,490</u></b>	<b><u>\$ (101,442,419)</u></b>	<b><u>-5.9%</u></b>

The Authority's overall financial position increased slightly in the past year. The key indicator is total net position which increased by \$33.2 million or 7.8%.

**Assets**

Loans receivable decreased by \$52.1 million or 4.2% in 2014. New loans made during the year totaled \$120.7 million while loan payments received were \$172.7 million.

**New Mexico Finance Authority  
Management's Discussion and Analysis  
June 30, 2014**

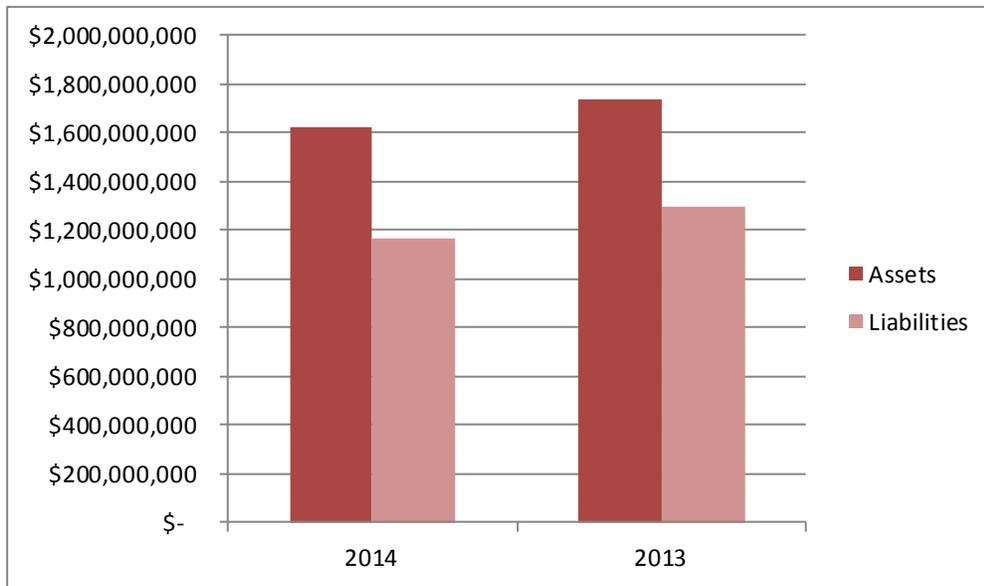
The allowance for uncollectible loans increased \$0.1 million due to changes in estimated losses based on the risk evaluations performed by a third party. The number and amount of early loan payoffs increased significantly from 2013 as interest rates began to fall.

Total cash and investments decreased 19.5% from \$357.6 million in 2013 to \$315.8 million in 2014 due a large amount of bonds being retired or defeased during the year using prepayments on loans.

***Liabilities***

Bonds payable decreased by \$132.3 million in 2014 resulting from the issuance of \$62.6 million of new bonds, principal payments and defeasances on outstanding bonds of \$197.3 million, and amortization of bond premium of \$2.5 million. Undisbursed loan proceeds decreased by \$16.7 million during 2014 indicating a significant amount of draw requests against loan proceeds from borrowers. Advanced loan payments experienced a \$3.8 million or 5.6% increase from 2013.

The following chart indicates the ratio of assets to liabilities:



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

The following table presents the condensed combined statement of revenue, expenses and changes in net position for 2014 and 2013 fiscal years:

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2014**

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
<b>Operating Revenues</b>				
Administrative and processing fees	\$ 3,209,306	\$ 3,395,491	\$ (186,185)	-5.5%
Interest on loans	48,723,703	52,942,880	(4,219,177)	-8.0%
Interest on investments	488,080	139,403	348,677	250.1%
Total operating revenues	<u>52,421,089</u>	<u>56,477,774</u>	<u>(4,056,685)</u>	<u>-7.2%</u>
<b>Expenses</b>				
Grants to local governments	50,824,441	48,828,884	1,995,557	4.1%
Bond issuance costs	674,398	10,918,272	(10,243,874)	-93.8%
Professional services	2,189,377	2,651,079	(461,702)	-17.4%
Salaries and benefits	4,284,392	3,926,740	357,652	9.1%
Debt service – interest expense	54,319,247	53,026,726	1,292,521	2.4%
Other expense	1,266,776	4,636,406	(3,369,630)	-72.7%
Total operating expenses	<u>113,558,631</u>	<u>123,988,107</u>	<u>(10,429,476)</u>	<u>-8.4%</u>
Net operating loss	<u>(61,137,542)</u>	<u>(67,510,333)</u>	<u>6,372,791</u>	<u>-9.4%</u>
<b>Nonoperating Revenues (Expenses)</b>				
Appropriation revenue	43,086,860	34,033,130	9,053,730	26.6%
Grant revenue	55,224,996	48,692,048	6,532,948	13.4%
Reversions and transfers	(3,931,693)	(2,953,157)	(978,536)	33.1%
	<u>94,380,163</u>	<u>79,772,021</u>	<u>14,608,142</u>	<u>18.3%</u>
Increase in net position	33,242,621	12,261,688	20,980,933	171.1%
Net position, beginning of year, as restated	<u>425,309,878</u>	<u>413,048,190</u>	<u>-</u>	
Net position, end of year	<u>\$ 458,552,499</u>	<u>\$ 425,309,878</u>	<u>\$ 20,980,933</u>	<u>4.9%</u>

Operating revenue decreased 7.2% to \$52.4 million in 2014. Interest on investments began to increase, experiencing 250% incline compared to 2013 due to a larger portion of cash being invested in long-term investments. Appropriation revenue increased 26.6% while grant revenue increased 13.4%. The loan interest decline directly relates to lower outstanding loans receivable.

Overall operating costs decreased 8.4% due to increased grant expenses of \$2.0 million and a decrease of loan loss provision of \$3.1 million. The decrease in loan loss provision was made based on third party review of the risk of the outstanding direct equity loans in which loan ratings improved from 2013. Grant expense increased in 2014 after a grant activity recovery effort in fiscal years 2012 and 2013.

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2014**

***Long-Term Debt***

The Authority's long-term debt consists of outstanding bond issues related to the various programs administered by the Authority. At the end of fiscal year 2014, the total amount outstanding was \$1.0 billion (excluding the \$1.4 billion in GRIP bonds which are administered by, but are not a direct liability of the Authority). More detailed information about the Authority's long-term debt is presented in Note 7 to the financial statements.

During the fiscal year, the Authority issued \$62.6 million in PPRF bonds, primarily to directly fund loans and to reimburse the PPRF loan fund for loans already made.

***Programs***

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

**Public Project Revolving Fund**

The Authority began its existence in 1992 to administer the PPRF. The mission of the PPRF is to make affordable tax-exempt financing for infrastructure projects available to borrowers who could not, on their own, access the bond market on a cost-effective basis. New Mexico's counties, cities and certain departments of state government qualify as entities who can borrow from the PPRF. Departments of state governments and certain not-for-profit entities, including state universities, are also eligible borrowers. Since 1993, the PPRF has made 1,183 loans totaling \$2.5 billion.

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

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

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Public Project Revolving Fund**  
**Statements of Net Position**  
**June 30**

	2014	Restated	2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
<b>Assets</b>					
Cash and equivalents					
Unrestricted	\$ 37,838,342	\$ 79,007,637		\$ (41,169,295)	-52%
Restricted	67,359,957	79,173,378		(11,813,421)	-15%
Restricted investments	122,591,262	130,787,736		(8,196,474)	-6%
Accounts receivable and other	8,794,009	10,367,285		(1,573,276)	-15%
Loans receivable, net of allowance	1,081,631,189	1,138,450,511		(56,819,322)	-5%
Due from the State of New Mexico	104,525,000	108,025,000		(3,500,000)	-3%
Capital assets	70,302	186,696		(116,394)	-62%
Other assets	9,353,716	13,073,586		(3,719,870)	-28%
<b>Total assets</b>	<b>\$ 1,432,163,777</b>	<b>\$ 1,559,071,829</b>		<b>\$ (126,908,052)</b>	<b>-8%</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	\$ 1,191,181	\$ -		\$ 1,191,181	100%
<b>Total deferred outflows of resources</b>	<b>\$ 1,191,181</b>	<b>\$ -</b>		<b>\$ 1,191,181</b>	<b>100%</b>
<b>Liabilities</b>					
Accounts payable and accrued payroll liabilities	\$ 2,751,301	\$ 6,202,814		\$ (3,451,513)	-55.6%
Undisbursed loan proceeds	28,682,538	45,423,441		(16,740,903)	-36.9%
Borrowers' debt service and reserve deposits	86,969,969	72,016,499		14,953,470	20.8%
Bonds payable, net	1,036,144,409	1,165,236,955		(129,092,546)	-11.1%
<b>Total liabilities</b>	<b>1,154,548,217</b>	<b>1,288,879,709</b>		<b>(134,331,492)</b>	<b>-10.4%</b>
<b>Net Position</b>					
Invested in capital assets	70,302	186,696		(116,394)	-62.3%
Restricted for program funds	100,144,808	103,752,754		(3,607,946)	-3.5%
Unrestricted	178,591,631	166,252,670		12,338,961	7.4%
<b>Total net position</b>	<b>278,806,741</b>	<b>270,192,120</b>		<b>8,614,621</b>	<b>3.2%</b>
<b>Total liabilities and net position</b>	<b>\$ 1,433,354,958</b>	<b>\$ 1,559,071,829</b>		<b>\$ (125,716,871)</b>	<b>-8.1%</b>

*Loan Volume*

	2014	2013	Since Inception
Amount of loans made	\$104.0 million	\$61.2 million	\$2.48 billion
Number of loans made	64	67	1,183
Average loan size	\$1.63 million	\$0.9 million	\$2.1 million

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

	2014	Restated 2013	Net Increase/ (Decrease)	Percentage Increase/ (Decrease)
<b>Interest Income</b>				
Loans	\$ 46,548,780	\$ 50,708,332	\$ (4,159,552)	-8.2%
Investments	245,422	127,387	118,035	92.7%
Total interest income	<u>46,794,202</u>	<u>50,835,719</u>	<u>(4,041,517)</u>	<u>-8.0%</u>
<b>Interest Expense</b>				
Bonds	53,772,342	52,317,500	1,454,842	2.8%
Short-term borrowing	144,082	94,931	49,151	51.8%
Total interest expense	<u>53,916,424</u>	<u>52,412,431</u>	<u>1,503,993</u>	<u>2.9%</u>
<b>Net Interest Income (Loss)</b>				
Interest income (loss) less interest expense	(7,122,222)	(1,576,712)	(5,545,510)	351.7%
Provision for loan losses	1,900,656	(699,842)	2,600,498	-371.6%
Net interest loss after provision for loan losses	<u>(5,221,566)</u>	<u>(2,276,554)</u>	<u>(2,945,012)</u>	<u>129.4%</u>
<b>Noninterest Income</b>				
Loan administration fees	1,451,116	1,659,473	(208,357)	-12.6%
Appropriation revenues	29,091,277	26,585,797	2,505,480	9.4%
Total noninterest income	<u>30,542,393</u>	<u>28,245,270</u>	<u>2,297,123</u>	<u>8.1%</u>
<b>Noninterest Expense</b>				
Salaries and benefits	2,179,170	2,507,794	(328,624)	-13.1%
Professional services	970,669	874,564	96,105	11.0%
Bond issuance costs	674,398	674,703	(305)	0.0%
Other	1,561,926	10,808,047	(9,246,121)	-85.5%
Total noninterest expense	<u>5,386,163</u>	<u>14,865,108</u>	<u>(9,478,945)</u>	<u>-63.8%</u>
Excess of revenues over expenditures	19,934,664	11,103,608	8,831,056	79.5%
Transfers to other funds or agencies	(11,320,043)	(7,490,781)	(3,829,262)	51.1%
<b>Increase (decrease) in net position</b>	<b>8,614,621</b>	<b>3,612,827</b>	<b>5,001,794</b>	<b>138.4%</b>
<b>Net position, beginning of year, as restated</b>	<b>270,192,120</b>	<b>266,579,293</b>	<b>3,612,827</b>	<b>1.4%</b>
<b>Net position, end of year</b>	<b>\$ 278,806,741</b>	<b>\$ 270,192,120</b>	<b>\$ 8,614,621</b>	<b>3.2%</b>

***Net Interest Income***

As a not-for profit lender, the Authority attempts to pass on to its borrowers the same rates it pays on the bonds it issues to provide the funds it loans. Therefore, in its planning and management processes, the Authority attempts to achieve approximately zero net interest income in the PPRF. In 2014, the PPRF had a net interest loss of \$7.1 million, compared to \$1.3 million in 2013. This is a result of market conditions in which \$115.5 million in PPRF loans exercised

**New Mexico Finance Authority**  
**Management’s Discussion and Analysis**  
**June 30, 2014**

their early call provisions in 2013 and 2014 and the Authority relent those loan repayments at moderately lower interest rates. See Note 14 Contingencies – Loan Prepayment and Bond Call Provisions.

