

## ***September Board Highlights for NMFA***

### ***Loan Activity***

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- **6 Loans Closed during September 2014**
  - **3 Loans were funded through the Public Projects Revolving Loan Fund (PPRF),**
  - **1 Loan was funded through the Water Trust Board Projects,**
  - **1 Loan was funded out of the Drinking Water funds, and**
  - **1 Loan was Colonias funded.**

**Of the loans that closed the following was over \$1 million:**

**Espanola Public School District - \$1.6 million.**

### ***Loan Funding***

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- **Series 2014B Bonds closed on August 13, 2014 in the amount of \$58.235 million.**

### ***Other Activities***

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- **Internal Auditor contractor selection completed.**

# Financial Highlights

## **Net Position Statement**

- The increase in cash as compared to the prior year is due to the bond reimbursement and loan activity.
- There is a slight decreased in overall loan volume of 2.3%.
- A sharp decrease in the “Deferred Issue Costs” occurred due to the change in accounting standards (GASB 65 - *Items Previously Reported as Assets and Liabilities*) which requires deferred issue costs be written off in the year incurred rather than amortizing over the life of the bond. The change was made as an adjustment to net assets at the beginning of fiscal year 2014. The change also affects the expenses recognized in bond issue costs for the current year resulting in a 715.6% increase in that expense line item.
- As requested by the Committee, we have also included this month the allowance for loan losses.

## **Revenues & Expenses Statement**

- Appropriation revenue is down due to a new appropriation to the Office of the State Engineer of \$1.3 and some timing differences of receipts.
- Interest and fees revenue is showing a decline due to the decrease in loan receivables.
- Grant revenue is up due to the increased Water Trust Board, Drinking Water and Colonias activity. This has resulted in an increase in the grant expense as well. The difference in the grant revenue and grant expense is the amount of additional loans recorded for those transactions.
- Professional expenses are down slightly due to timing of receipts.
- Bond issue expense is up due to the change in accounting standards mentioned above (i.e. GASB 65.)

## **Operating Budget Statement**

- Finally, from a budgetary perspective, spending is at an appropriate 20.4% of budgeted amounts with a quarter of the year gone.

**New Mexico Finance Authority**  
**Financial Information**  
**September 30, 2014**

**Statement of Net Position**

<b>Assets</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>	<b>% change</b>
Cash and equivalents	\$ 389,554,358	334,857,235	16.3%
Loans receivables and accrued interest	1,333,764,177	1,365,024,999	-2.3%
Allowance for Loan Losses	(4,179,958)	(4,309,363)	-3.0%
Funds held in escrow	9,852,542	59,963,973	-83.6%
Deferred issue costs	-	10,165,479	-100.0%
Other assets	1,886,619	2,551,021	-26.0%
<b>Total assets</b>	<b>1,730,877,738</b>	<b>1,768,253,344</b>	<b>-2.1%</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	239,499	268,428	-10.8%
Accrued payroll expense	369,297	370,692	-0.4%
Debt service amounts payable	86,569,483	79,001,282	9.6%
Funds held for others	48,631,929	43,002,273	13.1%
Line of credit	-	3,395,642	0.0%
Bonds payable	1,115,276,324	1,186,557,391	-6.0%
<b>Total liabilities</b>	<b>1,251,086,532</b>	<b>1,312,595,708</b>	<b>-4.7%</b>
<b>Net Assets</b>	<b>479,791,206</b>	<b>455,657,636</b>	<b>5.3%</b>
<b>Total Liabilities and net assets</b>	<b>\$ 1,730,877,738</b>	<b>1,768,253,344</b>	<b>-2.1%</b>

**New Mexico Finance Authority  
Financial Information  
September 30, 2014**

**Statement of Revenues and Expenditures for the month ending:**

<b>Revenues</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>	
Appropriation revenues	\$ 13,422,807	16,439,819	-18.4%
Interest income - loans	2,641,182	2,740,736	-3.6%
Investment revenue	156,004	116,873	33.5%
Fees revenue	598,819	981,923	-39.0%
Grant revenue	18,396,354	11,320,886	62.5%
	<b>35,215,166</b>	<b>31,600,237</b>	11.4%
<b>Operating Expenses</b>			
Personnel services and benefits	1,052,721	1,029,869	2.2%
Professional services	368,821	447,400	-17.6%
Operating costs	346,301	286,137	21.0%
Bond issue and issuance expense	1,675,524	205,437	715.6%
Grant expense	13,587,349	8,746,384	55.3%
	<b>17,030,716</b>	<b>10,715,227</b>	58.9%
Income (loss)	<b>\$ 18,184,450</b>	<b>\$ 20,885,010</b>	-12.9%

