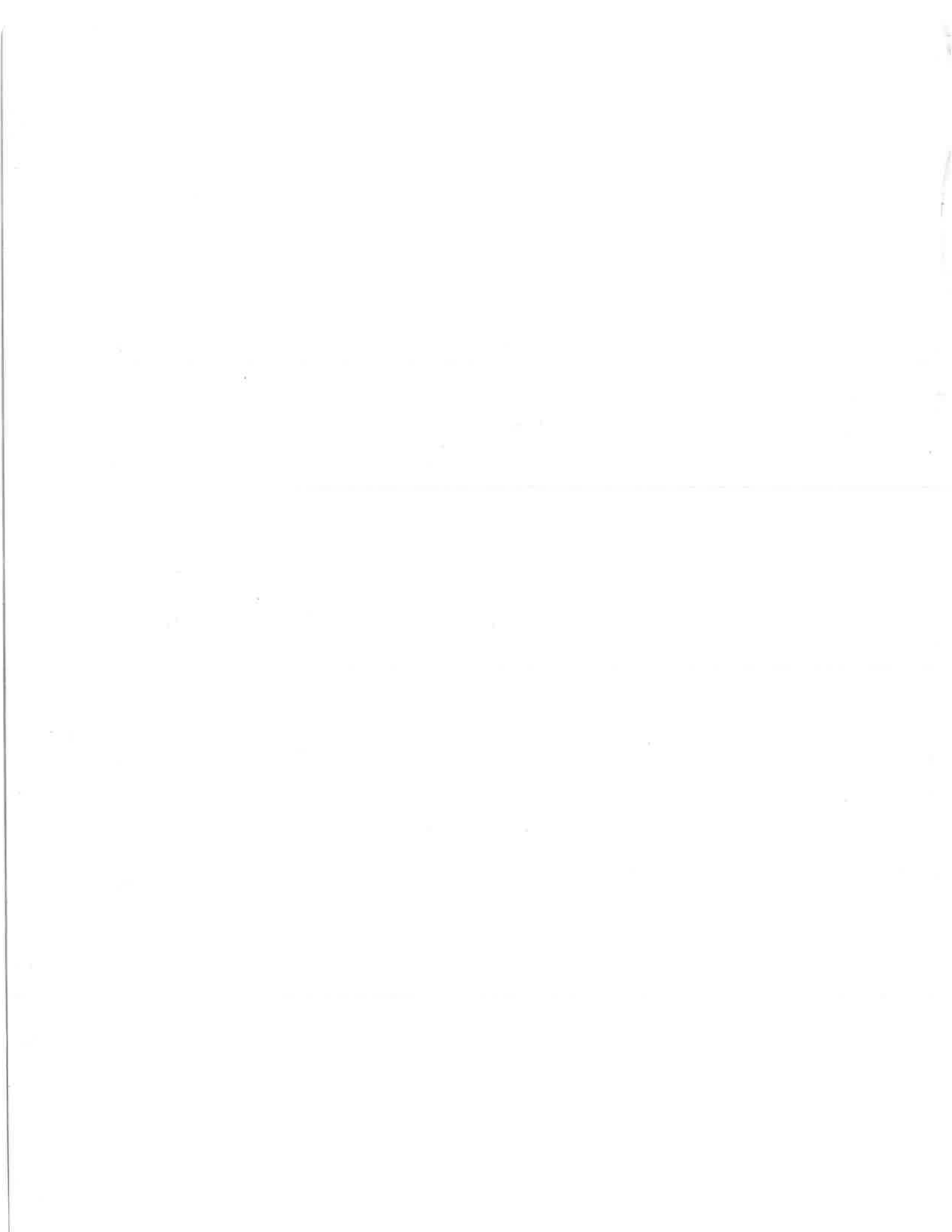




STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
JUNE 30, 2003



STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2003



Bill Richardson, Governor

Prepared by Department of Finance and Administration

*James C. Jimenez
Cabinet Secretary*

*Anthony I. Armijo, CPA
State Controller*

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2003

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State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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New Mexico

Bill Richardson Governor

Department of Finance and Administration

407 Galisteo Street
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Santa Fe, New Mexico 87501

James C. Jimenez

Cabinet Secretary

Anthony I. Armijo, CPA, CGFM

State Controller

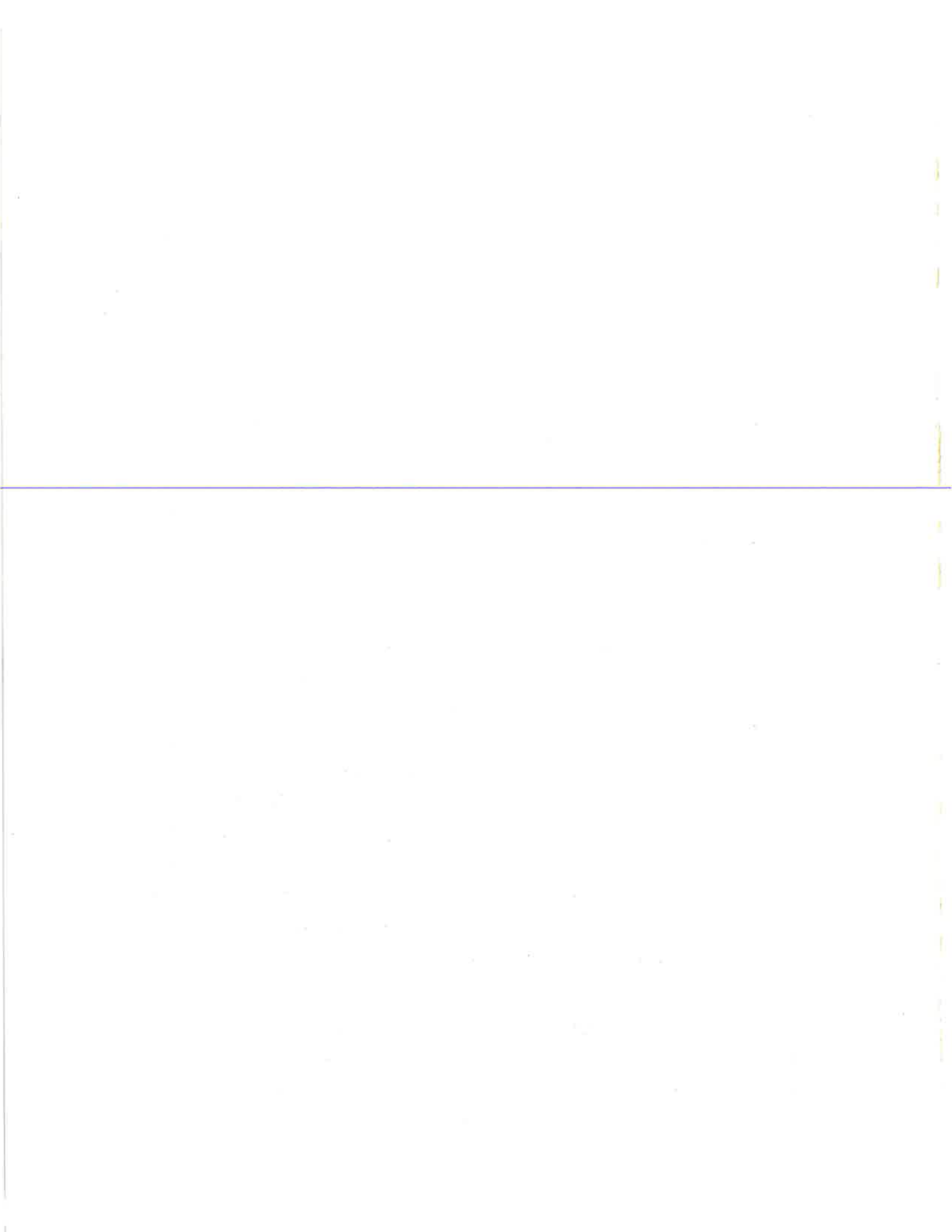
November 27, 2005

To the Honorable Governor Bill Richardson, the New Mexico State Legislature, and
Citizens of the State of New Mexico:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the year ended June 30, 2003. The CAFR is the State's official annual report. Both state law and accounting principles generally accepted in the United States of America require the State to prepare and publish the report each year (Section 6-5-2.1D, NMSA, 1978, as amended, and Governmental Accounting Standards Board Codification Section 2200).

This report consists of management's representations concerning the finances of the State of New Mexico. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. Since the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The CAFR includes an introductory, financial, and statistical section. The introductory section includes a table of contents, this letter, a list of selected elected officials and an organization chart of the State. The financial section includes the independent accountants' report, management's discussion and analysis (MD&A), the basic financial statements, required



To the Honorable Governor Bill Richardson, the New Mexico State Legislature, and
the Citizens of the State of New Mexico
November 27, 2005

supplementary information other than MD&A and combining statements. The statistical section includes data on revenues by source and expenditures by function, a schedule of revenues, and revenues by expense and type for the retirement systems.

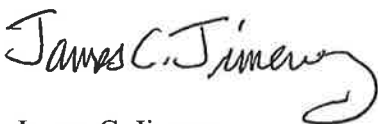
The purpose of the CAFR is to report the financial position and results of operation of the State of New Mexico and provide an overview of its discretely presented component units. The State of New Mexico has two such units, the New Mexico Finance Authority and the New Mexico Mortgage Finance Authority.

The MD&A included in the introductory section of the CAFR provides an analysis of the State of New Mexico's financial activities. The following background information will augment your understanding of that information. New Mexico became a state in 1912. In the 2000 Census, New Mexico's population was 1.8 million. New Mexico is the second largest state in natural gas production and the fifth largest in crude oil production. Agriculture and extraction of natural resources is an important part of New Mexico's economic base. However, the service and government sectors are the State's largest employers.

Hi-tech production and research and development play an important part in economy of New Mexico. Santa Fe, the state capitol, is home to over thirty biotech firms; Los Alamos and Albuquerque are home to two national laboratories: Los Alamos National Laboratory and Sandia National Laboratory. New Mexico is also home to several precision optic labs, including the Air Force Research Lab at Kirtland Air Force Base.