***Governmental Gross Receipts Tax***

The Governmental Gross Receipts Tax (GGRT) is a tax imposed on the gross receipts of municipalities for services rendered to customers such as water, sewer, and solid waste collection. 75% of GGRT collections are appropriated to the PPRF. The Authority’s share of GGRT collections was \$27.4 million in 2014, a \$0.4 million decrease from the \$27.8 million received in 2013. The GGRT funds are used as follows:

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

***Other Programs***

The PPRF accounts for a large portion of total Authority activity. At June 30, 2014, and for the year then ended, the relationships were as follows:

	<u>PPRF</u>	<u>Total Authority</u>	<u>% PPRF</u>
Total assets	\$1.4 billion	\$1.6 billion	88%
Net assets	\$278.8 million	\$458.6 million	61%
Revenues	\$77.4 million	\$150.7 million	51%

There are 23 other programs administered by the Authority, some of which are loan programs and some of which are grant programs.

A rise occurred in grant volume for the Drinking Water Revolving Loan Fund program because of increased grant subsidies being awarded for qualifying drinking water facilities projects in New Mexico. The cause was due to various larger projects being approved during the fiscal year.

Similar to the Drinking Water Revolving Loan Fund program, an increase in the Colonias Infrastructure program grant activity reflects the fact that the program saw an increased number of projects being approved during 2014. This is the result of the Colonias Infrastructure Act taking effect July 1, 2011 and the number of approved projects increasing as more funding is available.

**New Mexico Finance Authority**  
**Management's Discussion and Analysis**  
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A for profit limited liability company operated by the Authority has been awarded a total of \$156 million allocation of New Markets Tax Credits by the U.S. Treasury Department. Under this program, the Authority can provide federal income tax credits to incentivize businesses to create jobs and otherwise contribute to the economic development of the state. Prior to 2014, the Authority made ten awards totaling \$133.3 million. During 2014, the Authority has made two additional awards totaling \$18.0 million. The tax credits have no impact on the financial statements of the Authority beyond the expenses incurred to administer the program and the fees charged to applicants and recipients of the credits, which are minimal.

**Contacting the Authority's Financial Management**

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

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

## Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Net Position**  
**June 30, 2014**

**Assets**

Current assets

Cash and equivalents	\$ 51,834,915
Unrestricted	80,305,540
Restricted	7,431,412
Interest receivable	1,788,239
Grants and other receivable	19,500
Prepaid rent	186,043
Administrative fees receivable	99,110
Investment in Finance New Mexico	93,384,387
Loans receivable, net of allowance	7,341,438
Intergovernmental receivables	<u>242,390,584</u>
Total current assets	

Noncurrent assets

Restricted investments	183,692,467
Loans receivable, net of allowance	1,085,781,978
Intergovernmental receivables	110,807,483
Capital assets, net of accumulated depreciation	<u>104,378</u>
Total assets	<u><u>\$ 1,622,776,890</u></u>

**Deferred Outflows of Resources**

Deferred charge on refunding	\$ 1,191,181
Total deferred outflows of resources	<u><u>\$ 1,191,181</u></u>

**Liabilities**

Current liabilities

Accounts payable	\$ 262,198
Accrued payroll	91,540
Compensated absences	273,440
Bond interest payable	3,625,714
Undisbursed loan proceeds	28,744,630
Advanced loan payments	72,189,707
Line of credit	12,006,298
Bonds payable, net	70,430,000
Other liabilities	80,694
Total current liabilities	<u>187,704,221</u>

Noncurrent liabilities

Bonds payable	<u>977,711,351</u>
Total liabilities	<u><u>1,165,415,572</u></u>

**Net Position**

Invested in capital assets	104,378
Restricted for debt service	71,462,270
Restricted for program commitments	114,074,025
Unrestricted	272,911,826
Total net position	<u>458,552,499</u>
Total liabilities and net position	<u><u>\$ 1,623,968,071</u></u>

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

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2014**

**Operating Revenues**

Administrative fees revenue	\$ 2,819,302
Processing fee	390,004
Interest on loans	48,723,703
Interest on investments	488,080
Total operating revenues	<u>52,421,089</u>

**Operating Expenses**

Grants to others	50,824,441
Bond issuance costs	674,398
Administrative fees	189,383
Professional services	2,189,377
Salaries and benefits	4,284,392
Other operating costs	1,484,748
Depreciation expense	116,394
Bond interest expense	54,319,247
Provision for loan losses	(822,108)
Interest expense	298,359
Total operating expenses	<u>113,558,631</u>
Net operating loss	<u>(61,137,542)</u>

**Nonoperating Revenues (Expenses)**

Appropriation revenue	43,086,860
Grant revenue	55,224,996
Transfers to the State of New Mexico	(3,931,693)
Increase in net position	<u>33,242,621</u>
Net position, beginning of year, as restated (note 17)	<u>425,309,878</u>
<b>Net position</b> , end of year	<u><u>\$ 458,552,499</u></u>

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

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

<b>Cash flows from operating activities</b>	
Cash paid for employee services	\$ (4,277,609)
Cash paid to vendors for services	(5,030,758)
Intergovernmental payments received	7,125,630
Loans payments received	156,697,761
Loans funded	(116,741,280)
Grants to local governments	(50,824,441)
Cash received from federal government for revolving loan funds	12,448,854
Interest on loans	49,600,877
Proceeds from line of credit	17,536,712
Payments of line of credit	(5,530,414)
Administrative fees received	<u>3,887,651</u>
Net cash provided by operating activities	<u>64,892,983</u>
 <b>Cash flows from noncapital financing activities</b>	
Appropriations received from the State of New Mexico	43,086,860
Cash transfers from the State of New Mexico	42,775,670
Cash transfers to the State of New Mexico	(3,931,221)
Proceeds from the sale of bonds	62,595,000
Payment of bonds	(197,526,239)
Bond issuance costs	(674,398)
Bond interest expense paid	<u>(53,477,874)</u>
Net cash use in noncapital financing activities	<u>(107,152,202)</u>
 <b>Cash flows from investing activities</b>	
Purchase of investments	(60,323,486)
Sale of investments	8,196,494
Interest received on investments	<u>488,080</u>
Net cash used in investing activities	<u>(51,638,912)</u>
 Net increase (decrease) in cash and cash equivalents	 (93,898,131)
Cash and cash equivalents, beginning of year	<u>226,038,586</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 132,140,455</u></b>

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

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Cash Flows - continued**  
**For the Year Ended June 30, 2014**

**Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities**

Net operating income (loss)	\$ (61,137,542)
Adjustments to change in net position	
Depreciation	116,394
Amortization on bond premiums	(2,298,264)
Provision for loan losses	(1,238,151)
Interest on investments	(488,080)
Bond interest paid	56,766,702
Bond issuance costs	674,398
Cash received from federal grants	12,448,854
Interest expense	149,168
Changes in assets and liabilities	
Interest receivable	876,416
Grants and other receivable	652,045
Administrative fees receivable	26,300
Loans receivable, net of allowance	53,303,831
Intergovernmental receivables	7,125,628
Accounts payable	(210,841)
Accrued payroll	7,420
Compensated absences	(637)
Funds held for others	(80,263)
Undisbursed loan proceeds	(16,740,903)
Advanced loan payments	3,809,596
Line of credit	12,006,298
Other liabilities	(875,386)
	<u>\$ 64,892,983</u>

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

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds - Statement of Assets and Liabilities**  
**For the Year Ended June 30, 2014**

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**Assets**

Cash held by Trustee	
Program funds	\$ 97,782,134
Expense funds	171,363
Revenue funds	7,135,444
Rebate fund	3,126,037
Bond reserve funds	<u>824,863</u>
Total assets	<u>\$ 109,039,841</u>

**Liabilities**

Accounts payable	\$ 1,712,100
Debt service payable	9,545,607
Program funds held for the NM Department of Transportation	<u>97,782,134</u>
Total liabilities	<u>\$ 109,039,841</u>

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

**1) Nature of Organization**

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

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

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

The Authority manages the Drinking Water State Revolving Loan Program (DWRLF) and the Water Trust Board Program (WTB).

The DWSRF provides low cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant which the State is required to match by 20%.

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Other significant programs administered by the Authority include:

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

- ◆ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department, the Authority received \$13.2 million of federal State Small Business Credit Initiative funds in 2011 to help increase the flow of capital to small businesses by mitigating bank risk. The Authority uses the funds to buy loan participations from banks for economic development projects under a program marketed as the Collateral Support Participation.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The New Mexico Finance Authority Finance Committee was created by the Act and was appointed by the Legislative Council Service to provide legislative oversight.

The Authority does not have any component units.

**2) Summary of Significant Accounting Policies**

Accounting Principles

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

Basis of Presentation

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

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

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Agency Funds

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Accounts receivable consists of payments due from governmental entities, administrative fees due from projects, and other receivables arising from the normal course of operations.

Loans Receivable

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

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

Intergovernmental Receivables

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

Capital Assets

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

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

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

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

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
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Undisbursed Loan Proceeds

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

Net Position

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted, based on the following:

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

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

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

Income Taxes

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

Use of Estimates

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

Budget

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

Recently Issued Accounting Standards

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Adopting GASB 65 for fiscal year 2014 resulted in a charge to net position of approximately \$10.2m of previously capitalized debt issuance costs. The implementation of GASBS No. 65 also resulted in the reclassification of the unamortized portion of bond refunding losses. These amounts are now reported as Deferred Outflows of Resources instead of as a reduction of Bonds Payable.

In March 2012, GASB issued Statement No. 66, *Technical Corrections–2012* (GASB 66). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements–Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre – November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Adopting GASB 66 did not impact the Authority’s financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Adopting GASB 67 did not impact the Authority’s financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 68 on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). This Statement establishes accounting

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Authority has not completed the process of evaluating the impact of GASB 69 on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Adopting GASB 70 did not impact the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

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

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

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

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

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

The Authority has Primary Care Capital Program funds invested in the New Mexico State Treasurer's Office investment pool. State law (Section 8-6-3 NMSA 1978) requires investments of these funds be managed by the New Mexico State Treasurer's Office.