**Operating Budget Analysis**

<b>Category</b>	<b>FY 2014 Budget</b>	<b>Actual Expenses thru September 30, 2014</b>	<b>% Utilized</b>
Personal services	\$ 4,650,000	1,052,721	22.6%
Travel costs	203,343	19,170	9.4%
Professional services	2,700,000	368,821	13.7%
Operating costs	1,096,657	327,131	29.8%
<b>Totals</b>	<b>\$ 8,650,000</b>	<b>1,767,843</b>	<b>20.4%</b>

### Loans By Type

Loan Type	Fiscal year 2015 as of September 30		Fiscal year 2014 as of September 30	
	Number	Volume	Number	Volume
Public Project Revolving Loan Fund	668	\$1,205,114,610	781	\$1,248,555,507
Water Trust Board	155	\$23,083,988	157	\$18,336,546
Drinking Water	65	\$71,786,746	64	\$63,339,822
Colonias	20	\$995,045	16	\$202,731
Primary Care	9	\$3,513,203	17	\$4,216,376
Behavioral Health	4	\$1,180,705	3	\$639,783
Child Care	1	\$18,240	1	\$27,873
SSBCI	8	\$3,513,203	5	\$2,461,746
Smart Money	5	\$3,969,189	4	\$4,161,710
New Market Tax Credits	13	\$132,979,335	10	\$106,789,335

### Recent Bond Issues

Lien	Closing date	Status	S&P	Moodys	Amount
Sublien 2014 A	6/10/2014	Taxable	AA+	Aa2	\$16,805,000
Sublien 2014 A	6/10/2014	Tax Exempt	AA+	Aa2	\$15,135,000
Senior 2014B	8/13/2014	Tax Exempt	AAA	Aa1	\$58,235,000

### Top Five Largest Loans By Quarter

Quarter	Fund	Borrower	Amount
FY14 Q1	NMTC	TMS Hilton Garden Inn-Gallup	\$8,000,000
	NMTC	4 Points Laguna III	\$8,000,000
	PPRF	Gila Regional Medical Center	\$3,788,263
	PPRF	Albuquerque PSD NO. 12	\$2,743,494
FY14 Q2	DW	City of Deming	\$2,412,284
	NMTC	Presbyterian Medical Services	\$11,000,000
	PPRF	Sandoval County	\$7,040,000
	PPRF	Lordsburg Municipal School District	\$2,000,000
FY14 Q3	DW	City of Alamogordo	\$1,515,000
	PPRF	Socorro CSD No. 1	\$1,195,000
	PPRF	Pojoaque Valley Public School District	\$4,000,000
	WTB	Dona Ana MDWCA	\$4,000,000
FY14 Q4	PPRF	Reserve Independent School Dist. No. 1	\$2,400,000
	PPRF	City of Anthony	\$1,780,826
	WTB	Southern Sandoval County AFCA	\$1,759,535
	PPRF	Santa Ana Pueblo	\$30,970,000
FY15 Q1	PPRF	Farmington Municipal School Dist. No. 5	\$6,500,000
	WTB	Camino Real Regional Utility Authority	\$5,300,000
	PPRF	City of Clovis	\$4,888,665
	WTB	Eastern NM WUA	\$4,000,000
FY15 Q1	PPRF	Los Alamos County - Taxable	\$10,845,000
	PPRF	Los Alamos County - Tax Exempt	\$10,845,000
	PPRF	City of Santa Fe	\$3,500,000
	WTB	Village of Ruidoso	\$3,157,600
	DW	Village of Ruidoso	\$3,030,000

## Loan Program Description & Funding Sources

Symbol	Year Created in Law	Program Name	Source of Funding	Type of Program Assistance	Intended Beneficiaries
<b>DW</b>	1997	Drinking Water Revolving Loan Fund	80% Federal (EPA) 20% State (PPRF Approp.)	Below-market rate loans for water quality projects	Public and private water systems serving at least 25 people annually
<b>NMTC</b>	2006	New Markets Tax Credit	100% Private	Below market rate loans and equity for projects	For profit and not-for-profit entities in low income census tracts
<b>PPRF</b>	1992	Public Project Revolving Fund	100% State (GGRT)	Low-cost loans for capital equipment and infrastructure projects	State, Tribes and Local Government Units, including
<b>WTB</b>	2001	Water Project Fund	100% State (STB - 10% and WTF - \$4 Mil.)	Grants and low-cost loans for water projects	Tribes and Local Government Units including MDWCAs