The State continues to enjoy high bond ratings indicative of its very strong capacity to meet financial commitments. The State New Mexico is one of the few states with a general fund that has a surplus. These factors are the result of the State's continuing commitment to sound fiscal management under the leadership of Governor Bill Richardson.

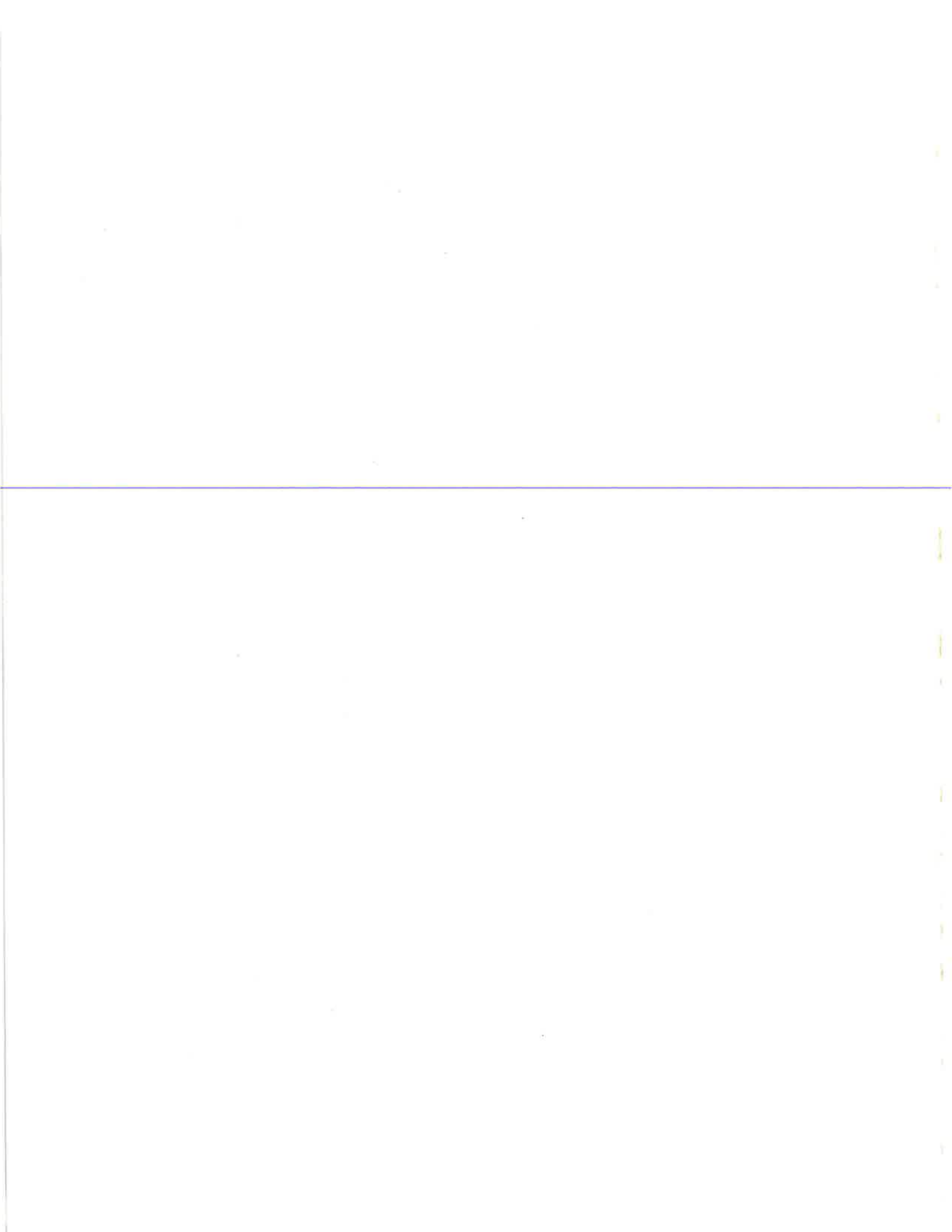
Respectfully submitted,



James C. Jimenez
Cabinet Secretary



Anthony I. Armijo, CPA, CGFM
State Controller



STATE OF NEW MEXICO

June 30, 2003

Selected State Officials

Executive

Bill Richardson, Governor • **Diane Denish**, Lieutenant Governor • **Rebecca Vigil-Giron**, Secretary of State • **Patricia A. Madrid**, Attorney General • **Domingo Martinez**, State Auditor • **Patrick H. Lyons**, Commissioner of Public Lands • **Robert E. Vigil**, State Treasurer • **Herb H. Hughes**, Public Regulations Commission • **David King**, Public Regulations Commission • **Jerome D. Block**, Public Regulations Commission • **Lynda M. Lovejoy**, Public Regulations Commission • **E. Shirley Baca**, Public Regulations Commission

Judicial

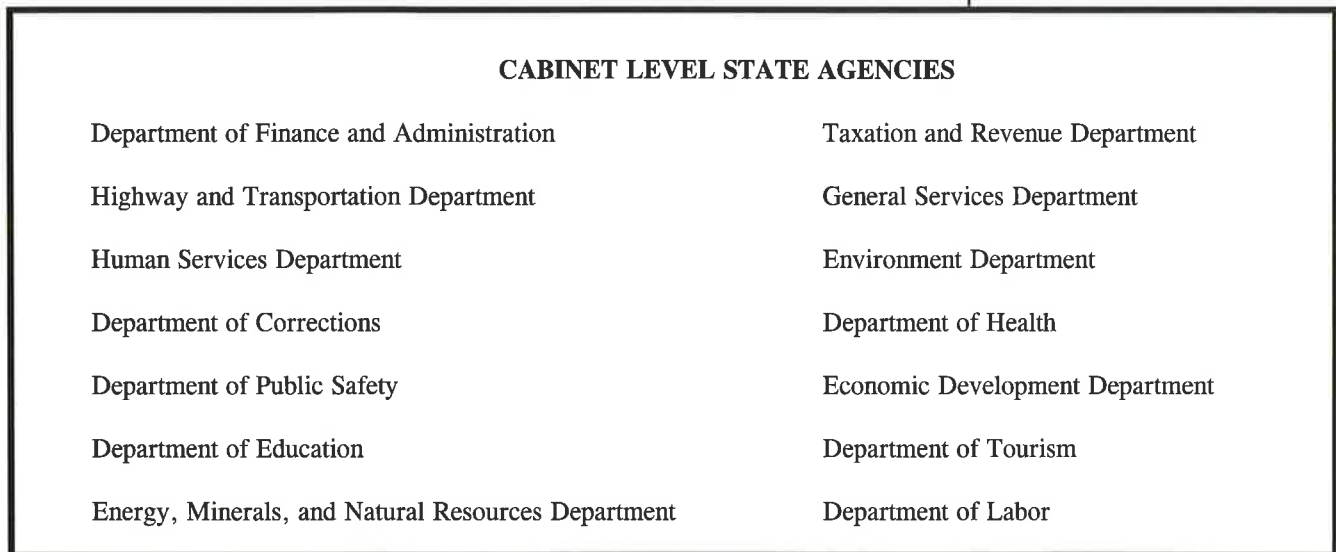
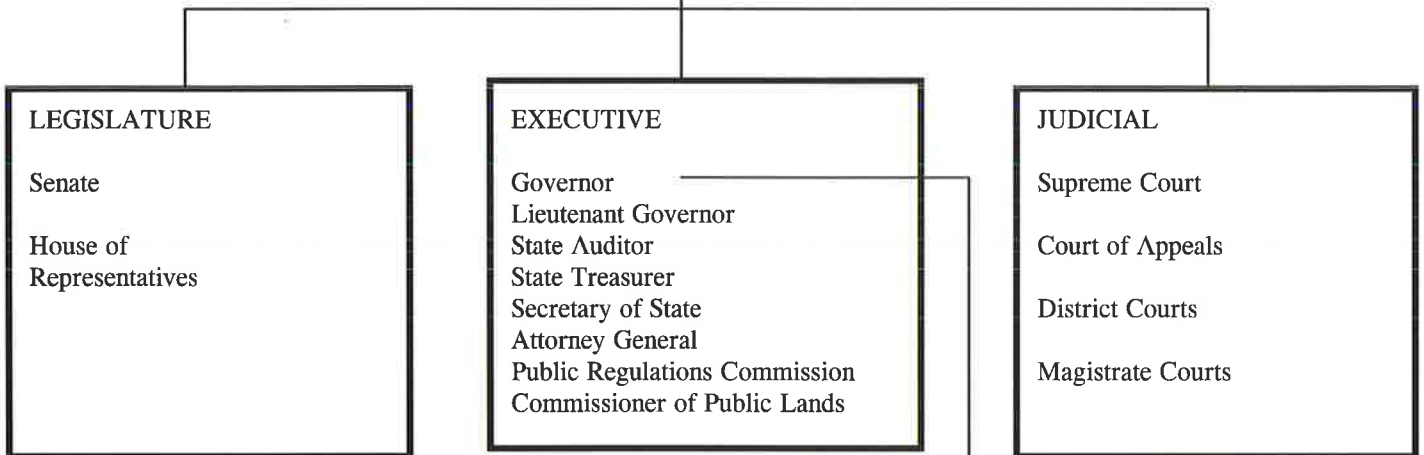
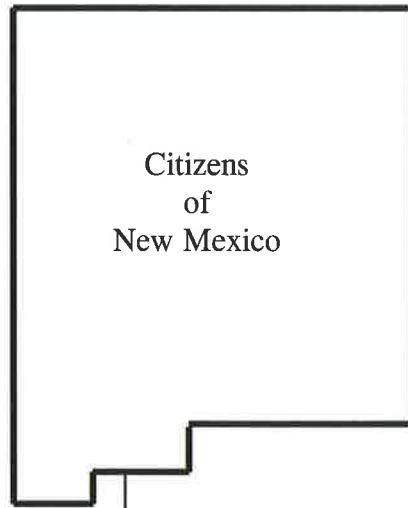
Patricio M. Serna, Justice of the Supreme Court • **Edward L. Chavez**, Justice of the Supreme Court • **Pamela B. Minzner**, Justice of the Supreme Court • **Petra J. Maes**, Justice of the Supreme Court • **Richard C. Bosson**, Justice of the Supreme Court • **A. Joseph Alarid**, Judge of the Court of Appeals • **Lynn Pickard**, Judge of the Court of Appeals • **James J. Wechsler**, Judge of the Court of Appeals • **Michael D. Bustamante**, Judge of the Court of Appeals • **Jonathan B. Sutin**, Judge of the Court of Appeals • **Cynthia A. Fry**, Judge of the Court of Appeals • **Ira Robinson**, Judge of the Court of Appeals • **Cecilia Foy Castillo**, Judge of the Court of Appeals • **Roderick T. Kennedy**, Judge of the Court of Appeals • **Michael E. Vigil**, Judge of the Court of Appeals