Credit Risk

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

The New Mexico State Treasurer pools are not rated.

Interest Rate Risk

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

For the Primary Care Capital program funds invested in the New Mexico State Treasurer's Office investment pool, the New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

**New Mexico Finance Authority**  
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Permitted Investments

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

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

Investment of Bond Proceeds

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

<sup>1</sup> Limits do not apply to cash invested by trustee per bond indenture.

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

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

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

**New Mexico Finance Authority**  
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Cash and equivalents at June 30, 2014 were as follows:

<b>Description</b>	<b>Balance at June 30, 2014</b>	<b>Rated</b>	<b>Percentage of Authority Funds <sup>1</sup></b>
Bank deposits, collateralized, at the Bank of Albuquerque in the name of the State Treasurer	\$ 1,023	N/A	<1%
Wells Fargo deposit account	213,482	N/A	<1%
Wells Fargo Repurchase agreement -fully secured <sup>2</sup>	248,028	N/A	<1%
Government Money Market Funds	<u>131,677,922</u>	AAA	41.7%
Total cash and equivalents	<u>\$ 132,140,455</u>		
Cash held in agency fund	<u>\$ 109,039,841<sup>3</sup></u>		

**Maturity Restrictions**

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

Investments consist of bond proceeds which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2014, are comprised of the following:

<b>Description</b>	<b>Fair Value at June 30, 2014</b>	<b>Average Years to Maturity</b>	<b>Percentage of Authority Funds</b>
U.S. Treasury notes	\$ 120,084,268	.98	38.0%
Primary Care Capital Program funds held with the State Treasurer Fund Investment Pool	1,407,522	1 day to 5 years	<1%
Federal Home Loan Mortgage Corporation bonds	<u>62,200,677</u>	1.33	19.69%
Total restricted investments	<u>\$ 183,692,467</u>		

<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 \$211,510 is secured by a pledge of Agency securities in the name of the State of New Mexico monitored by the New Mexico State Treasurer’s Office.

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

**New Mexico Finance Authority**  
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**4) Loans Receivable**

Loans receivable activity for the fiscal year was as follows:

Program Description	Term (Years)	Rates	2013	Increases	Decreases	2014
Public Projects Revolving Loan Fund	1 to 30	0% to 6%	\$ 1,140,530,507	\$ 104,821,188	\$ 162,646,076	\$ 1,082,705,619
Drinking Water State Revolving Loans	1 to 30	0% to 4%	63,341,227	5,662,622	4,070,491	64,933,358
Drinking Water State Revolving Loans-ARRA	1 to 20	1%	2,616,809	-	311,131	2,305,678
Primary Care Capital Fund Loans	10 to 20	3%	4,216,376	-	632,069	3,584,307
Water Projects Fund Loan Grants	10 to 20	0%	18,336,546	7,301,228	4,414,778	21,222,996
Smart Money Participation Loans	3 to 20	2% to 5%	4,161,711	576,000	55,947	4,681,764
Behavioral Health Care Loan	15	3%	198,512	-	23,907	174,605
Cigarette Tax - Behavioral Health Care Capital Loans	15	3%	441,272	587,230	34,804	993,698
Pooled Equipment Certificates of Participation Loans	5 to 20	4% to 6.4%	108,000	-	55,000	53,000
Colinias Infrastructure Fund Loans	10 to 20	3%	202,731	546,253	87,634	661,350
SSBCI Loans	10 to 20	3%	2,461,746	2,127,931	1,277,150	3,312,527
Child Care Revolving Loans	8	3%	25,970	-	6,160	19,810
			1,236,641,407	121,622,452	173,615,147	1,184,648,712
Less allowance for loan losses			(5,409,364)	(895,092)	822,109	(5,482,347)
Totals			<u>\$ 1,231,232,043</u>	<u>\$ 120,727,360</u>	<u>\$ 174,437,256</u>	<u>\$ 1,179,166,365</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
2015	\$ 93,384,387	\$ 41,501,928	\$ 134,886,315
2016	91,342,260	39,154,650	130,496,910
2017	84,516,759	36,685,197	121,201,956
2018	83,005,755	34,223,254	117,229,009
2019	81,042,883	31,598,294	112,641,177
2020 – 2024	344,420,879	120,448,670	464,869,549
2025 – 2029	238,154,305	63,817,660	301,971,965
2030 – 2034	125,488,846	25,319,255	150,808,101
2035 – 2039	42,919,269	3,785,107	46,704,376
2040 – 2044	373,369	11,387	384,756
Subtotals	1,184,648,712	\$ 396,545,402	\$ 1,581,194,114
Less allowance for loan losses	(5,482,347)		
Loans receivable net	<u>\$ 1,179,166,365</u>		

**New Mexico Finance Authority**  
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**5) Intergovernmental Receivables**

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

Intergovernmental receivables activity during the year ended June 30, 2014, was as follows:

State Entity	Revenue Pledge	Rates	Maturity	2013	Payments	2014	Due in One Year
Administrative Office of the Courts	Court Facilities fees	3.05% to 5.00%	6/15/2025	\$ 40,085,000	\$ 2,525,000	\$ 37,560,000	\$ 2,650,000
University of New Mexico Health Sciences Center	Cigarette excise tax	3.88% to 5.00%	6/15/2025	23,565,000	120,000	23,445,000	125,000
General Services Department - State of New Mexico	State Gross Receipts tax	4.25% to 5.00%	6/1/2036	44,375,000	855,000	43,520,000	900,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.25% to 5.00%	4/1/2019	10,825,000	1,975,000	8,850,000	1,955,000
University of New Mexico Health Sciences Center	Cigarette excise tax	2.13% to 3.94%	4/1/2019	4,599,549	770,628	3,828,921	766,438
General Services Department - State of New Mexico	Income from Land Grant Permanent Fund	7.00%	3/15/2015	1,825,000	880,000	945,000	945,000
			Totals	<u>\$ 125,274,549</u>	<u>\$ 7,125,628</u>	<u>\$ 118,148,921</u>	<u>\$ 7,341,438</u>

The following is a summary of scheduled payments to be collected on the receivables from state entities as of June 30, 2014:

	Principal	Interest	Total
Fiscal year ending June 30			
2015	\$ 7,341,438	\$ 5,773,494	\$ 13,114,932
2016	6,884,184	5,424,462	12,308,646
2017	7,103,814	5,097,956	12,201,770
2018	7,315,443	4,760,840	12,076,283
2019	7,594,042	4,411,819	12,005,861
2020 – 2024	42,425,000	16,227,813	58,652,813
2025 – 2029	18,780,000	7,193,463	25,973,463
2030 – 2034	14,030,000	3,844,000	17,874,000
2035 – 2039	6,675,000	504,750	7,179,750
Intergovernmental receivables	<u>\$ 118,148,921</u>	<u>\$ 53,238,597</u>	<u>\$ 171,387,518</u>

**New Mexico Finance Authority**  
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**6) Capital Assets**

A summary of changes in capital assets during the fiscal year was as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Depreciable assets				
Furniture and fixtures	\$ 28,665	\$ -	\$ -	\$ 28,665
Computer hardware and software	731,618	-	-	731,618
Leasehold improvement	8,241	-	-	8,241
	<u>768,524</u>	<u>-</u>	<u>-</u>	<u>768,524</u>
Accumulated depreciation				
Furniture and fixtures	(28,665)	-	-	(28,665)
Computer hardware and software	(510,846)	(116,394)	-	(627,240)
Leasehold improvement	(8,241)	-	-	(8,241)
	<u>(547,752)</u>	<u>(116,394)</u>	<u>-</u>	<u>(664,146)</u>
Net total	<u>\$ 220,772</u>	<u>\$ (116,394)</u>	<u>\$ -</u>	<u>\$ 104,378</u>

Depreciation expense for the fiscal year was \$116,394.

**7) Bonds Payable**

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

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

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Bonds payable consist of the following at June 30, 2014:

Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
<b>Public Project Revolving Fund Revenue Bonds - Senior Lien Debt</b>				
2005 A	3.750% to 5.000%	June 1, 2013 to June 1, 2025	\$ 19,015,000	\$ 6,980,000
2005 B	3.500% to 4.500%	June 1, 2013 to June 1, 2020	13,500,000	4,365,000
2006 B	4.250% to 5.000%	June 1, 2013 to June 1, 2036	38,260,000	26,265,000
2006 D	4.250% to 5.000%	June 1, 2013 to June 1, 2036	56,400,000	46,015,000
2007 E	4.250% to 5.000%	June 1, 2013 to June 1, 2032	61,945,000	40,030,000
2008 A	3.000% to 5.000%	June 1, 2013 to June 1, 2038	158,965,000	129,605,000
2008 B	4.000% to 5.250%	June 1, 2013 to June 1, 2035	36,545,000	25,780,000
2008 C	4.250% to 6.000%	June 1, 2013 to June 1, 2033	29,130,000	21,150,000
2009 A	2.250% to 5.000%	June 1, 2013 to June 1, 2038	18,435,000	14,230,000
2009 C	2.500% to 5.250%	June 1, 2013 to June 1, 2029	55,810,000	45,795,000
2009 D-1	3.000% to 4.500%	June 1, 2013 to June 1, 2030	13,570,000	9,370,000
2009 D-2	2.320% to 6.070%	June 1, 2013 to June 1, 2036	38,845,000	36,290,000
2009 E	3.000% to 4.500%	June 1, 2013 to June 1, 2019	35,155,000	19,945,000
2010 A-1	3.000% to 4.500%	June 1, 2013 to June 1, 2034	13,795,000	7,555,000
2010 A-2	3.777% to 6.406%	June 1, 2016 to June 1, 2039	15,170,000	13,795,000
2010 B-1	2.000% to 5.000%	June 1, 2013 to June 1, 2035	38,610,000	28,450,000
2010 B-2	2.236% to 6.230%	June 1, 2013 to June 1, 2035	17,600,000	17,285,000
2011 A	2.000% to 4.000%	June 1, 2013 to June 1, 2016	15,375,000	6,425,000
2011 B-1	2.000% to 4.000%	June 1, 2013 to June 1, 2036	42,735,000	32,500,000
2011 B-2	2.000% to 4.950%	June 1, 2013 to June 1, 2031	14,545,000	12,225,000
2011 C	3.000% to 5.000%	June 1, 2013 to June 1, 2036	53,400,000	46,025,000
2012 A	1.500% to 5.500%	June 1, 2013 to June 1, 2038	24,340,000	22,445,000
2013 A	2.000% to 5.000%	June 1, 2013 to June 1, 2038	44,285,000	41,245,000
2013 B	2.000% to 5.000%	June 1, 2014 to June 1, 2036	16,360,000	15,455,000
			<u>871,790,000</u>	<u>669,225,000</u>
<b>Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt</b>				
2005 C	3.625% to 5.000%	June 15, 2013 to June 15, 2025	50,395,000	36,410,000
2005 E	3.875% to 5.000%	June 15, 2013 to June 15, 2025	23,445,000	23,445,000
2005 F	4.000% to 5.000%	June 15, 2013 to June 15, 2025	21,950,000	16,245,000
2006 A	4.000% to 5.000%	June 15, 2013 to June 15, 2035	49,545,000	42,525,000
2006 C	4.000% to 5.000%	June 15, 2013 to June 15, 2026	39,860,000	27,845,000
2007 A	4.000% to 5.000%	June 15, 2013 to June 15, 2027	34,010,000	18,260,000
2007 B	4.250% to 5.000%	June 15, 2013 to June 15, 2034	38,475,000	24,050,000
2007 C	4.250% to 5.250%	June 15, 2013 to June 15, 2027	131,860,000	96,700,000
2013 C-1	2.000% to 4.000%	June 15, 2014 to June 15, 2028	3,745,000	3,325,000
2013 C-2	.950% to 5.000%	June 15, 2014 to June 15, 2029	10,550,000	9,350,000
2014 A-1	2.000% to 5.000%	June 15, 2014 to June 15, 2033	15,135,000	15,135,000
2014 A-2	.250% to 4.491%	June 15, 2014 to June 15, 2034	16,805,000	16,805,000
			<u>435,775,000</u>	<u>330,095,000</u>
		<b>Subtotal - PPRF Bonds</b>	<u>1,307,565,000</u>	<u>999,320,000</u>