## **Audit Findings Status Matrix**

<b>BOARD GOVERNANCE</b>	<b>Status</b>
<i>Senate Bill 12</i>	
<b>Certified Public Accountant on Board of Directors</b>	<b>Completed</b>
<b>Entrance/Exit Conference attended by Audit Committee</b>	<b>Completed</b>
<b>Audit Committee meets Regularly with auditors during audit</b>	<b>Completed</b>
<b>Deposits should be made in New Mexico banks</b>	<b>Completed</b>
<b>Minutes and Records approved and maintained</b>	<b>Completed</b>

<b>EXTERNAL AUDIT</b>	<b>Status</b>
<i>Noted by: PWC HEK RLD/SD REDW</i>	
<b>Timeliness of External Audit*</b>	<b>Completed</b>
<b>Compliance with Federal Requirements</b>	<b>Completed</b>
<b>Compliance with Bond Covenants</b>	<b>Completed</b>

<b>INTERNAL AUDIT</b>	<b>Status</b>
<i>Noted by: PWC HEK RLD/SD REDW</i>	
<b>Internal Audit position – contract in progress</b>	<b><i>In Progress</i></b>

\* Tests of controls complete; substantive work in process

<b>STATE COMPLIANCE</b>	<b>Status</b>
<i>Noted by: REDW</i>	
<b>Payment of funds without an approved audit contract</b>	<b>Completed</b>
<b>Timely Cash Receipts Deposit</b>	<b>Completed</b>
<b>Travel and Per Diem</b>	<b>Completed</b>
<b>Equipment</b>	<b>Completed</b>

<b>ACCOUNTING PRACTICES</b>	<b>Status</b>
<i>Noted by: PWC HEK RLD/SD REDW</i>	
<b>Bank Reconciliations timeliness - cutoffs</b>	<b>Completed</b>
<b>Invoice documentation/Credit Card usage</b>	<b>Completed</b>
<b>Journal Entry support</b>	<b>Completed</b>
<b>Treatment for extraordinary items</b>	<b>Completed</b>
<b>Fringe Benefits reporting to IRS</b>	<b>Completed</b>
<b>Lack of up-to-date Procedures</b>	<b>Completed</b>

<b>LOAN SERVICING</b>	<b>Status</b>
<i>Noted by: PWC HEK RLD/SD REDW</i>	
<b>System Implementation for Loan Origination (SILO) Implementation</b>	<b><i>In Progress</i></b>

## **Initiatives for FY 2015**

### **Automation (i.e. System Implementation)**

Automation is the essential main initiative this year at NMFA.

- The NMFA has, for too long, relied on spreadsheets and manual tracking devices to track and provide information. This initiative will require time and energy, but they will represent the foundation from which NMFA will base its future. They are as follows:
  - procedures manuals and data flow diagrams for the entire organization;
  - Completing a fit/gap analysis along with a needs analysis of current systems to determine what systems are needed; and, ultimately
  - Implementing a system that will include loan origination, administration, compliance monitoring, servicing, closing, and reporting.

## **NMFA Board Members**

### **John E. McDermott – Chair**

McDermott Advisory Service

#### **Ryan Flynn**

Cabinet Secretary  
New Mexico Environment Department

#### **Blake Curtis**

CEO  
Curtis & Curtis, Inc.

#### **William Fulginiti - Vice-Chair**

Executive Director  
New Mexico Municipal League

#### **Jerry L. Jones**

CEO  
Stolar Research, Inc.

#### **Katherine Ulibarri – Treasurer**

VP, Finance & Operations  
Central NM Community College

#### **Steve Kopelman**

Executive Director  
New Mexico Association of Counties

#### **Jon Barela**

Cabinet Secretary  
New Mexico Economic Development Department

#### **David Martin – Secretary**

Cabinet Secretary  
New Mexico Energy, Minerals & Natural Resources

#### **Tom Clifford**

Cabinet Secretary  
Department of Finance & Administration

#### **Terry White**

CEO  
Sunwest Trust, Inc.

The NMFA's Board is composed of eleven members. The Secretary of the Department of Finance and Administration; the Secretary of Economic Development; the Secretary of Energy, Minerals and Natural Resources; the Secretary of the Environment Department; the Executive Director of the New Mexico Municipal League and the Executive Director of the New Mexico Association of Counties are ex-officio members of the NMFA with voting privileges. The Governor, with the advice and consent of the Senate, appoints five members to the NMFA Board including the Chief Financial Officer of an institution of higher education and four members who are residents of the state. The appointed members serve at the pleasure of the Governor and are appointed to four year terms.

# New Mexico Finance Authority Board of Directors

Rick Martinez  
Director of Business  
Development

Robert P. Coalter  
CEO

Connie Marquez-  
Valencia  
Exec Ast/Records Mgr