Legislative

Senate: **Alta Mirand**, President Pro-Tempore • **Michael S. Sanchez**, Majority Floor Leader • **Stuart Ingle**, • **Ben D. Altamirano** Minority Floor Leader • **Mary Jane M. Garcia**, Majority Whip • **Leonard Lee Rawson**, Minority Whip • **Linda M. Lopez**, Caucus Chair • **Patrick H. Lyons**, Caucus Chair

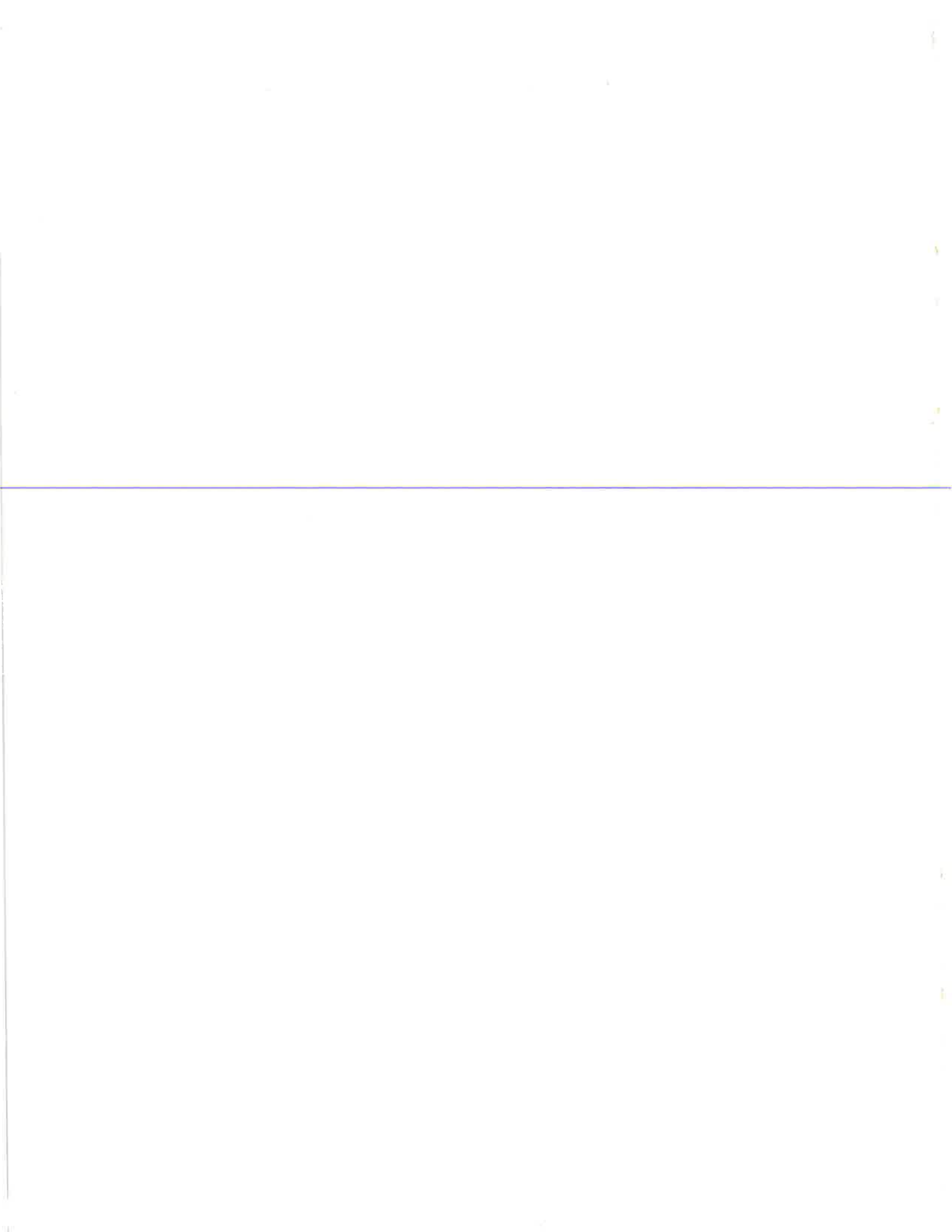
House of Representatives: **Ben Lujan**, Speaker of the House • **W. Ken Martinez**, Majority Floor Leader • **Ted Hobbs**, Minority Floor Leader • **Sheryl Williams Stapleton**, Majority Whip • **Terry T. Marquardt**, Minority Whip • **John A. Heaton**, Caucus Chair • **Larry A. Larranaga**, Caucus Chair

**STATE OF NEW MEXICO
ORGANIZATION CHART**





**FINANCIAL
SECTION**





Independent Accountants' Report

The Honorable Bill Richardson, Governor of the State of New Mexico
Mr. James Jimenez, Secretary of the
New Mexico Department of Finance and Administration,
Anthony I. Armijo, CPA, Director/State Controller, and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

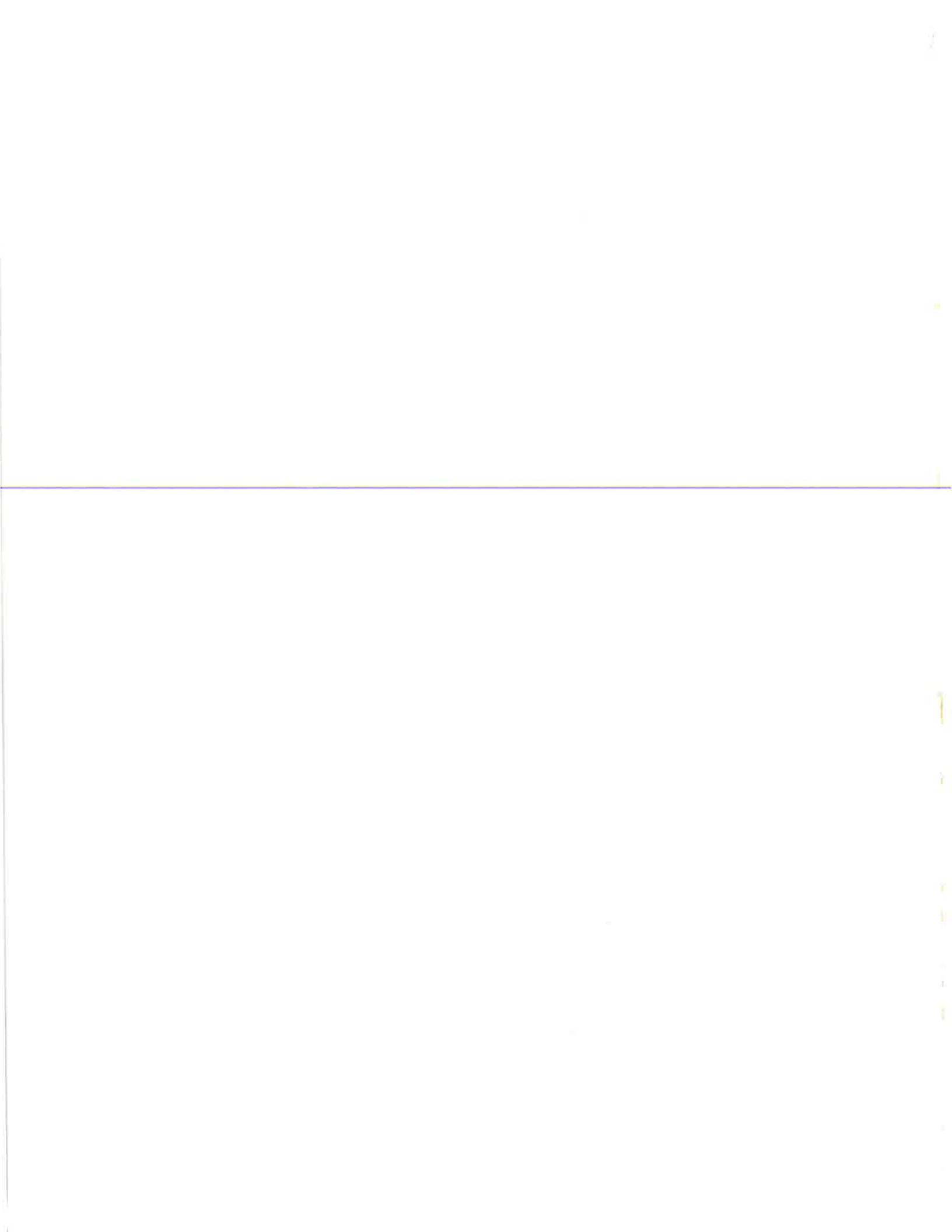
We have reviewed the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. Our review was conducted in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of management of the State of New Mexico.

A review consists principally of inquiries of government personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The proper application of cash receipts in certain fiduciary and grant funds within the Human Services Department could not be ascertained. As a result the related federal revenue, receivables and deferred revenue in the Health and Human Services Fund may not be accurate.

The Department of Education has not reconciled federal expenditures to related federal revenue. Consequently, the federal accounts receivable and revenue in the Education Fund may require adjustment once the reconciliations are completed.

We were unable to obtain sufficient evidence as accounting records related to certain fiduciary funds at the Taxation and Revenue Department. As a result, we were unable to determine the disposition of taxes to payees including taxes due to the State General Fund.





The Honorable Bill Richardson, Governor of the State of New Mexico
Mr. James Jimenez, Secretary of the
New Mexico Department of Finance and Administration,
Anthony I. Armijo, CPA, Director/State Controller, and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

The financial statements do not include the Section 529 Trust Plan of the New Mexico Education Trust Board.