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Bond Series	Rate	Maturities	Original Amount	Outstanding Amount
<b>Pooled Equipment Certificates of Participants</b>				
1995 A	6.30%	October 1, 2015	4,288,000	36,000
1996 A	5.80%	April 1, 2016	<u>1,458,000</u>	<u>17,000</u>
			<u>5,746,000</u>	<u>53,000</u>
<b>State Capitol Building Improvement Revenue Bonds</b>				
1996	7.0%	Sept. 15, 2012 to Mar. 15, 2015	9,315,000	945,000
<b>Cigarette Tax Revenue Bonds - UNM Health Sciences Center Project</b>				
2004A	4.0% to 5.0%	April 1, 2012 to April 1, 2019	39,035,000	8,850,000
<b>Cigarette Tax Revenue Bonds - Behavioral Health Projects</b>				
2006	5.51%	May 1, 2012 to May 1, 2026	<u>2,500,000</u>	<u>1,500,000</u>
Total bonds outstanding			<u>\$ 1,364,161,000</u>	1,010,668,000
Add net unamortized premium				37,473,351
Total bonds payable, net				1,048,141,351
Less current portion of bonds payable				<u>(70,430,000)</u>
Noncurrent portion of bonds payable				<u>\$ 977,711,351</u>

Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2015	\$ 70,430,000	\$ 47,179,421	\$ 117,609,421
2016	69,968,000	44,280,544	114,248,544
2017	70,100,000	41,386,204	111,486,204
2018	71,275,000	38,300,822	109,575,822
2019 – 2023	332,065,000	144,408,165	476,473,165
2024 – 2028	230,385,000	71,951,554	302,336,554
2029 – 2033	113,610,000	29,714,771	143,324,771
2034 – 2038	52,780,000	5,688,316	58,468,316
2039 – 2040	<u>55,000</u>	<u>3,523</u>	<u>58,523</u>
	<u>1,010,668,000</u>	<u>\$ 422,913,320</u>	<u>\$ 1,433,581,320</u>
Add unamortized premium	<u>37,473,351</u>		
Bonds payable, net	<u>\$ 1,048,141,351</u>		

**New Mexico Finance Authority**  
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The bonds payable activity for the fiscal year was as follows:

	Balance at			Balance at	
	June 30, 2013, as restated	Increases	Decreases	June 30, 2014	Due within One Year
Bonds payable	\$ 1,145,326,000	\$ 62,595,000	\$ (197,253,000)	\$ 1,010,668,000	\$ 70,430,000
Add unamortized premium	<u>36,378,109</u>	<u>3,666,745</u>	<u>(2,571,503)</u>	<u>37,473,351</u>	<u>-</u>
Total	<u>\$ 1,181,704,109</u>	<u>\$ 66,261,745</u>	<u>\$ (199,824,503)</u>	<u>\$ 1,048,141,351</u>	<u>\$ 70,430,000</u>

**8) Advanced Loan Payments**

Advanced loan payments represent the amounts received from loan recipients which have not been applied as a payment against their loan as well as debt service reserve accounts funded from the loan proceeds. The Authority applies loan payments semi-annually, therefore, any payments received prior to being applied to the loan are held in an account which earns interest and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's office. The balance of advanced loan payments was \$72,189,707 at June 30, 2014.

**9) Line of Credit**

The Authority maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain Public Project Revolving Fund Revenue Bonds and to reimburse the Authority for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. Interest is due monthly on the outstanding balance, and accrues at 70% of U.S. dollar monthly LIBOR plus 75 basis points. The LIBOR rate at June 30, 2014, was .154. The Authority pays a 15 basis point fee on the unused portion of the facility. A summary of changes in the line of credit follows:

	Balance, June 30,			Balance, June 30,	
	2013	Increases	Decreases	2014	Due within One Year
PPRF line of credit	\$ -	\$ 17,536,712	\$ (5,530,414)	\$ 12,006,298	\$ 12,006,298
Total	<u>\$ -</u>	<u>\$ 17,536,712</u>	<u>\$ (5,530,414)</u>	<u>\$ 12,006,298</u>	<u>\$ 12,006,298</u>

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**10) Operating Lease Commitment**

The Authority is committed under various lease agreements for office space, a vehicle, and office equipment. These leases are classified as operating leases. Lease expenditures for the year ended June 30, 2014, were \$362,044. Future minimum lease payments are \$242,797 in 2015.

**11) Retirement Plans**

The Authority's retirement plan was organized under Section 408(k) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of the Authority. Each eligible employee participating in the plan must contribute 3% of their compensation. The Authority makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. The Authority also makes a 50% matching contribution on voluntary contributions. Employee contributions are 100% vested, and the Authority contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. The Authority's contributions for this retirement plan were \$479,948 for the year ended June 30, 2014. Substantially all full-time employees participate in this plan.

The Authority maintains a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its Executive Director and its Chief Operating Officer. The contributions are made regardless of the number of hours worked or the employment status on the last day of the plan year. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee is fully vested at all times. The executive plan was not in effect for the year ended June 30, 2014.

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**12) Compensated Absences**

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

Balance at June 30, 2013	\$ 274,077
Additions	193,745
Deletions	<u>(194,382)</u>
Balance at June 30, 2014	<u>\$ 273,440</u>
Due within one year	<u>\$ 273,440</u>

**13) Agency Transactions**

The Authority was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$1.4 billion of such bonds are outstanding at June 30, 2014.

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

**14) Contingencies**

Litigation

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

Loan Prepayment and Bond Call Provisions

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

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**June 30, 2014**

If interest rates at the time of prepayment are lower than the rates on the related bonds, as is currently the case, both loan substitution and defeasance will result in the Authority earning less on the substituted loan or the defeasance escrow than it will pay on the related bond, resulting in a negative cash flow. The Authority has other funding sources available to pay the shortfall, including the proceeds of the loan payoff, reserve funds, and operating cash. Management does not believe this condition will have a material adverse impact on the financial statements. The variance in prepayment and call periods was eliminated through a Board resolution in 2008 so that this condition is eliminated by 2018. The loans containing the shortened call provision total approximately \$577 million and the related bonds total approximately \$539 million at June 30, 2014. During FY 2013, loans totaling \$51.6 million exercised this call provision and \$63.8 million exercised the option during fiscal year 2014.

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

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

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

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

**15) Related Party Transactions**

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

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

representative serving on the Board holds a position as Cabinet Secretary of the NM Environmental Department in which the Authority assists the Department in the administration of the State's Drinking Water federal program.

**16) Finance New Mexico, LLC**

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

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

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

The Authority's interest in NMFLLC is accounted for using the cost method of accounting. The Authority's interest in NMFLLC is reported at its initial investment plus return on equity totaling \$99,110 as of June 30, 2014.

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

The financial statements of FNMLLC as of June 30, 2014 and the year then ended are presented using the FASB financial reporting framework. Condensed financial information is as follows:

**Balance Sheet**

**Assets**

Cash	\$ 532,300
Due from affiliates	838,737
Investment in limited liability companies	13,569
Total assets	<u>\$ 1,384,606</u>

**Liabilities**

Accounts payable	\$ 30,756
Due to affiliate	493,938
Total liabilities	<u>524,694</u>

**Equity**

Members equity	859,726
Noncontrolling interest	186
Total equity	<u>\$ 1,384,606</u>

**Statement of Operations**

**Operating Income**

Interest income	\$ 597
Sponsor fee income	810,000
Management fee income	612,203
Total operating income	<u>1,422,800</u>

**Operating Expense**

Sponsor fee expense	743,681
Management fee expense	377,035
Professional fees	80,835
Gross receipt tax	110,104
Miscellaneous administrative expenses	2,506
Total operating expenses	<u>1,314,161</u>
Net operating income	<u>108,639</u>

**Nonoperating Expenses**

Share of income from investment in limited liability companies	64
Net income	108,703
Less net income attributable to noncontrolling interest	(11)
Net income attributable to controlling interest	<u>\$ 108,692</u>

**New Mexico Finance Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

**Statement of Members Equity**

	Controlling Interest	Noncontrolling Interest	Total Equity
Balance, June 30, 2013	\$ 751,034	\$ 175	\$ 751,209
Net income	<u>108,692</u>	<u>11</u>	<u>108,703</u>
Balance, June 30, 2014	<u>\$ 859,726</u>	<u>\$ 186</u>	<u>\$ 859,912</u>

**17) Implementation of new accounting standard GASB Statement 65**

Effective July 1, 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Accordingly, beginning Net Position was reduced by \$10,165,480, for restatement of bond issue costs to fully recognize a period expense (see restatement below). In addition, certain balances are now reported as Deferred Inflows of Resources according to the newly adopted terminology.

	<u>Enterprise Fund</u>
<i>Statement of Revenues, Expenses and Changes in Net Position</i>	
Net position, as previously reported	\$ 435,475,358
Effect of GASB 65 adoption	<u>(10,165,480)</u>
Net position, July 1, 2013, as restated	<u>\$ 425,309,878</u>

## Supplementary Schedules

	PPRF	GRIP	Behavioral Health	Child Care
<b>Assets</b>				
Current assets				
Cash and equivalents				
Unrestricted	\$ 37,838,342	\$ 230,014	\$ 418,167	\$ -
Restricted	67,359,957	-	-	34,568
Interest receivable	7,050,093	-	4,253	-
Grants and other receivable	1,597,955	188,734	-	-
Due from other funds	4,855,596	-	-	-
Prepaid rent	19,500	-	-	-
Administrative fees receivable	145,961	-	-	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	4,478,620	-	-	-
Loans receivable, net of allowance	87,245,431	-	36,200	6,326
Intergovernmental receivables	3,675,000	-	-	-
Total current assets	<u>214,266,455</u>	<u>418,748</u>	<u>458,620</u>	<u>40,894</u>
Noncurrent assets				
Restricted investments	122,591,262	-	-	-
Loans receivable, net of allowance	994,385,758	-	138,405	13,484
Intergovernmental receivables	100,850,000	-	-	-
Capital assets, net of accumulated depreciation	70,302	34,076	-	-
Total assets	<u>\$ 1,432,163,777</u>	<u>\$ 452,824</u>	<u>\$ 597,025</u>	<u>\$ 54,378</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	\$ 1,191,181	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ 1,191,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 262,198	\$ -	\$ -	\$ -
Accrued payroll	91,540	-	-	-
Compensated absences	273,440	-	-	-
Due to other funds	1,474,424	106,101	13,515	116,764
Bond interest payable	3,455,768	-	-	-
Undisbursed loan proceeds	28,682,538	-	-	62,092
Advanced loan payments	71,462,270	-	-	-
Notes payable	649,699	-	-	-
Line of credit	12,006,298	-	-	-
Bonds payable, net	67,380,000	-	-	-
Other liabilities	45,633	-	-	-
Total current liabilities	<u>185,783,808</u>	<u>106,101</u>	<u>13,515</u>	<u>178,856</u>
Noncurrent liabilities				
Bonds payable	968,764,409	-	-	-
Total liabilities	<u>1,154,548,217</u>	<u>106,101</u>	<u>13,515</u>	<u>178,856</u>
<b>Net Position</b>				
Invested in capital assets	70,302	34,076	-	-
Restricted for debt service	71,462,270	-	-	-
Restricted for program commitments	28,682,538	-	165,343	-
Unrestricted	178,591,631	312,647	418,167	(124,478)
Total net position	<u>278,806,741</u>	<u>346,723</u>	<u>583,510</u>	<u>(124,478)</u>
Total liabilities and net position	<u>\$ 1,433,354,958</u>	<u>\$ 452,824</u>	<u>\$ 597,025</u>	<u>\$ 54,378</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements of Net Position**  
**June 30, 2014**