Based on our review, except for the effects of the matters discussed in the preceding three paragraphs, we are not aware of any material modifications that should be made to the accompanying basic financial statements or combining financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis Schedule of Funding Progress for Employee Retirement Systems and Plans, and Budgetary Comparison Information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not review the information and express no opinion on it.

The accompanying statistical information, 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. This information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements and, accordingly, we express no opinion on them.

Neff + Ricci LLP

Albuquerque, New Mexico
March 5, 2005

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

The following is a discussion and analysis of the State of New Mexico's (State) financial performance that provides an overview of the activities for the fiscal year ended June 30, 2003. This discussion and analysis should be read in conjunction with State's financial statements and the notes to the basic financial statements, which begin after this section.

The State's basic financial statements are presented within the financial section of this Comprehensive Annual Financial Report (CAFR). The components of the financial statements include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Other Required Supplementary Information (RSI)

The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of State's financial activities.

Overview of the Financial Statements

The State's basic financial statements are comprised of the following elements:

Government-Wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the State's overall financial condition.

Changes in the State's financial position may be measured over time by increases and decreases in the Statement of Net Assets. Information on how the State's net assets changed during the fiscal year are presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the State, reporting the State's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental, proprietary and fiduciary funds.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and State's component units	Activities of the State that are not proprietary or fiduciary	Activities of the State that are operated similar to private businesses	Instances in which the State is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> • Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Condensed Financial Information

Condensed Statement of Net Assets

The largest component (\$8.7 billion) of the State's net assets is its investment in capital assets (e.g. land, infrastructure, buildings, equipment and others), net of any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to the citizens and businesses in the State; consequently, these net assets are not available for future spending. Restricted net assets are the next largest component, totaling \$5.6 billion. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation regarding how the assets may be used. The remaining portion of net assets is unrestricted, which may be used to finance government operations.

Table 2 below presents the State's condensed Statement of Net Assets as of June 30, 2003, derived from the government-wide Statement of Net Assets.

**Table 2: Condensed Statement of Net Assets
As of June 30, 2003
(in thousands)**

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 7,275,102	2,475,305	9,750,407
Capital assets, net	8,511,632	1,182,408	9,694,040
Total assets	<u>15,786,734</u>	<u>3,657,713</u>	<u>19,444,447</u>
Current liabilities	1,909,440	307,324	2,216,764
Long-term liabilities	1,611,310	368,022	1,979,332
Total liabilities	<u>3,520,750</u>	<u>675,346</u>	<u>4,196,096</u>
Net assets			
Invested in capital assets, net of related debt	7,838,862	892,515	8,731,377
Restricted	4,075,363	1,506,856	5,582,219
Unrestricted	<u>346,886</u>	<u>582,996</u>	<u>929,882</u>
Total net assets	<u>\$ 12,261,111</u>	<u>2,982,367</u>	<u>15,243,478</u>

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

**Table 2: Condensed Statement of Net Assets
As of June 30, 2002
(in thousands)**

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 7,232,326	2,669,991	9,902,317
Capital assets, net	8,578,045	1,118,774	9,696,819
Total assets	<u>15,810,371</u>	<u>3,788,765</u>	<u>19,599,136</u>
Current liabilities	1,557,731	369,218	1,926,949
Long-term liabilities	1,537,918	368,304	1,906,222
Total liabilities	<u>3,095,649</u>	<u>737,522</u>	<u>3,833,171</u>
Net assets			
Invested in capital assets, net of related debt	7,226,617	874,302	8,100,919
Restricted	4,166,965	1,682,804	5,849,769
Unrestricted	<u>1,321,140</u>	<u>494,137</u>	<u>1,815,277</u>
Total net assets	<u>\$ 12,714,722</u>	<u>3,051,243</u>	<u>15,765,965</u>

Condensed Statement of Activities

Table 3 below presents the State's condensed Statement of Activities for the fiscal year ended June 30, 2003, as derived from the government-wide Statement of Activities.

Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities decreased by \$470 million or 3.7%, due primarily to expending bond proceeds and the reduction in value of investments and the net assets of the business-type activities increased by \$38 million or 1.3% primarily due to capital asset additions funded through state appropriations and other funding sources.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

**Table 3: Condensed Statement of Activities
As of June 30, 2003
(in thousands)**

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program revenues			
Charges for services	\$ 503,908	1,053,341	1,557,249
Operating grants and contributions	2,765,888	581,150	3,347,038
Capital grants and contributions	324,588	13,080	337,668
Total program revenues	<u>3,594,384</u>	<u>1,647,571</u>	<u>5,241,955</u>
General revenues			
Individual income tax	980,326	-	980,326
Corporate income tax	102,846	-	102,846
Sales and use tax	275,873	-	275,873
Business privilege tax	1,684,150	-	1,684,150
Other taxes	301,555	-	301,555
Investment income (loss)	639,731	77,334	717,065
Other (expenses) revenues	139,060	160,058	299,118
Total general revenues	<u>4,123,541</u>	<u>237,392</u>	<u>4,360,933</u>
Total revenues	<u>7,717,925</u>	<u>1,884,963</u>	<u>9,602,888</u>
Program Expenses			
General government	279,041	-	279,041
Culture, Recreation, and Natural Resources	203,607	-	203,607
Highway and Transportation	585,187	-	585,187
Judicial	158,362	-	158,362
Legislative	22,424	-	22,424
Public Safety	338,676	-	338,676
Commerce and Industry	75,894	-	75,894
Health and Human Services	3,424,129	-	3,424,129
Education	2,381,521	-	2,381,521
Unemployment Compensation	-	174,705	174,705
Colleges and Universities	-	1,801,107	1,801,107
Other	246,340	344,429	590,769
Total program expenses	<u>7,715,181</u>	<u>2,320,241</u>	<u>10,035,422</u>
Deficiency before transfers	2,744	(435,278)	(432,534)
Transfers	(473,007)	473,007	-
Change in net assets	(470,263)	37,729	(432,534)
Beginning net assets, restated	<u>12,731,374</u>	<u>2,944,638</u>	<u>15,676,012</u>
Ending net assets	<u>\$ 12,261,111</u>	<u>2,982,367</u>	<u>15,243,478</u>

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Table 3: Condensed Statement of Activities			
As of June 30, 2002			
(in thousands)			
	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program revenues			
Charges for services	\$ 720,718	1,196,953	1,917,671
Operating grants and contributions	2,413,596	-	2,413,596
Capital grants and contributions	334,663	6,519	341,182
Total program revenues	<u>3,468,977</u>	<u>1,203,472</u>	<u>4,672,449</u>
General revenues			
Individual income tax	1,009,224	-	1,009,224
Corporate income tax	138,078	-	138,078
Sales and use tax	303,615	-	303,615
Business privilege tax	1,305,730	-	1,305,730
Severance tax	194,347	-	194,347
Other taxes	488,548	-	488,548
Non-operating grants and contracts	-	534,293	534,293
Investment income (loss)	169,647	(55,987)	113,660
Other (expenses) revenues	27,775	115,727	143,502
Total general revenues	<u>3,636,964</u>	<u>594,033</u>	<u>4,230,997</u>
Total revenues	<u>7,105,941</u>	<u>1,797,505</u>	<u>8,903,446</u>
Program Expenses			
General government	367,506	-	367,506
Culture, Recreation, and Natural Resources	169,027	-	169,027
Highway and Transportation	875,972	-	875,972
Judicial	153,391	-	153,391
Legislative	11,874	-	11,874
Public Safety	323,909	-	323,909
Commerce and Industry	100,022	-	100,022
Health and Human Services	3,148,466	-	3,148,466
Education	2,336,909	-	2,336,909
Unemployment Compensation	-	135,748	135,748
Colleges and Universities	-	1,733,310	1,733,310
Other	92,062	419,484	511,546
Total program expenses	<u>7,579,138</u>	<u>2,288,542</u>	<u>9,867,680</u>
Deficiency before transfers	(473,197)	(491,037)	(964,234)
Transfers	(484,860)	484,860	-
Change in net assets	(958,057)	(6,177)	(964,234)
Beginning net assets, restated	<u>13,672,779</u>	<u>3,057,420</u>	<u>16,730,199</u>
Ending net assets	<u>\$ 12,714,722</u>	<u>3,051,243</u>	<u>15,765,965</u>

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. The net program expenses of these governmental activities were therefore supported by general revenues, mainly taxes.

**Table 4: Program Expenses and Revenues for Governmental Activities
As of June 30, 2003
(in thousands)**

	Program Expenses	Program Revenues	(Expenses) Revenues (a)
State Programs			
General Government	\$ 279,041	772,385	493,344
Culture, Recreation, and Natural Resources	203,607	75,138	(128,469)
Highway and Transportation	585,187	326,462	(258,725)
Judicial	158,362	41,552	(116,810)
Legislature	22,424	-	(22,424)
Public Safety	338,676	63,557	(275,119)
Commerce and Industry	75,894	26,329	(49,565)
Health and Human Services	3,424,129	1,960,565	(1,463,564)
Education	2,381,521	328,396	(2,053,125)
Interest	246,340	-	(246,340)
Totals	\$ 7,715,181	3,594,384	(4,120,797)

(a) Net Program Expenses are mainly supported by taxes.

STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003

**Table 4: Program Expenses and Revenues for
Governmental Activities
As of June 30, 2002
(in thousands)**

	Program Expenses	Program Revenues	(Expenses) Revenues (a)
State Programs			
General Government	\$ 367,506	456,595	89,089
Culture, Recreation, and Natural Resources	169,027	69,913	(99,114)
Highway and Transportation	875,972	345,850	(530,122)
Judicial	153,391	20,309	(133,082)
Legislature	11,874	-	(11,874)
Public Safety	323,909	30,091	(293,818)
Commerce and Industry	100,022	19,771	(80,251)
Health and Human Services	3,148,466	2,213,900	(934,566)
Education	2,336,909	312,548	(2,024,361)
Interest	92,062	-	(92,062)
Totals	\$ 7,579,138	3,468,977	(4,110,161)

(a) Net Program Expenses are mainly supported by taxes.

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. With the exception of unemployment compensation, program revenues generated from business-type activities were not sufficient to cover program expenses. Program expenses not covered by program revenues are supported by fund reserves.

STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003

**Table 5: Program Expenses and Revenues for
Business-type Activities
As of June 30, 2003
(in thousands)**

	Program Expenses	Program Revenues	(Expenses) Revenues
State Programs			
Unemployment Insurance Trust Fund	\$ 174,705	126,882	(47,823)
Educational Institutions	1,801,107	1,148,210	(652,897)
Other	344,429	372,479	28,050
Totals	\$ 2,320,241	1,647,571	(672,670)

**Table 5: Program Expenses and Revenues for
Business-type Activities
As of June 30, 2002
(in thousands)**

	Program Expenses	Program Revenues	(Expenses) Revenues
State Programs			
Unemployment Insurance Trust Fund	\$ 135,748	134,108	(1,640)
Educational Institutions	1,733,310	630,015	(1,103,295)
Other	419,484	439,349	19,865
Totals	\$ 2,288,542	1,203,472	(1,085,070)

Overall Analysis

Financial highlights for the State as a whole during the fiscal year ended June 30, 2003, include the following:

- The assets of the State exceeded its liabilities (net assets) at the close of the fiscal year by \$12 billion for governmental activities and by \$3 billion for business-type activities.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

- The State's total net assets decreased during the year by \$433 million. Net assets of governmental activities decreased by \$470 million, while net assets of business-type activities increased by \$37 million. Net assets of the State decreased primarily due to program expenditures exceeding program revenues.

Fund Analysis

Funds that experienced significant changes during the year are as follows:

Governmental Funds

As of the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$5.3 billion with \$172 million reported as unreserved fund balance, \$387 million reported as unreserved for various purposes, \$882 million reserved for specific purposes, and the remaining amount of \$3.9 billion segregated for specific purposes. See Note 1 to the financial statements for an explanation of the different types of reserve categories.

General Fund. Fund balance at June 30, 2003 totaled \$403 million, a decrease of \$101 million during the fiscal year. The decrease is the result of \$101 million of expenditures exceeding revenue.

Education. Fund balance at June 30, 2003 totaled \$290 million, an decrease of \$18 million during the fiscal year. The decrease is not significant and was expected.

Health & Human Services. Fund balance at June 30, 2003 totaled \$79 million, a increase of \$2 million during the fiscal year. The increase is not significant and was as expected.

Highway & Transportation. Fund balance at June 30, 2003 totaled \$250 million, an decrease of \$158 million. The decrease relates, in part, to the sale of bonds in 2002 in which the proceeds were not spent until 2003.

Severance Tax Permanent Fund. Fund balance at June 30, 2003 totaled \$3,323 million, a decrease of \$80 million. The decrease related, in part, to unrealized losses on investments.

Land Grant Permanent Fund. Fund balance at June 30, 2003 totaled \$463 million, a increase of \$7 million. The increase is not significant and was as expected.

Proprietary Funds

The State's proprietary funds reported net assets of \$3,055 million, including \$2,982 million for enterprise funds and \$73 million for internal service funds.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Unemployment Compensation. Net assets at June 30, 2003 totaled \$569 million, a decrease of \$11 million during the fiscal year. The decrease primarily relates to unemployment benefits exceeding related revenues.

Educational Institutions. Net assets at June 30, 2003 totaled \$2,160 million. Current period activity increased the net assets of the State's educational institutions by \$43 million. The State transferred \$504 million to the State's educational institutions from the General Fund.

Discretely Presented Component Units

These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. Both of the State's discrete component units are presented in the financial statements.

The State's discretely presented major component units are:

- New Mexico Finance Authority
- New Mexico Mortgage Finance Authority

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about State's component units are presented in the notes to the financial statements.

Budget Variances in the General Fund

As a result of changes during the year in the State's projected revenues, various appropriation revisions were made to the original budget. After budget amendments, the actual charges (expenditures) in the General Fund were \$183 million below the final budgeted amounts. This is mainly the result of lower than expected operating expenditures. On the other hand, resources available for appropriation were \$4 million below the final budgeted amount. This is primarily due to less sales tax revenues than anticipated. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At June 30, 2003, the State reported \$8.5 billion in capital assets for governmental activities and \$1.2 billion in capital assets for business-type activities. Refer to Note 1.L. and 2.D. to the financial statements for additional information on capital assets and Note 2.D. to the financial statements for additional information on construction commitments.

Long-Term Debt Activity

The State Constitution authorizes the State to issue general obligation bonds and revenues bonds to finance or refinance the cost of State capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the State and payable from the funds that receive legally restricted revenues. During the past year, the State continued to maintain a high bond rating from Moody's Investors Services and Standard & Poor's Corporation, on all State bonds. The State had the following bond ratings at June 30, 2003:

	Moody's	Standard & Poor's
General Obligation Bonds	Aa1	AA+
Severance Tax Bonds	Aa2	AA
Supplemental Severance Tax Bonds	Aa3	A+
Enhanced 911 Revenue Bonds	Aa3	AA

Bonds payable amounts at June 30, 2003, are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Bonds Payable	<u>\$ 1,605,886</u>	<u>341,259</u>	<u>1,947,145</u>

Bonds payable amounts at June 30, 2002, are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Bonds Payable	<u>\$ 1,512,044</u>	<u>298,561</u>	<u>1,810,605</u>

Refer to Notes 1.R., 2.E., 2.F., and 2.G. to the financial statements for additional information on the State's long-term debt and other liabilities.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2003**

Economic Conditions and Outlook

The New Mexico economy continues to expand at a moderate pace, even as the national economy struggles. New Mexico nonagricultural employment increased 1.7% in the second quarter of 2003, the same rate as in the two preceding quarters. For the first half of 2003, that 1.7% increase was enough to place New Mexico second nationally among all states.

Growth in government employment has lessened a bit from the 2.7% gain of 2002, posting advances of 1.8% and 1.4% in the first two quarters of 2003, respectively. The driving force last year was expansion in Native American enterprises, primarily casinos and resorts, although job additions at Los Alamos National Lab also contributed. Local government employment rose 1.5% in the second quarter, while state government employment increased 2.1%. At the federal level, employment dipped 0.2%.

The State's population is also expected to grow by 1.22% in fiscal year ending June 30, 2003. It is expected that the State's population will be near 1,875,000 people. Population growth provides stimulus to the State's economic expansion.

The outlook for the New Mexico economy is quite good. Employment growth of 1.9% in 2003 will be followed by gains of 2.6% in both 2004 and 2005. As regards personal income growth, a 5.2% gain this year will be followed by increases of 5.5% in 2004 and 5.7% in 2005.

Contact the State's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Bureau of Accounting
Department of Finance and Administration
Financial Control Division/Office of the State Controller
Bataan Memorial Building Room 320
Santa Fe, New Mexico

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 940,705	866,450	1,807,155
Deferred charges and other assets	69,257	11,297	80,554
Due from other governmental entities	130,616	519	131,135
Due from other funds	754,274	604	754,878
Inventories	25,075	19,348	44,423
Loans receivable, current	-	23,300	23,300
Notes receivable, current	-	4,000	4,000
Receivables, net of allowance for uncollectible	744,851	253,304	998,155
Total current assets	2,664,778	1,178,822	3,843,600
Non Current Assets			
Restricted cash and cash equivalents	-	19,940	19,940
Capital assets, net of depreciation	8,511,632	1,182,408	9,694,040
Loans receivable, long-term	-	87,405	87,405
Notes receivable, long-term	-	15,376	15,376
Investments, long-term	4,610,324	1,149,486	5,759,810
Other non-current assets	-	24,276	24,276
Total noncurrent assets	13,121,956	2,478,891	15,600,847
Total assets	\$ 15,786,734	3,657,713	19,444,447
LIABILITIES			
Current Liabilities			
Cash overdraft	\$ 5,043	535	5,578
Accounts payables	426,654	66,630	493,284
Accrued liabilities	29,957	93,049	123,006
Claims payable	121,530	-	121,530
Deferred revenue	147,054	59,109	206,163
Due to other funds	215,651	3,576	219,227
Due to other governmental entities	63,518	-	63,518
Due to custodians - security lending	519,383	-	519,383
Funds held for others	15,946	6,247	22,193
Other obligations	129,827	6,830	136,657
Bonds payable, current	188,447	21,705	210,152
Other long-term liabilities, current	46,430	49,648	96,078
Total current liabilities	1,909,440	307,329	2,216,769
Noncurrent Liabilities			
Bonds payable, long-term	1,417,439	319,554	1,736,993
Other liabilities, long-term	201,766	48,463	250,229
Total noncurrent liabilities	1,619,205	368,017	1,987,222
Total liabilities	3,528,645	675,346	4,203,991
NET ASSETS			
Investment in capital assets, net of related debt	7,830,967	892,515	8,723,482
Restricted for			
Capital projects	21,370	17,963	39,333
Debt service	184,566	4,690	189,256
Unemployment compensation	-	568,707	568,707
Other purposes	20,693	60,934	81,627
Permanent trusts			
Expendable	-	30,130	30,130
Nonexpendable	3,848,734	824,432	4,673,166
Unrestricted Net Assets	351,759	582,996	934,755
Total net assets	12,258,089	2,982,367	15,240,456
Total net assets and liabilities	\$ 15,786,734	3,657,713	19,444,447

See Notes to Financial Statements.

Component Units		
New Mexico Finance Authority	New Mexico Mortgage Finance Authority	Total
\$ 190,886	15,739	206,625
5,911	766	6,677
-	-	-
2,302	-	2,302
-	-	-
-	-	-
8,919	6,314	15,233
<u>208,018</u>	<u>22,819</u>	<u>230,837</u>
77,960	329,722	407,682
30	2,621	2,651
322,174	958,894	1,281,068
-	-	-
14,610	38,041	52,651
5	21,503	21,508
<u>414,779</u>	<u>1,350,781</u>	<u>1,765,560</u>
\$ 622,797	1,373,600	1,996,397
\$ -	-	-
3,261	2,397	5,658
3,088	10,359	13,447
-	-	-
-	-	-
137	-	137
-	-	-
-	-	-
53,212	23,342	76,554
16,387	-	16,387
26,555	11,346	37,901
-	-	-
<u>102,640</u>	<u>47,444</u>	<u>150,084</u>
370,813	1,183,693	1,554,506
<u>370,813</u>	<u>1,183,693</u>	<u>1,554,506</u>
<u>473,453</u>	<u>1,231,137</u>	<u>1,704,590</u>
30	(14)	16
-	-	-
106,798	66,109	172,907
-	-	-
42,498	-	42,498
-	-	-
-	-	-
18	76,368	76,386
<u>149,344</u>	<u>142,463</u>	<u>291,807</u>
\$ 622,797	1,373,600	1,996,397

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES
JUNE 30, 2003
(IN THOUSANDS)

Primary Government	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
General government	\$ 279,041	336,123	410,449	25,813	493,344
Culture, recreation, natural resources	203,607	42,331	32,807	-	(128,469)
Highway and transportation	585,187	10,446	17,241	298,775	(258,725)
Judicial	158,362	2,322	39,230	-	(116,810)
Legislative	22,424	-	-	-	(22,424)
Public safety	338,676	21,122	42,435	-	(275,119)
Commerce and industry	75,894	26,329	-	-	(49,565)
Health and human services	3,424,129	30,725	1,929,840	-	(1,463,564)
Education	2,381,521	34,510	293,886	-	(2,053,125)
Interest	246,340	-	-	-	(246,340)
Total governmental activities	\$ 7,715,181	503,908	2,765,888	324,588	(4,120,797)
Business-type Activities					
Unemployment insurance trust fund	\$ 174,705	89,337	37,545	-	(47,823)
Educational institutions	1,801,107	603,635	531,495	13,080	(652,897)
Nonmajor enterprise funds	344,429	360,369	12,110	-	28,050
Total business-type activities	\$ 2,320,241	1,053,341	581,150	13,080	(672,670)
Discretely Presented Component Units					
New Mexico Finance Authority	\$ -	16,372	10,823	-	27,195
New Mexico Mortgage Finance Authority	75,968	5,857	-	-	(70,111)
Total component unit activities	\$ 75,968	22,229	10,823	-	(42,916)

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES (CONTINUED)
JUNE 30, 2003
(IN THOUSANDS)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	New Mexico Finance Authority	New Mexico Mortgage Finance Authority
Changes in Net Assets					
Net (expense) revenue	\$ (4,120,797)	(672,670)	(4,793,467)	27,195	(70,111)
General Revenues					
Taxes					
Individual income tax	\$ 980,326	-	980,326	-	-
Corporate income tax	102,846	-	102,846	-	-
Sales and use tax	275,873	-	275,873	-	-
Business privilege	1,684,150	-	1,684,150	-	-
Other taxes	301,555	-	301,555	44,384	-
Investment income (loss)	639,731	77,334	717,065	4,942	70,053
Other revenue (expense)	139,060	160,058	299,118	(79,772)	-
Transfers, net	(473,007)	473,007	-	-	-
Total net general revenues and transfers	3,650,534	710,399	4,360,933	(30,446)	70,053
Change in net assets	(470,263)	37,729	(432,534)	(3,251)	(58)
Net assets at beginning of year, as restated	12,728,352	2,944,638	15,672,990	152,595	142,521
Net assets at end of year	\$ 12,258,089	2,982,367	15,240,456	149,344	142,463

See Notes to Financial Statements.

STATE OF NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003
(IN THOUSANDS)

	General Fund	Education	Health and Human Services
ASSETS			
Assets			
Cash and cash equivalents	\$ 102,612	116,800	-
Deferred charges and other assets	614	-	167
Due from other government entities	41,667	46,481	1,685
Due from other funds	439,263	186,777	21,979
Inventories	11,094	35	1,273
Investments	62,009	-	25,701
Receivables, net	324,415	15,917	317,187
Total assets	\$ 981,674	366,010	367,992
LIABILITIES AND FUND BALANCES			
Liabilities			
Deficit cash	\$ -	-	5,043
Accounts payable	118,233	6,976	196,203
Accrued liabilities	23,279	436	619
Deferred revenue	282,840	85	51,534
Due to other funds	137,664	10,297	26,937
Due to other governmental entities	5,316	58,079	69
Due to custodians - securities lending	-	-	-
Funds held for others	10,711	-	3,080
Other obligations	610	-	5,346
Total liabilities	578,653	75,873	288,831
FUND BALANCES			
Fund balances reserved for			
Capital projects	-	-	-
Inventories	11,094	35	1,273
Encumbrances	174,494	44,020	31,492
Subsequent years' expenditures	40,738	21,227	16,199
Special projects	4,455	48,486	5,597
Fund balances segregated for			
Debt service funds	-	-	-
Pool participants	-	-	-
Unreserved - special revenue (deficit)	-	176,369	10,522
Unreserved - debt service	-	-	14,078
Unreserved - capital projects	-	-	-
Unreserved - general revenues	172,240	-	-
Total fund balances	403,021	290,137	79,161
Total liabilities and fund balances	\$ 981,674	366,010	367,992

See Notes to Financial Statements.

	Highway & Transportation	Severance Tax Permanent Fund	Land Grant Permanent Fund	Nonmajor Governmental Funds	Totals
\$	205,360	98,578	15,676	234,133	773,159
	61,295	-	-	7,181	69,257
	31,958	-	-	8,825	130,616
	22,487	1,577	159	81,481	753,723
	12,141	-	-	80	24,623
	-	3,738,062	521,892	262,660	4,610,324
	33,291	30,131	4,265	10,559	735,765
	<u>366,532</u>	<u>3,868,348</u>	<u>541,992</u>	<u>604,919</u>	<u>7,097,467</u>
\$	-	-	-	-	5,043
	80,074	-	-	20,257	421,743
	3,130	-	-	727	28,191
	10,561	-	-	61,479	406,499
	22,487	-	-	18,093	215,478
	-	-	-	5	63,469
	-	508,692	-	10,691	519,383
	-	-	-	2,155	15,946
	-	36,276	78,648	3,890	124,770
	<u>116,252</u>	<u>544,968</u>	<u>78,648</u>	<u>117,297</u>	<u>1,800,522</u>
	1,443	-	-	7,430	8,873
	12,141	-	-	12,769	37,312
	307,291	-	-	88,987	646,284
	-	-	-	14,778	92,942
	467	-	-	37,676	96,681
	-	-	-	7,211	7,211
	-	3,323,380	463,344	62,010	3,848,734
	(71,667)	-	-	81,592	196,816
	605	-	-	162,672	177,355
	-	-	-	12,497	12,497
	-	-	-	-	172,240
	<u>250,280</u>	<u>3,323,380</u>	<u>463,344</u>	<u>487,622</u>	<u>5,296,945</u>
\$	<u>366,532</u>	<u>3,868,348</u>	<u>541,992</u>	<u>604,919</u>	<u>7,097,467</u>

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**STATE OF NEW MEXICO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003
(IN THOUSANDS)**

Total fund balances - governmental funds \$ 5,296,945

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$	17,115,830	
Accumulated depreciation		(8,632,948)	
		8,482,882	8,482,882

Assets (receivables) not available to provide current resources are offset with deferred revenues (liability) in the fund statements. The reduction of the liability and recognition of revenue increases net assets in the Statement of Net Assets.			259,445
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Internal service funds are used to report activities that provide goods and services to other funds or agencies within the State. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Assets. Includes \$28,750 in capital assets, net			72,899
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Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.			(240,301)
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Long-term bonded debt is not due and payable in the current period and is therefore not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.

Bonds, current portion, net		(188,447)	
Bonds, long-term portion, net		(1,417,439)	
		(1,605,886)	(1,605,886)

Total net assets-governmental activities			\$ 12,265,984
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See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	General Fund	Education	Health and Human Services
Revenues			
Federal funds	\$ 512,317	293,886	1,929,840
General and selective taxes	1,923,925	-	-
Income taxes	1,062,719	-	20,453
Interest and other investment income	488,348	2,393	43
Rentals and royalties	300,810	-	-
Other	11,572	34,458	38,427
Charges for services	81,526	-	531
Licenses, fees and permits	42,551	52	10,194
Assessments	8,779	-	-
Other state funds	-	-	-
Total revenues	4,432,547	330,789	1,999,488
Expenditures			
Current			
Expenditures			
General Control	166,354	-	-
Culture, Recreation, Natural Resources	145,366	-	-
Highways and Transportation	-	-	-
Judicial	130,613	-	-
Legislative	22,121	-	-
Public Safety	320,753	-	-
Regulation, Licensing, Etc.	55,592	-	-
Health and Human Services	935,084	-	2,448,659
Education	21,741	2,300,048	-
Debt Service			
Interest	-	-	-
Principal	-	-	-
Capital outlay	-	-	856
Total expenditures	1,797,624	2,300,048	2,449,515
Excess (deficiency) of revenues over expenditures	2,634,923	(1,969,259)	(450,027)
Other Financing Sources (Uses)			
Face amount of bonds sold	-	135,252	-
Increase/(decrease) in fair value of investments	-	-	-
Operating transfers in	1,512,727	1,845,563	528,939
Operating transfers out	(4,248,934)	(29,121)	(76,719)
Total other financing sources (uses)	(2,736,207)	1,951,694	452,220
Net change in fund balances	(101,284)	(17,565)	2,193
Fund balances - beginning, as restated	504,305	307,702	76,968
Fund balances - ending	\$ 403,021	290,137	79,161

See Notes to Financial Statements.