Cigarette Tax	DWSRF	Primary Care	Local Road Program
\$ 436,584	\$ 12,051,356	\$ 53	\$ -
-	738,014	33,946	765,634
-	187,816	10,612	-
-	-	-	-
-	-	-	401
-	-	-	-
-	25,192	-	-
-	-	-	-
-	-	-	-
38,510	3,774,993	381,144	-
-	-	-	-
<u>475,094</u>	<u>16,777,371</u>	<u>425,755</u>	<u>766,035</u>
1,180,392	34,483,874	1,407,522	-
955,188	63,464,043	3,203,163	-
-	-	-	-
-	-	-	-
<u>\$ 2,610,674</u>	<u>\$ 114,725,288</u>	<u>\$ 5,036,440</u>	<u>\$ 766,035</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	195,013	386,324	-
13,775	-	-	-
-	-	-	-
-	708,751	17,190	-
-	-	-	-
-	-	-	-
125,000	-	-	-
-	35,061	-	-
<u>138,775</u>	<u>938,825</u>	<u>403,514</u>	<u>-</u>
1,375,000	-	-	-
<u>1,513,775</u>	<u>938,825</u>	<u>403,514</u>	<u>-</u>
-	-	-	-
-	-	-	-
1,096,899	63,464,043	3,191,405	766,035
-	50,322,420	1,441,521	-
<u>1,096,899</u>	<u>113,786,463</u>	<u>4,632,926</u>	<u>766,035</u>
<u>\$ 2,610,674</u>	<u>\$ 114,725,288</u>	<u>\$ 5,036,440</u>	<u>\$ 766,035</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
<b>Assets</b>				
Current assets				
Cash and equivalents				
Unrestricted	\$ 50,830	\$ -	\$ 45,368	\$ -
Restricted	-	-	1,051,274	(231)
Interest receivable	-	-	121,465	-
Grants and other receivable	1,550	-	-	-
Due from other funds	867,191	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	99,110	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,721,438	-
Total current assets	<u>1,018,681</u>	<u>-</u>	<u>3,939,545</u>	<u>(231)</u>
Noncurrent assets				
Restricted investments	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	9,957,483	-
Capital assets, net of accumulated depreciation	-	-	-	-
Total assets	<u>\$ 1,018,681</u>	<u>\$ -</u>	<u>\$ 13,897,028</u>	<u>\$ (231)</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	1,093	-	-
Bond interest payable	-	-	140,944	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	3,828,921	-
Line of credit	-	-	-	-
Bonds payable, net	-	-	1,955,000	-
Other liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>1,093</u>	<u>5,924,865</u>	<u>-</u>
Noncurrent liabilities				
Bonds payable	-	-	7,543,942	-
Total liabilities	<u>-</u>	<u>1,093</u>	<u>13,468,807</u>	<u>-</u>
<b>Net Position</b>				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	-	-	428,221	-
Unrestricted	<u>1,018,681</u>	<u>(1,093)</u>	<u>-</u>	<u>(231)</u>
Total net position	<u>1,018,681</u>	<u>(1,093)</u>	<u>428,221</u>	<u>(231)</u>
Total liabilities and net position	<u>\$ 1,018,681</u>	<u>\$ -</u>	<u>\$ 13,897,028</u>	<u>\$ (231)</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements of Net Position - continued**  
**June 30, 2014**

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 193,701
409,805	2,300,834	1,496	4,390,938
55,023	-	2,150	-
-	-	-	-
-	-	-	-
-	-	-	14,890
-	-	-	-
-	-	-	-
-	-	-	1,901,783
<u>945,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,409,828	2,300,834	3,646	6,501,312
-	6,220,774	-	12,395,505
-	-	53,000	19,321,213
-	-	-	-
-	-	-	-
<u>\$ 1,409,828</u>	<u>\$ 8,521,608</u>	<u>\$ 56,646</u>	<u>\$ 38,218,030</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	497,039
14,547	-	680	-
-	-	-	-
-	-	1,496	-
-	-	-	-
-	-	-	-
945,000	-	25,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
959,547	-	27,176	497,039
-	-	28,000	-
<u>959,547</u>	<u>-</u>	<u>55,176</u>	<u>497,039</u>
-	-	-	-
-	-	-	-
450,281	8,521,608	1,470	4,390,938
<u>-</u>	<u>-</u>	<u>-</u>	<u>33,330,053</u>
<u>450,281</u>	<u>8,521,608</u>	<u>1,470</u>	<u>37,720,991</u>
<u>\$ 1,409,828</u>	<u>\$ 8,521,608</u>	<u>\$ 56,646</u>	<u>\$ 38,218,030</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
<b>Assets</b>				
Current assets				
Cash and equivalents				
Unrestricted	\$ -	\$ -	\$ 570,500	\$ -
Restricted	539,467	25	-	548,235
Interest receivable	-	-	-	-
Grants and other receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid rent	-	-	-	-
Administrative fees receivable	-	-	-	-
Investment in Finance New Mexico	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total current assets	<u>539,467</u>	<u>25</u>	<u>570,500</u>	<u>548,235</u>
Noncurrent assets				
Restricted investments	-	-	1,542,464	-
Loans receivable, net of allowance	-	-	-	936,352
Intergovernmental receivables	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
Total assets	<u>\$ 539,467</u>	<u>\$ 25</u>	<u>\$ 2,112,964</u>	<u>\$ 1,484,587</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	104,550	1,152,754
Bond interest payable	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Line of credit	-	-	-	-
Bonds payable, net	-	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>104,550</u>	<u>1,152,754</u>
Noncurrent liabilities				
Bonds payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>104,550</u>	<u>1,152,754</u>
<b>Net Position</b>				
Invested in capital assets	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for program commitments	539,467	-	-	331,833
Unrestricted	-	25	2,008,414	-
Total net position	<u>539,467</u>	<u>25</u>	<u>2,008,414</u>	<u>331,833</u>
Total liabilities and net position	<u>\$ 539,467</u>	<u>\$ 25</u>	<u>\$ 2,112,964</u>	<u>\$ 1,484,587</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements of Net Position - continued**  
**June 30, 2014**

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Intra Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,834,915
572,619	1,431,619	87,634	39,706	-	80,305,540
-	-	-	-	-	7,431,412
-	-	-	-	-	1,788,239
2,557	-	-	-	(5,725,745)	-
-	-	-	-	-	19,500
-	-	-	-	-	186,043
-	-	-	-	-	99,110
-	-	-	-	(4,478,620)	-
-	-	-	-	-	93,384,387
-	-	-	-	-	7,341,438
<u>575,176</u>	<u>1,431,619</u>	<u>87,634</u>	<u>39,706</u>	<u>(10,204,365)</u>	<u>242,390,584</u>
-	3,870,674	-	-	-	183,692,467
-	2,650,022	661,350	-	-	1,085,781,978
-	-	-	-	-	110,807,483
-	-	-	-	-	104,378
<u>\$ 575,176</u>	<u>\$ 7,952,315</u>	<u>\$ 748,984</u>	<u>\$ 39,706</u>	<u>\$ (10,204,365)</u>	<u>\$ 1,622,776,890</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,181</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,181</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,198
-	-	-	-	-	91,540
-	-	-	-	-	273,440
-	545,545	1,132,623	-	(5,725,745)	-
-	-	-	-	-	3,625,714
-	-	-	-	-	28,744,630
-	-	-	-	-	72,189,707
-	-	-	-	(4,478,620)	-
-	-	-	-	-	12,006,298
-	-	-	-	-	70,430,000
-	-	-	-	-	80,694
-	545,545	1,132,623	-	(10,204,365)	187,704,221
-	-	-	-	-	977,711,351
-	545,545	1,132,623	-	(10,204,365)	1,165,415,572
-	-	-	-	-	104,378
-	-	-	-	-	71,462,270
572,619	1,431,619	-	39,706	-	114,074,025
2,557	5,975,151	(383,639)	-	-	272,911,826
<u>575,176</u>	<u>7,406,770</u>	<u>(383,639)</u>	<u>39,706</u>	<u>-</u>	<u>458,552,499</u>
<u>\$ 575,176</u>	<u>\$ 7,952,315</u>	<u>\$ 748,984</u>	<u>\$ 39,706</u>	<u>\$ (10,204,365)</u>	<u>\$ 1,623,968,071</u>

	PPRF	GRIP	Behavioral Health	Child Care
<b>Operating Revenues</b>				
Administrative fees revenue	\$ 1,061,112	\$ 475,387	\$ 166	\$ -
Processing fee	390,004	-	-	-
Interest on loans	46,548,780	-	(2,932)	689
Interest on investments	<u>245,422</u>	<u>681</u>	<u>1,131</u>	<u>95</u>
Total operating revenues	<u>48,245,318</u>	<u>476,068</u>	<u>(1,635)</u>	<u>784</u>
<b>Operating Expenses</b>				
Grants to others	608,803	-	-	-
Bond issuance costs	674,398	-	-	-
Administrative fees	100,213	-	-	-
Professional services	970,669	154,723	16,306	74
Salaries and benefits	2,179,170	155,396	10,085	46
Other operating costs	736,516	102,029	5,675	120
Depreciation expense	116,394	-	-	-
Bond interest expense	53,772,342	-	-	-
Provision for loan losses	(1,900,656)	-	-	-
Interest expense	<u>144,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>57,401,931</u>	<u>412,148</u>	<u>32,066</u>	<u>240</u>
Net operating income (loss)	(9,156,613)	63,920	(33,701)	544
<b>Nonoperating Revenues (Expenses)</b>				
Appropriation revenue	29,091,277	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	(10,832,068)	-	25,124	-
Transfers to the State of New Mexico	<u>(487,975)</u>	<u>(882)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	8,614,621	63,038	(8,577)	544
Net position, beginning of year, as restated (note 17)	<u>270,192,120</u>	<u>283,685</u>	<u>592,087</u>	<u>(125,022)</u>
<b>Net position</b> , end of year	<u>\$ 278,806,741</u>	<u>\$ 346,723</u>	<u>\$ 583,510</u>	<u>\$ (124,478)</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2014**