	Highway & Transportation	Severance Tax Permanent Fund	Land Grant Permanent Fund	Non-Major Funds	Total
\$	306,016	-	-	48,417	3,090,476
	321,219	-	-	38,198	2,283,342
	-	-	-	-	1,083,172
	5,671	101,731	14,359	30,709	643,254
	-	-	-	1,291	302,101
	10,446	-	-	35,378	130,281
	-	-	-	6,329	88,386
	-	-	-	60,624	113,421
	-	-	-	-	8,779
	-	-	-	-	-
	<u>643,352</u>	<u>101,731</u>	<u>14,359</u>	<u>220,946</u>	<u>7,743,212</u>
	-	143	35,032	71,412	272,941
	-	-	-	53,921	199,287
	208,190	-	-	-	208,190
	-	-	-	23,828	154,441
	-	-	-	-	22,121
	-	-	-	9,644	330,397
	-	-	-	17,746	73,338
	-	-	-	-	3,383,743
	-	-	-	-	2,321,789
	50,951	-	-	195,389	246,340
	72,208	-	-	104,120	176,328
	488,574	-	-	74,222	563,652
	<u>819,923</u>	<u>143</u>	<u>35,032</u>	<u>550,282</u>	<u>7,952,567</u>
	<u>(176,571)</u>	<u>101,588</u>	<u>(20,673)</u>	<u>(329,336)</u>	<u>(209,355)</u>
	25,164	-	-	176,237	336,653
	-	(5,667)	1,920	224	(3,523)
	114,746	1,032	37,471	587,977	4,628,455
	<u>(121,088)</u>	<u>(176,583)</u>	<u>(11,621)</u>	<u>(439,584)</u>	<u>(5,103,650)</u>
	<u>18,822</u>	<u>(181,218)</u>	<u>27,770</u>	<u>324,854</u>	<u>(142,065)</u>
	<u>(157,749)</u>	<u>(79,630)</u>	<u>7,097</u>	<u>(4,482)</u>	<u>(351,420)</u>
	<u>408,029</u>	<u>3,403,010</u>	<u>456,247</u>	<u>492,104</u>	<u>5,648,365</u>
\$	<u>250,280</u>	<u>3,323,380</u>	<u>463,344</u>	<u>487,622</u>	<u>5,296,945</u>

**STATE OF NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUN
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

Net change in fund balances-total governmental funds

Amounts reported for governmental activities in the Statement of Activities are different because:

Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the State. The net revenue (expenses) of the internal services funds is reported with governmental activities, net of transfers

Revenues recognized in the Statement of Activities that do not provide current financial resources and are not recognized as revenues in the governmental funds, i.e., deferred revenues.

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. Depreciation expense related to the internal service funds are included above. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (542,204)
Capital outlay	526,069
Excess of depreciation expense over capital outlay	<u>526,069</u>

Some expenses reported in the Statement of Activities do not require the use of current government financial resources and, therefore, are not reported as expenditures in governmental funds:

The incurrence of long-term debt (i.e. bonds, leases and notes) provide current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Proceeds	(326,515)
Principal payments on debt	<u>232,673</u>

Change in net assets of governmental activities

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003
(IN THOUSANDS)

	Unemployment Insurance	Educational Institutions	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 561,442	179,485	125,523	866,450	167,546
Deferred charges and other assets	-	7,332	3,965	11,297	-
Due from other governmental entities	-	-	519	519	-
Due from other funds	-	513	91	604	551
Inventories	-	17,102	2,246	19,348	452
Investments held by others	-	-	-	-	-
Loans receivable, current	-	15,190	8,110	23,300	-
Notes receivable, current	-	4,000	-	4,000	-
Receivables, net of allowance for uncollectible	23,725	217,106	12,473	253,304	9,086
Total current assets	585,167	440,728	152,927	1,178,822	177,635
Non Current Assets					
Restricted cash & cash equivalents	-	19,940	-	19,940	-
Fixed capital assets, net of depreciation	-	1,137,788	44,620	1,182,408	28,750
Loans receivable, long-term	-	-	87,405	87,405	-
Notes receivable, long-term	-	15,376	-	15,376	-
Investments, long-term	-	1,117,430	32,056	1,149,486	-
Other non-current assets	-	24,276	-	24,276	-
Total noncurrent assets	-	2,314,810	164,081	2,478,891	28,750
Total assets	\$ 585,167	2,755,538	317,008	3,657,713	206,385
LIABILITIES					
Current Liabilities					
Cash overdraft	\$ -	-	535	535	-
Accounts payables	-	55,600	11,030	66,630	4,911
Accrued liabilities	3,409	88,573	1,067	93,049	1,766
Claims payable	-	-	-	-	121,530
Deferred revenues	12,766	45,897	446	59,109	-
Due to other funds	65	238	3,273	3,576	173
Due to other governmental entities	-	-	-	-	49
Other obligations	220	6,610	-	6,830	5,057
Funds held for others	-	6,247	-	6,247	-
Bonds payable, current	-	21,355	350	21,705	-
Other liabilities, current	-	3,424	46,224	49,648	-
Total current liabilities	16,460	227,944	62,925	307,329	133,486
Noncurrent Liabilities					
Bonds payable, long-term	-	318,779	775	319,554	-
Other liabilities, long term	-	48,463	-	48,463	-
Total noncurrent liabilities	-	367,242	775	368,017	-
Total liabilities	16,460	595,186	63,700	675,346	133,486
NET ASSETS					
Investment in capital assets, net of related debt	-	849,659	42,856	892,515	-
Restricted for					
Capital projects	-	17,960	3	17,963	-
Debt service	-	3,886	804	4,690	-
Unemployment compensation	568,707	-	-	568,707	-
Other purposes	-	43,051	17,883	60,934	20,693
Permanent trusts					
Expendable	-	30,130	-	30,130	-
Nonexpendable, Land Grant Permanent Fund	-	703,603	-	703,603	-
Nonexpendable, Other	-	120,829	-	120,829	-
Unrestricted net assets	-	391,234	191,762	582,996	52,206
Total net assets	568,707	2,160,352	253,308	2,982,367	72,899
Total net assets and liabilities	\$ 585,167	2,755,538	317,008	3,657,713	206,385

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS-
PROPRIETARY FUNDS
JUNE 30, 2003
(IN THOUSANDS)

	Unemployment Insurance	Educational Institutions	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating Revenues					
Charges for services	\$ -	104,907	190,509	295,416	247,112
Sales income	-	15,750	139,075	154,825	-
Employers taxes	89,337	-	-	89,337	-
Federal funds	37,545	-	12,110	49,655	-
Interest and other investment income	36,800	33,790	3,901	74,491	-
Licenses, fees and permits	-	39	12,149	12,188	-
Net student tuition & fees	-	116,445	-	116,445	-
Other operating revenues	-	48,331	5,774	54,105	-
Patient services/clinical operations	-	318,163	12,862	331,025	-
Total operating revenue:	163,682	637,425	376,380	1,177,487	247,112
Operating Expenses					
Benefits, claims and premiums	-	-	33,669	33,669	-
Depreciation expense	-	61,106	-	61,106	-
Game expense	-	-	94,890	94,890	-
General and administrative	-	-	32,587	32,587	-
Losses	-	-	163,623	163,623	-
Other operating expenses	-	1,722,948	19,644	1,742,592	252,990
Unemployment benefits-federal	34,685	-	-	34,685	-
Unemployment benefits-state	140,020	-	-	140,020	-
Total operating expenses:	174,705	1,784,054	344,413	2,303,172	252,990
Operating (loss) income	(11,023)	(1,146,629)	31,967	(1,125,685)	(5,878)
Non-operating revenues (expenses)					
Auxiliary enterprises	-	3,414	-	3,414	-
Capital appropriations	-	23,341	-	23,341	-
Capital grants & gifts	-	13,080	-	13,080	-
Clinical operations-non-op	-	67,863	-	67,863	-
Private grants, gifts & non-exchange grants	-	84,790	-	84,790	-
Gov't grants & contracts	-	446,705	-	446,705	-
Interest and other expenses on cap asset related debt	-	(10,656)	-	(10,656)	-
Land grant & permanent fund revenue	-	18,300	-	18,300	-
Loss on disposal of capital assets	-	(2,947)	-	(2,947)	-
Net increase (decrease) in fair value of investments	-	1,170	1,673	2,843	-
Other nonoperating expenses	-	(6,397)	(16)	(6,413)	-
Other nonoperating revenues	-	46,794	3,293	50,087	6,405
Total nonoperating revenues (expenses)	-	685,457	4,950	690,407	6,405
income before transfer					
Transfers in	-	504,412	-	504,412	2,188
Transfer out	-	-	(31,405)	(31,405)	-
Change in net assets:	(11,023)	43,240	5,512	37,729	2,715
Net assets at beginning of year, as restated	579,730	2,117,112	247,796	2,944,638	70,184
Net assets at end of year	\$ 568,707	2,160,352	253,308	2,982,367	72,899

See Notes to Financial Statements.

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STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
June 30, 2003
(IN THOUSANDS)