Cigarette Tax	DWSRF	Primary Care	Local Road Program
\$ -	\$ 162,581	\$ -	\$ -
-	-	-	-
22,510	1,088,616	102,497	212
<u>5,572</u>	<u>131,145</u>	<u>852</u>	<u>2,307</u>
<u>28,082</u>	<u>1,382,342</u>	<u>103,349</u>	<u>2,519</u>
-	8,586,162	-	-
-	-	-	-
-	-	-	-
-	150,257	5,706	9
-	409,746	35,188	63
9,475	117,601	114,515	10
-	-	-	-
88,389	-	-	-
-	-	-	-
-	-	-	-
<u>97,864</u>	<u>9,263,766</u>	<u>155,409</u>	<u>82</u>
(69,782)	(7,881,424)	(52,060)	2,437
-	-	-	-
-	12,448,854	-	-
189,414	8,199,645	-	-
-	-	-	-
<u>119,632</u>	<u>12,767,075</u>	<u>(52,060)</u>	<u>2,437</u>
<u>977,267</u>	<u>101,019,388</u>	<u>4,684,986</u>	<u>763,598</u>
<u>\$ 1,096,899</u>	<u>\$ 113,786,463</u>	<u>\$ 4,632,926</u>	<u>\$ 766,035</u>

	New Market Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
<b>Operating Revenues</b>				
Administrative fees revenue	\$ 1,041,666	\$ -	\$ -	\$ -
Processing fee	-	-	-	-
Interest on loans	-	-	672,321	-
Interest on investments	139	-	399	-
Total operating revenues	<u>1,041,805</u>	<u>-</u>	<u>672,720</u>	<u>-</u>
<b>Operating Expenses</b>				
Grants to others	-	-	-	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	85,150	-
Professional services	165,652	-	-	-
Salaries and benefits	335,333	-	-	-
Other operating costs	91,689	-	-	-
Depreciation expense	-	-	-	-
Bond interest expense	-	-	363,619	-
Provision for loan losses	-	-	-	-
Interest expense	-	-	154,277	-
Total operating expenses	<u>592,674</u>	<u>-</u>	<u>603,046</u>	<u>-</u>
Net operating income (loss)	449,131	-	69,674	-
<b>Nonoperating Revenues (Expenses)</b>				
Appropriation revenue	-	-	3,332,525	-
Grant revenue	-	-	-	-
Inter-fund transfers	(20)	-	(77,778)	-
Transfers to the State of New Mexico	(1,010)	-	(3,053,177)	-
Increase (decrease) in net position	448,101	-	271,244	-
Net position, beginning of year, as restated (note 17)	<u>570,580</u>	<u>(1,093)</u>	<u>156,977</u>	<u>(231)</u>
<b>Net position, end of year</b>	<u>\$ 1,018,681</u>	<u>\$ (1,093)</u>	<u>\$ 428,221</u>	<u>\$ (231)</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements Revenues, Expenses and Changes in Net Position - continued**  
**For the Year Ended June 30, 2014**

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ 76,722
-	-	-	-
112,525	-	6,556	-
<u>1,043</u>	<u>24,765</u>	<u>-</u>	<u>56,516</u>
<u>113,568</u>	<u>24,765</u>	<u>6,556</u>	<u>133,238</u>
-	-	-	37,186,647
-	-	-	-
4,020	-	-	-
-	-	-	359,999
-	-	-	518,940
-	-	-	143,841
-	-	-	-
89,811	-	5,086	-
-	-	-	-
-	-	-	-
<u>93,831</u>	<u>-</u>	<u>5,086</u>	<u>38,209,427</u>
19,737	24,765	1,470	(38,076,189)
(1,931)	2,319,434	-	4,000,000
-	-	-	39,206,563
-	-	-	-
<u>80,263</u>	<u>(468,428)</u>	<u>-</u>	<u>(472)</u>
98,069	1,875,771	1,470	5,129,902
<u>352,212</u>	<u>6,645,837</u>	<u>-</u>	<u>32,591,089</u>
<u>\$ 450,281</u>	<u>\$ 8,521,608</u>	<u>\$ 1,470</u>	<u>\$ 37,720,991</u>

	Water/Waste Water	Emergency Drought Water Program	Local Government Planning Fund	Economic Development Program
<b>Operating Revenues</b>				
Administrative fees revenue	\$ -	\$ -	\$ -	\$ -
Processing fee	-	-	-	-
Interest on loans	-	-	-	60,549
Interest on investments	1,630	-	2,242	1,490
Total operating revenues	<u>1,630</u>	<u>-</u>	<u>2,242</u>	<u>62,039</u>
<b>Operating Expenses</b>				
Grants to others	-	-	571,377	-
Bond issuance costs	-	-	-	-
Administrative fees	-	-	-	-
Professional services	213	-	55,068	1,626
Salaries and benefits	2,591	-	168,192	31,838
Other operating costs	549	-	36,861	8,617
Depreciation expense	-	-	-	-
Bond interest expense	-	-	-	-
Provision for loan losses	-	-	-	416,043
Interest expense	-	-	-	-
Total operating expenses	<u>3,353</u>	<u>-</u>	<u>831,498</u>	<u>458,124</u>
Net operating income (loss)	(1,723)	-	(829,256)	(396,085)
<b>Nonoperating Revenues (Expenses)</b>				
Appropriation revenue	-	-	-	-
Grant revenue	-	-	-	-
Inter-fund transfers	-	-	2,495,683	-
Transfers to the State of New Mexico	-	-	-	-
Increase (decrease) in net position	(1,723)	-	1,666,427	(396,085)
Net position, beginning of year, as restated (note 17)	<u>541,190</u>	<u>25</u>	<u>341,987</u>	<u>727,918</u>
<b>Net position, end of year</b>	<u>\$ 539,467</u>	<u>\$ 25</u>	<u>\$ 2,008,414</u>	<u>\$ 331,833</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements Revenues, Expenses and Changes in Net Position - continued**  
**For the Year Ended June 30, 2014**

Local Transportation Program	SSBCI	Colonias	BioMass Dairy	Total
\$ 1,668	\$ -	\$ -	\$ -	\$ 2,819,302
-	-	-	-	390,004
-	111,380	-	-	48,723,703
<u>4,074</u>	<u>8,472</u>	<u>-</u>	<u>105</u>	<u>488,080</u>
<u>5,742</u>	<u>119,852</u>	<u>-</u>	<u>105</u>	<u>52,421,089</u>
848,126	-	3,023,326	-	50,824,441
-	-	-	-	674,398
-	-	-	-	189,383
-	48,437	260,638	-	2,189,377
-	272,429	165,375	-	4,284,392
-	66,019	51,231	-	1,484,748
-	-	-	-	116,394
-	-	-	-	54,319,247
-	662,505	-	-	(822,108)
-	-	-	-	298,359
<u>848,126</u>	<u>1,049,390</u>	<u>3,500,570</u>	<u>-</u>	<u>113,558,631</u>
(842,384)	(929,538)	(3,500,570)	105	(61,137,542)
-	4,345,555	-	-	43,086,860
-	-	3,569,579	-	55,224,996
-	-	-	-	-
-	(12)	-	-	(3,931,693)
<u>(842,384)</u>	<u>3,416,005</u>	<u>69,009</u>	<u>105</u>	<u>33,242,621</u>
<u>1,417,560</u>	<u>3,990,765</u>	<u>(452,648)</u>	<u>39,601</u>	<u>425,309,878</u>
<u>\$ 575,176</u>	<u>\$ 7,406,770</u>	<u>\$ (383,639)</u>	<u>\$ 39,706</u>	<u>\$ 458,552,499</u>

	PPRF	GRIP	Behavioral Health	Child Care
<b>Cash flows from operating activities</b>				
Cash paid for employee services	\$ (2,172,387)	\$ (155,396)	\$ (10,085)	\$ (46)
Cash paid to vendors for services	(2,481,238)	(319,109)	(15,038)	46
Intergovernmental payments received	4,270,630	-	-	-
Loans payments received	145,964,374	-	12,159	6,163
Loans funded	(100,592,280)	-	-	-
Grants to local governments	(608,803)	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	47,434,880	-	(5,158)	689
Proceeds from line of credit	17,536,712	-	-	-
Payments of line of credit	(5,530,414)	-	-	-
Administrative fees received	2,138,292	475,387	248	-
Net cash provided by (used in) operating activities	<u>105,959,766</u>	<u>882</u>	<u>(17,874)</u>	<u>6,852</u>
<b>Cash flows from noncapital financing activities</b>				
Appropriations received from the State of New Mexico	29,091,277	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	(487,975)	(882)	-	-
Interfund transfers	(10,832,068)	-	25,124	-
Proceeds from the sale of bonds	62,595,000	-	-	-
Payment of bonds	(194,218,000)	-	-	-
Bond issuance costs	(674,398)	-	-	-
Bond interest expense paid	(52,858,214)	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>(167,384,378)</u>	<u>(882)</u>	<u>25,124</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	-	-	-	-
Sale of investments	8,196,474	-	-	-
Interest received on investments	245,422	681	1,131	95
Net cash provided by (used in) investing activities	<u>8,441,896</u>	<u>681</u>	<u>1,131</u>	<u>95</u>
Net increase (decrease) in cash and cash equivalents	(52,982,716)	681	8,381	6,947
Cash and cash equivalents, beginning of year	158,181,015	229,333	409,786	27,621
<b>Cash and cash equivalents, end of year</b>	<u>\$ 105,198,299</u>	<u>\$ 230,014</u>	<u>\$ 418,167</u>	<u>\$ 34,568</u>
<b>Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities</b>				
Net operating income (loss)	\$ (9,156,613)	\$ 63,920	\$ (33,701)	\$ 544
Adjustments to change in net position				
Depreciation	116,394	-	-	-
Amortization on bond premiums	(2,434,883)	-	-	-
Provision for loan losses	(1,900,656)	-	-	-
Interest on investments	(245,422)	(681)	(1,131)	(95)
Bond interest paid	56,207,225	-	-	-
Bond issuance costs	674,398	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	144,082	-	-	-
Changes in assets and liabilities				
Interest receivable	886,100	-	(2,226)	-
Grants and other receivable	652,045	-	-	-
Due from other funds	2,752,771	-	-	-
Administrative fees receivable	35,131	-	82	-
Notes receivable	967,099	-	-	-
Loans receivable, net of allowance	58,719,980	-	23,909	6,163
Intergovernmental receivables	3,500,000	-	-	-
Accounts payable	(210,841)	-	-	-
Accrued payroll	7,420	-	-	-
Compensated absences	(637)	-	-	-
Due to other funds	(3,050,984)	(62,357)	6,943	240
Funds held for others	(80,263)	-	-	-
Undisbursed loan proceeds	(16,740,903)	-	-	-
Advanced loan payments	3,393,017	-	(11,750)	-
Notes payable	(196,471)	-	-	-
Line of credit	12,006,298	-	-	-
Other liabilities	(84,521)	-	-	-
	<u>\$ 105,959,766</u>	<u>\$ 882</u>	<u>\$ (17,874)</u>	<u>\$ 6,852</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements of Cash Flows**  
**For the Year Ended June 30, 2014**

Cigarette Tax	DWSRF	Primary Care	Local Road Fund
\$ -	\$ (409,746)	\$ (35,188)	\$ (63)
(9,475)	(943,949)	(70,822)	(19)
-	-	-	-
(552,423)	4,742,409	634,567	-
-	(5,597,588)	-	-
-	(8,586,162)	-	-
-	12,448,854	-	-
22,510	1,068,704	102,990	82
-	-	-	-
-	-	-	-
-	165,450	-	-
<u>(539,388)</u>	<u>2,887,972</u>	<u>631,547</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
189,414	8,199,645	-	-
-	-	-	-
(125,000)	-	-	-
-	-	-	-
(89,537)	-	-	-
<u>(25,123)</u>	<u>8,199,645</u>	<u>-</u>	<u>-</u>
(1,180,392)	(34,483,874)	(629,803)	-
-	-	-	-
5,572	131,145	852	2,307
<u>(1,174,820)</u>	<u>(34,352,729)</u>	<u>(628,951)</u>	<u>2,307</u>
(1,739,331)	(23,265,112)	2,596	2,307
2,175,915	36,054,482	31,403	763,327
<u>\$ 436,584</u>	<u>\$ 12,789,370</u>	<u>\$ 33,999</u>	<u>\$ 765,634</u>
\$ (69,782)	\$ (7,881,424)	\$ (52,060)	\$ 2,437
-	-	-	-
-	-	-	-
(5,572)	(131,145)	(852)	(2,307)
88,389	-	-	-
-	-	-	-
-	12,448,854	-	-
-	-	-	-
-	(19,912)	493	-
-	-	-	-
-	-	-	(130)
-	2,869	-	-
-	-	-	-
(552,423)	(1,281,007)	632,069	-
-	-	-	-
-	-	-	-
-	-	-	-
-	39,511	49,399	-
-	-	-	-
-	-	-	-
-	425,828	2,498	-
-	-	-	-
-	-	-	-
-	(715,602)	-	-
<u>\$ (539,388)</u>	<u>\$ 2,887,972</u>	<u>\$ 631,547</u>	<u>\$ -</u>

	NM Tax Credits	Energy Efficiency	UNM Health Sciences	Worker's Comp Financing Program
<b>Cash flows from operating activities</b>				
Cash paid for employee services	\$ (335,333)	\$ -	\$ -	\$ -
Cash paid to vendors for services	(680,323)	-	(85,150)	-
Intergovernmental payments received	-	-	1,975,000	-
Loans payments received	-	-	-	-
Loans funded	-	-	-	-
Grants to local governments	-	-	-	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	684,762	-
Proceeds from line of credit	-	-	-	-
Payments of line of credit	-	-	-	-
Administrative fees received	1,041,666	-	-	-
Net cash provided by (used in) operating activities	<u>26,010</u>	<u>-</u>	<u>2,574,612</u>	<u>-</u>
<b>Cash flows from noncapital financing activities</b>				
Appropriations received from the State of New Mexico	-	-	3,332,525	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	(1,010)	-	(3,053,177)	-
Interfund transfers	(20)	-	(77,778)	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	(2,248,239)	-
Bond issuance costs	-	-	-	-
Bond interest expense paid	-	-	(411,523)	-
Net cash provided by (used in) noncapital financing activities	<u>(1,030)</u>	<u>-</u>	<u>(2,458,192)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	-	-	-	-
Sale of investments	20	-	-	-
Interest received on investments	139	-	399	-
Net cash provided by (used in) investing activities	<u>159</u>	<u>-</u>	<u>399</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	25,139	-	116,819	-
Cash and cash equivalents, beginning of year	25,691	-	979,823	(231)
<b>Cash and cash equivalents, end of year</b>	<u>\$ 50,830</u>	<u>\$ -</u>	<u>\$ 1,096,642</u>	<u>\$ (231)</u>
<b>Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities</b>				
Net operating income (loss)	\$ 449,131	\$ -	\$ 69,674	\$ -
Adjustments to change in net assets				
Depreciation	-	-	-	-
Amortization on bond premiums	-	-	136,619	-
Provision for loan losses	-	-	-	-
Interest on investments	(139)	-	(399)	-
Bond interest paid	-	-	381,277	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	-	-	-	-
Changes in assets and liabilities				
Interest receivable	-	-	12,441	-
Grants and other receivable	-	-	-	-
Due from other funds	(422,982)	-	-	-
Administrative fees receivable	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	-
Intergovernmental receivables	-	-	2,745,628	-
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	-	-
Funds held for others	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	(770,628)	-
Line of credit	-	-	-	-
Other liabilities	-	-	-	-
	<u>\$ 26,010</u>	<u>\$ -</u>	<u>\$ 2,574,612</u>	<u>\$ -</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements of Cash Flows — continued**  
**For the Year Ended June 30, 2014**

State Capitol Imprv Financing	State Office Building Bonding Program	Equipment Loan Program	Water Trust Board
\$ -	\$ -	\$ -	\$ (518,940)
(79,283)	-	-	(744,895)
880,000	-	-	-
-	-	55,003	4,414,778
-	-	-	(7,301,228)
-	-	-	(37,186,647)
-	-	-	-
112,525	-	6,076	-
-	-	-	-
-	-	-	-
-	-	-	64,940
<u>913,242</u>	<u>-</u>	<u>61,079</u>	<u>(41,271,992)</u>
(1,931)	2,319,434	-	4,000,000
-	-	-	39,206,091
80,263	(468,428)	-	-
-	-	-	-
(880,000)	-	(55,000)	-
-	-	-	-
(112,524)	-	(6,076)	-
<u>(914,192)</u>	<u>1,851,006</u>	<u>(61,076)</u>	<u>43,206,091</u>
-	(6,220,774)	-	(12,395,505)
-	-	-	-
1,043	24,765	-	56,516
<u>1,043</u>	<u>(6,196,009)</u>	<u>-</u>	<u>(12,338,989)</u>
93	(4,345,003)	3	(10,404,890)
409,712	6,645,837	1,493	14,989,529
<u>\$ 409,805</u>	<u>\$ 2,300,834</u>	<u>\$ 1,496</u>	<u>\$ 4,584,639</u>
\$ 19,737	\$ 24,765	\$ 1,470	\$ (38,076,189)
-	-	-	-
-	-	-	-
(1,043)	(24,765)	-	(56,516)
89,811	-	-	-
-	-	-	-
-	-	5,086	-
-	-	(480)	-
-	-	-	-
-	-	-	(11,782)
-	-	-	-
-	-	55,000	(2,886,450)
880,000	-	-	-
-	-	-	-
-	-	-	-
-	-	-	(241,055)
-	-	-	-
-	-	3	-
-	-	-	-
-	-	-	-
(75,263)	-	-	-
<u>\$ 913,242</u>	<u>\$ -</u>	<u>\$ 61,079</u>	<u>\$ (41,271,992)</u>

	Water/Waste Water	Emergency Drought	Local Government Planning Fund	Economic Development Program
<b>Cash flows from operating activities</b>				
Cash paid for employee services	\$ (2,591)	\$ -	\$ (168,192)	\$ (31,838)
Cash paid to vendors for services	(413)	-	(68,186)	31,837
Intergovernmental payments received	-	-	-	-
Loans payments received	-	-	-	55,947
Loans funded	-	-	-	(576,000)
Grants to local governments	-	-	(571,377)	-
Cash received from federal government for revolving loan funds	-	-	-	-
Interest on loans	-	-	-	60,549
Proceeds from line of credit	-	-	-	-
Payments of line of credit	-	-	-	-
Administrative fees received	-	-	-	-
Net cash provided by (used in) operating activities	<u>(3,004)</u>	<u>-</u>	<u>(807,755)</u>	<u>(459,505)</u>
<b>Cash flows from noncapital financing activities</b>				
Appropriations received from the State of New Mexico	-	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-
Cash transfers to the State of New Mexico	-	-	-	-
Interfund transfers	-	-	2,495,683	-
Proceeds from the sale of bonds	-	-	-	-
Payment of bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Bond interest expense paid	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>2,495,683</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Purchase of investments	-	-	(1,542,464)	-
Sale of investments	-	-	-	-
Interest received on investments	<u>1,630</u>	<u>-</u>	<u>2,242</u>	<u>1,490</u>
Net cash provided by (used in) investing activities	<u>1,630</u>	<u>-</u>	<u>(1,540,222)</u>	<u>1,490</u>
Net increase (decrease) in cash and cash equivalents	(1,374)	-	147,706	(458,015)
Cash and cash equivalents, beginning of year	<u>540,841</u>	<u>25</u>	<u>422,794</u>	<u>1,006,250</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 539,467</u>	<u>\$ 25</u>	<u>\$ 570,500</u>	<u>\$ 548,235</u>
<b>Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities</b>				
Net operating income (loss)	\$ (1,723)	\$ -	\$ (829,256)	\$ (396,085)
Adjustments to change in net position				
Depreciation	-	-	-	-
Amortization on bond premiums	-	-	-	-
Provision for loan losses	-	-	-	-
Interest on investments	(1,630)	-	(2,242)	(1,490)
Bond interest paid	-	-	-	-
Bond issuance costs	-	-	-	-
Cash received from federal grants	-	-	-	-
Interest expense	-	-	-	-
Changes in assets and liabilities				
Interest receivable	-	-	-	-
Grants and other receivable	-	-	-	-
Due from other funds	349	-	-	-
Administrative fees receivable	-	-	-	-
Notes receivable	-	-	-	-
Loans receivable, net of allowance	-	-	-	(104,010)
Intergovernmental receivables	-	-	-	-
Accounts payable	-	-	-	-
Accrued payroll	-	-	-	-
Compensated absences	-	-	-	-
Due to other funds	-	-	23,743	42,080
Funds held for others	-	-	-	-
Undisbursed loan proceeds	-	-	-	-
Advanced loan payments	-	-	-	-
Notes payable	-	-	-	-
Line of credit	-	-	-	-
Other liabilities	-	-	-	-
	<u>\$ (3,004)</u>	<u>\$ -</u>	<u>\$ (807,755)</u>	<u>\$ (459,505)</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statements of Cash Flows — continued**  
**For the Year Ended June 30, 2014**

Local Government Transportation	SSBCI	Colonias	BioMass Dairy	Total
\$ -	\$ (272,429)	\$ (165,375)	\$ -	\$ (4,277,609)
(2,557)	272,441	165,375	-	(5,030,758)
-	-	-	-	7,125,630
-	1,277,150	87,634	-	156,697,761
-	(2,127,931)	(546,253)	-	(116,741,280)
(848,126)	-	(3,023,326)	-	(50,824,441)
-	-	-	-	12,448,854
888	111,380	-	-	49,600,877
-	-	-	-	17,536,712
-	-	-	-	(5,530,414)
1,668	-	-	-	3,887,651
(848,127)	(739,389)	(3,481,945)	-	64,892,983
-	4,345,555	-	-	43,086,860
-	-	3,569,579	-	42,775,670
-	(12)	-	-	(3,931,221)
-	-	-	-	-
-	-	-	-	62,595,000
-	-	-	-	(197,526,239)
-	-	-	-	(674,398)
-	-	-	-	(53,477,874)
-	4,345,543	3,569,579	-	(107,152,202)
-	(3,870,674)	-	-	(60,323,486)
-	-	-	-	8,196,494
4,074	8,472	-	105	488,080
4,074	(3,862,202)	-	105	(51,638,912)
(844,053)	(256,048)	87,634	105	(93,898,131)
1,416,672	1,687,667	-	39,601	226,038,586
\$ 572,619	\$ 1,431,619	\$ 87,634	\$ 39,706	\$ 132,140,455
\$ (842,384)	\$ (929,538)	\$ (3,500,570)	\$ 105	\$ (61,137,542)
-	-	-	-	116,394
-	-	-	-	(2,298,264)
-	662,505	-	-	(1,238,151)
(4,074)	(8,472)	-	(105)	(488,080)
-	-	-	-	56,766,702
-	-	-	-	674,398
-	-	-	-	12,448,854
-	-	-	-	149,168
-	-	-	-	876,416
-	-	-	-	652,045
(1,669)	-	-	-	2,328,339
-	-	-	-	26,300
-	-	-	-	967,099
-	(850,781)	(458,619)	-	53,303,831
-	-	-	-	7,125,628
-	-	-	-	(210,841)
-	-	-	-	7,420
-	-	-	-	(637)
-	386,897	477,244	-	(2,328,339)
-	-	-	-	(80,263)
-	-	-	-	(16,740,903)
-	-	-	-	3,809,596
-	-	-	-	(967,099)
-	-	-	-	12,006,298
-	-	-	-	(875,386)
\$ (848,127)	\$ (739,389)	\$ (3,481,945)	\$ -	\$ 64,892,983

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds - Statement of Changes Assets and Liabilities**  
**For the Year Ended June 30, 2014**

	Balance July 1, 2013	Increase	Decrease	Balance July 1, 2014
<b>Fund 315</b> Department of Transportation Revenue Bonds, Series 2004				
Assets				
Cash and investments	\$ 34,692,711	\$ 22,564,436	\$ 53,497,505	\$ 3,759,642
Total assets	<u>\$ 34,692,711</u>	<u>\$ 22,564,436</u>	<u>\$ 53,497,505</u>	<u>\$ 3,759,642</u>
Liabilities				
Deposit held in trust for others	\$ 34,692,711	\$ 22,564,436	\$ 53,497,505	\$ 3,759,642
Total liabilities	<u>\$ 34,692,711</u>	<u>\$ 22,564,436</u>	<u>\$ 53,497,505</u>	<u>\$ 3,759,642</u>
<b>Fund 322</b> Department of Transportation Revenue Bonds, Series 2006				
Assets				
Cash and investments	\$ 2,346,154	\$ 3,862,720	\$ 6,167,582	\$ 41,292
Total assets	<u>\$ 2,346,154</u>	<u>\$ 3,862,720</u>	<u>\$ 6,167,582</u>	<u>\$ 41,292</u>
Liabilities				
Deposit held in trust for others	\$ 2,346,154	\$ 3,862,720	\$ 6,167,582	\$ 41,292
Total liabilities	<u>\$ 2,346,154</u>	<u>\$ 3,862,720</u>	<u>\$ 6,167,582</u>	<u>\$ 41,292</u>
<b>Fund 326</b> Department of Transportation Refunding Revenue Bonds, Series 2008				
Assets				
Cash and investments	\$ 3,135,772	\$ 5,991,834	\$ 6,223,518	\$ 2,904,088
Total assets	<u>\$ 3,135,772</u>	<u>\$ 5,991,834</u>	<u>\$ 6,223,518</u>	<u>\$ 2,904,088</u>
Liabilities				
Deposit held in trust for others	\$ 3,135,772	\$ 5,991,834	\$ 6,223,518	\$ 2,904,088
Total liabilities	<u>\$ 3,135,772</u>	<u>\$ 5,991,834</u>	<u>\$ 6,223,518</u>	<u>\$ 2,904,088</u>
<b>Fund 327</b> Department of Transportation Refunding Revenue Bonds, Series 2009				
Assets				
Cash and investments	\$ 49,143	\$ 11,623,080	\$ 11,622,106	\$ 50,117
Total assets	<u>\$ 49,143</u>	<u>\$ 11,623,080</u>	<u>\$ 11,622,106</u>	<u>\$ 50,117</u>
Liabilities				
Deposit held in trust for others	\$ 49,143	\$ 11,623,080	\$ 11,622,106	\$ 50,117
Total liabilities	<u>\$ 49,143</u>	<u>\$ 11,623,080</u>	<u>\$ 11,622,106</u>	<u>\$ 50,117</u>
<b>Fund 328</b> Department of Transportation Refunding Revenue Bonds, Series 2010A				
Assets				
Cash and investments	\$ 44,801,661	\$ 22,343,230	\$ 49,187,403	\$ 17,957,488
Total assets	<u>\$ 44,801,661</u>	<u>\$ 22,343,230</u>	<u>\$ 49,187,403</u>	<u>\$ 17,957,488</u>
Liabilities				
Deposit held in trust for others	\$ 44,801,661	\$ 22,343,230	\$ 49,187,403	\$ 17,957,488
Total liabilities	<u>\$ 44,801,661</u>	<u>\$ 22,343,230</u>	<u>\$ 49,187,403</u>	<u>\$ 17,957,488</u>
<b>Fund 329</b> Department of Transportation Refunding Revenue Bonds, Series 2010B				
Assets				
Cash and investments	\$ 202,746	\$ 26,094,171	\$ 26,092,847	\$ 204,070
Total assets	<u>\$ 202,746</u>	<u>\$ 26,094,171</u>	<u>\$ 26,092,847</u>	<u>\$ 204,070</u>
Liabilities				
Deposit held in trust for others	\$ 202,746	\$ 26,094,171	\$ 26,092,847	\$ 204,070
Total liabilities	<u>\$ 202,746</u>	<u>\$ 26,094,171</u>	<u>\$ 26,092,847</u>	<u>\$ 204,070</u>
<b>Fund 329</b> Department of Transportation Refunding Revenue Bonds, Series 2011A				
Assets				
Cash and investments	\$ 3,936,868	\$ 12,804,370	\$ 12,856,930	\$ 3,884,308
Total assets	<u>\$ 3,936,868</u>	<u>\$ 12,804,370</u>	<u>\$ 12,856,930</u>	<u>\$ 3,884,308</u>
Liabilities				
Deposit held in trust for others	\$ 3,936,868	\$ 12,804,370	\$ 12,856,930	\$ 3,884,308
Total liabilities	<u>\$ 3,936,868</u>	<u>\$ 12,804,370</u>	<u>\$ 12,856,930</u>	<u>\$ 3,884,308</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Agency Funds - Statement of Changes Assets and Liabilities — continued**  
**For the Year Ended June 30, 2014**

**Fund 332** Department of Transportation Refunding Revenue Bonds, Series 2012

Assets				
Cash and investments	\$ 65,346	\$ 7,992,699	\$ 7,992,327	\$ 65,718
Total assets	<u>\$ 65,346</u>	<u>\$ 7,992,699</u>	<u>\$ 7,992,327</u>	<u>\$ 65,718</u>
Liabilities				
Deposit held in trust for others	\$ 65,346	\$ 7,992,699	\$ 7,992,327	\$ 65,718
Total liabilities	<u>\$ 65,346</u>	<u>\$ 7,992,699</u>	<u>\$ 7,992,327</u>	<u>\$ 65,718</u>

**Fund 333** Department of Transportation Refunding Revenue Bonds, Series 2014

Assets				
Cash and investments	\$ -	\$ 81,078,030	\$ 904,912	\$ 80,173,118
Total assets	<u>\$ -</u>	<u>\$ 81,078,030</u>	<u>\$ 904,912</u>	<u>\$ 80,173,118</u>
Liabilities				
Deposit held in trust for others	\$ -	\$ 81,078,030	\$ 904,912	\$ 80,173,118
Total liabilities	<u>\$ -</u>	<u>\$ 81,078,030</u>	<u>\$ 904,912</u>	<u>\$ 80,173,118</u>

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Pledged Collateral**  
**For the Year Ended June 30, 2014**

Bank Accounts	Wells Fargo	Wells Fargo
Deposit account	\$ 310,462	\$ -
Repurchase agreements	<u>-</u>	<u>248,028</u>
Total amount of deposits (bank balances)	310,462	248,028
FDIC Coverage	<u>(250,000)</u>	<u>-</u>
Total uninsured public funds	<u>\$ 60,462</u>	<u>\$ 248,028</u>
Collateral Requirement @ 50%	\$ 30,231	\$ -
Collateral Requirement @ 102%	-	252,989

Additional deposits not covered by the FDIC including those of the New Mexico Finance Authority are collateralized along with the deposits of the State of New Mexico in accordance with applicable New Mexico State Statutes. As of June 30, 2014, the value of collateral pledged on behalf of the State of New Mexico held at Wells Fargo was compliant with state statute.

## Single Audit

**New Mexico Finance Authority**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2014**

Grantor / Program Title	Federal Catalog Number	Federal Expenditures FY 2014
<b>Environmental Protection Agency</b>		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>\$ 12,448,854</u>
Total expenditures of federal awards		<u><u>\$ 12,448,854</u></u>

**New Mexico Finance Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2014**

**1) General**

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

Basis of Accounting

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

Reconciliation to Financial Statements

Capitalization Grants for Drinking Water State Revolving Fund Program (DWSRF)

Total federal revenue according to statement of revenues	
expenses and changes in net position (page 46)	\$ 12,448,854
Total expenditures of federal awards	<u>\$ 12,448,854</u>

The Authority administers loans under the DWSRF Program (Federal Catalog Number 66.468). The outstanding balances on the loans at June 30, 2014 are \$67,239,036. Only the value of new loans disbursed during the fiscal year is included in the accompanying schedule.

**2) Subrecipients**

Subrecipient Name	Pass-Through Funds
City of Santa Fe	\$ 3,135,348
City of Las Vegas	2,046,495
City of Farmington	1,134,201
City of Tucumcari	996,750
Dona Ana MDWCA	630,126
Anthony Water & Sanitation District	557,105
City of Lordsburg	552,825
Town of Estancia	416,668
Lower Rio Grande Public Works Authority	279,891
City of Socorro	194,919
Village of Bosque Farms	73,863
City of Alamogordo	45,945
Southside MDWA	36,443
City of Deming	25,503
City of Sunland Park	21,366
City of Moriarity	16,994
NMED Drinking Water Bureau	1,803,366
NMFA Other	481,046
Total DWSRF subrecipients	<u>\$ 12,448,854</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the New Mexico Finance Authority (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering their internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "REDW LLC". The letters are stylized and cursive.

Albuquerque, New Mexico  
December 4, 2014

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

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

**Report on Compliance for Each Major Federal Program**

We have audited New Mexico Finance Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2014. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

#### *Opinion on Major Federal Program*

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

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

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

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

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose



Albuquerque, New Mexico  
December 4, 2014

**New Mexico Finance Authority**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2014**

**Section I — Summary of Independent Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unmodified

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

***Identification of Major Programs***

<b>Name of Federal Program</b>	<b>CFDA Number</b>	<b>Expenditures</b>
Capitalization Grant for Drinking Water State Revolving Funds	66.468	\$12,448,854

Dollar threshold used to distinguish between type A and type B programs: \$373,466

- Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**New Mexico Finance Authority**  
**Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2014**

<b>Audit Finding</b>	<b>Status</b>
2011-001	Resolved
2011-008	Resolved
2013-001	Resolved

**New Mexico Finance Authority**  
**Exit Conference**  
**June 30, 2014**

An exit conference was held on December 8, 2014, with the Authority. The conference was held at the Authority's offices in Santa Fe, New Mexico. In attendance were:

**New Mexico Finance Authority**

Dora Mae Cde Baca	Chief Administrative Officer
Robert Brannon	Acting Chief Financial Officer
Dan Opperman	General Counsel
Bryan Otero	Assistant General Counsel
Bob Spradley	Senior Accountant II
Joanne Johnson	Senior Accountant I
Steve Kopelman	Board Member
Katherine Ulibarri	Board Member
Brett Woods	Board Member
Ricky A. Bejarano	State Controller / DFA Deputy Cabinet Secretary

**REDW<sub>LLC</sub>**

Tom Friend	Principal
Javier Machuca	Senior Manager