	Enterprise Funds				Internal Service Fund
	Unemployment Insurance Trust Fund	Educational Institutions	Nonmajor Enterprise Funds	Total	
Cash Flows From Operating Activities					
Amounts paid to third party administrators and other vendors	\$ -	-	(4,854)	(4,854)	-
Auxiliary sales and services	-	7,898	-	7,898	-
Cash paid for unemployment benefits	(173,745)	-	-	(173,745)	-
Cash paid to suppliers and employees	-	(1,435,863)	(55,442)	(1,491,305)	(244,289)
Cash payments made to borrowers	-	-	(14,068)	(14,068)	-
Cash received from employers	84,408	-	-	84,408	-
Cash received from other governments	11,042	-	11,793	22,835	-
Cash received from refinancing fees	-	-	-	-	-
Cash received from trust fund earnings	36,800	-	-	36,800	-
Cash received on interest from loans	-	-	1,983	1,983	-
Cash received on repayment of loan principal	-	-	4,566	4,566	-
Collection of loans to students	-	6,250	-	6,250	-
Disbursement of net aid to students	-	(40,220)	-	(40,220)	-
Fees received	-	143,822	-	143,822	243,677
From MUSL	-	-	(13,653)	(13,653)	-
From retailers - sales net of commissions	-	-	-	-	-
Grants and contracts received	-	528,146	-	528,146	-
Instruction and general sales and services	-	75,323	-	75,323	-
Insurance and patients	-	297,243	-	297,243	-
Interest payments received from banks	-	-	1,293	1,293	-
Loans issued to students	-	(9,181)	-	(9,181)	-
Losses and loss adjustment expenses paid	-	-	(158,550)	(158,550)	-
Other income	-	12,094	341	13,338	14,036
Other receipts/(payments)	-	40,947	-	40,947	-
Participant premiums collected	-	-	185,448	185,448	-
Payments for benefits	-	(89,603)	-	(89,603)	-
Payments for scholarships & fellowships	-	(45,074)	-	(45,074)	-
Payments for travel	-	(10,618)	-	(10,618)	-
Payments for utilities	-	(11,881)	-	(11,881)	-
Premiums paid to health maintenance organizations	-	-	(32,728)	(32,728)	-
Receipts from customers	-	-	163,659	163,659	-
Receipts from sales and services	-	51,078	-	51,078	-
Reimbursement for losses from excess insurers and rebates to prize winners and related taxes	-	-	425	425	-
Net cash (used) provided by operating activities	(41,495)	(478,739)	31,803	(488,431)	13,424
Cash Flows From Investing Activities					
Additions to permanent endowments	-	444	-	444	-
Amount received/(paid) on note/loan receivable	-	-	-	-	-
Interest, dividends, gains & losses, net, on investment	-	15,302	219	15,521	-
Purchase of equities and bonds	-	(615,418)	(20,301)	(635,719)	-
Purchases of property & equipment	-	-	(360)	(360)	-
Realized loss on investments	-	(1,172)	-	(1,172)	-
Additions to MUSL Reserve Accounts	-	-	(1,061)	(1,061)	-
Receipts of rent	-	-	110	110	-
Sales of equities and bonds	-	554,794	12,767	567,561	-
State investment income	-	7,207	-	7,207	-
Other	-	-	10	10	-
Net cash (used) by investing activities	-	(38,843)	(8,616)	(47,459)	-
Cash Flows From Non-Capital Financing Activities					
Agency payments	-	(2,167)	-	(2,167)	-
Agency receipts	-	1,745	-	1,745	-
Appropriation from/reversion to state general fund	-	4,323	(30,392)	(26,069)	-
Bernalillo County mill levy	-	66,323	-	66,323	-
State appropriation	-	490,377	-	490,377	-
Gifts for other than capital purposes	-	26,381	-	26,381	-
Interest paid on borrowing	-	-	(64)	(64)	-
Severance tax	-	-	-	-	1,607
William D. Ford direct lending receipts	-	58,269	-	58,269	-
William D. Ford direct lending disbursements	-	(58,269)	-	(58,269)	-
Local appropriation	-	4,928	-	4,928	-
Other nonoperating expenses	-	2,337	-	2,337	-
Principal payments on bank borrowing	-	-	(350)	(350)	-
Private gifts for endowment	-	3,333	-	3,333	-
Other	-	-	(10)	(10)	-
Transfers	-	-	1	1	-
Net cash provided (used) by non-capital financing	-	597,580	(30,815)	566,765	1,607

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
June 30, 2003
(IN THOUSANDS)

	Enterprise Funds				
	Unemployment Insurance Trust Fund	Educational Institutions	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows From Capital and Related Financing Activities					
Building fees received from students	\$ -	4,174	-	4,174	-
Capital appropriations	-	15,409	-	15,409	-
Capital expenditures	-	(103,837)	-	(103,837)	(5,064)
Capital gifts, grants & contracts	-	12,379	-	12,379	-
Grant expenditures	-	-	(6)	(6)	-
Interest and fees paid on capital debt and leases	-	(11,124)	(85)	(11,209)	-
Other receipts/(payments)	-	(3,284)	-	(3,284)	-
Principal paid on capital debt and leases	-	(25,200)	1,020	(24,180)	-
Principal paid on revenue bonds	-	-	(325)	(325)	-
Proceeds from capital debt	-	146,813	-	146,813	-
Proceeds from contributed capital	-	-	1,381	1,381	-
Proceeds from sale of property, land and equipment	-	25,225	(736)	24,489	286
Purchase of premises and equipment	-	(123,530)	(739)	(124,269)	-
Net cash (used) provided by capital and related financing activities	-	(62,975)	510	(62,465)	(4,778)
Net (decrease) increase in cash	(41,495)	17,023	(7,118)	(31,590)	10,253
Cash and cash equivalents at beginning of year	602,937	182,402	132,106	917,445	157,293
Cash and cash equivalents at end of year	\$ 561,442	199,425	124,988	885,855	167,546
Reconciliation of operating (loss) income to net cash (used) provided by operating activities					
Operating (loss) income	\$ (11,023)	(1,146,629)	31,967	(1,125,685)	(5,878)
Adjustments to reconcile operating income to net cash provided by operating activities					
Accounts payable and accrued liabilities	1,380	7,970	621	9,971	(3,944)
Accrued capital purchases	-	-	(6)	(6)	-
Accrued expenses	-	4,887	-	4,887	791
Accrued wages payable	-	-	(41)	(41)	362
Bad debt expense	-	71,267	1,366	72,633	-
Compensated absences	-	137	26	163	-
Contributed Capital Assets	-	-	(28)	(28)	-
Construction loans in process	-	-	5,758	5,758	-
Deferred revenues	(28,066)	(6,289)	34	(34,321)	-
Deposits held for others	-	27	-	27	-
Depreciation	-	96,273	3,453	99,726	8,465
Due from component units	-	388	-	388	-
Due from other funds	858	-	35	893	(551)
Due to insurance carriers for claims paid	-	-	(1,430)	(1,430)	-
Due to other funds	65	-	227	292	173
Due to other governments	-	-	-	-	611
Grants contracts and receivables	-	1,917	-	1,917	-
Interest receivable	-	-	379	379	-
Inventories	-	(171)	157	(14)	168
Lawsuit liability	-	-	38	38	-
Loans receivable	-	(107)	(16,043)	(16,150)	-
Loss from discontinued operations	-	183	-	183	(33)
Notes receivables	-	(1,107)	-	(1,107)	-
Other assets	-	(845)	-	(845)	1,105
Other liabilities	220	29	-	249	9,539
Other noncurrent	-	2,581	-	2,581	-
Other receivables	-	1,598	-	1,598	-
Other revenues	-	-	10	10	-
Patient receivables	-	(44,878)	-	(44,878)	-
Prepaid expenses and deposits	-	1,050	130	1,180	-
Prize payables	-	-	2,608	2,608	-
Receivables from excess insurers	-	-	94	94	-
Receivables from participants	-	-	49	49	-
Receivables, net	(4,929)	532,998	(1,368)	526,701	2,616
Reserves for losses and loss adjustment expenses	-	-	5,152	5,152	-
Reserves on deposit	-	-	(945)	(945)	-
Student deposits	-	(18)	-	(18)	-
Unearned premium revenue	-	-	(335)	(335)	-
Unrealized loss on investments	-	-	(48)	(48)	-
Unexpired subscriptions	-	-	(57)	(57)	-
Net cash (used) provided by operating activities	\$ (41,495)	(478,739)	31,803	(488,431)	13,424

See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003
(IN THOUSANDS)**

	Agency Funds	Pension Trust Funds
ASSETS		
Cash and cash equivalents	\$ 1,373,760	556,723
Due from other funds	120,155	-
Due from other governmental entities	4,111	-
Investments at fair value	30,771	15,235,591
Other assets	8	4,905
Receivables, net of allowance	479,750	562,117
Security deposits	396,776	-
Total assets	\$ 2,405,331	16,359,336
LIABILITIES		
Deposits held in trust	\$ 404,042	-
Distributions payable due to beneficiaries	-	-
Due to beneficiary	100,057	-
Due to brokers	-	-
Due to custodian - securities lending	-	-
Due to other funds	655,806	-
Due to other governmental entities	185,771	-
Funds held for others	76,228	-
Other liabilities	982,117	19,786
Payables	1,310	1,007,052
Security lending liability	-	943,275
Total liabilities	2,405,331	1,970,113
NET ASSETS		
Net assets held in trust for pension	-	14,389,223
Net assets held in trust for pool participants	-	-
Reserved for other beneficiaries	-	-
Net assets	\$ -	14,389,223

See Notes to Financial Statements.

	External Investment Trust Funds	Private Purpose Trust Funds	Totals
\$	10,724	193,073	2,134,280
	-	-	120,155
	-	-	4,111
	3,841,677	6,354,100	25,462,139
	-	-	4,913
	3,304	53,861	1,099,032
	-	-	396,776
	<u>3,855,705</u>	<u>6,601,034</u>	<u>29,221,406</u>
\$	-	-	404,042
	-	-	-
	-	-	100,057
	-	-	-
	54,728	-	54,728
	-	-	655,806
	-	-	185,771
	23,473	60,449	160,150
	-	-	1,001,903
	-	-	1,008,362
	-	897,102	1,840,377
	<u>78,201</u>	<u>957,551</u>	<u>5,411,196</u>
	-	-	14,389,223
	3,777,504	5,641,250	9,418,754
	-	2,233	2,233
\$	<u>3,777,504</u>	<u>5,643,483</u>	<u>23,810,210</u>

STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS-
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Total
ADDITIONS				
Employee contributions	\$ 409,568	-	-	409,568
Employer contributions	395,984	-	-	395,984
Deposits	-	-	182,946	182,946
Investment income: increase (decrease) in fair value	56,411	3,659	-	60,070
Interest and other investment income	389,318	81,378	200,710	671,406
Other operating revenues	7,180	3,790	-	10,970
Nonoperating revenues	10,558	-	-	10,558
Total additions	1,269,019	88,827	383,656	1,741,502
DEDUCTIONS				
Expenditures				
Benefits and claims	899,000	-	-	899,000
Distribution	-	50,394	228,431	278,825
Expenses and management fees	-	737	56,737	57,474
General and admin	6,695	-	-	6,695
Other operating expenses	-	-	205	205
Refunds	29,722	-	-	29,722
Total deductions	935,417	51,131	285,373	1,271,921
Change in net assets	333,602	37,696	98,283	469,581
Net assets, beginning	14,055,621	3,739,808	5,545,200	23,340,629
Net assets, ending	\$ 14,389,223	3,777,504	5,643,483	23,810,210

See Notes to Financial Statements.

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2003

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STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico (State) was created on January 6, 1912 and became the Nation's 47th state. The State has a plural executive, with the Governor serving as the Chief Executive, who is elected by the residents of the State.

The State's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements of the State, including its component units, are presented as discussed below.

As indicated in the financial statements, amounts in the notes are also stated in thousands.

The more significant of the State's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the State's financial reporting entity includes the primary government (i.e., legislative agencies, departments and agencies, commissions, the Governor and Cabinet, boards of the Executive Branch, various offices relating to the Judicial Branch, the educational institutions created by the State Constitution, Articles XII, Section 11), and its component units. The annual financial report does not include the financial statements of the community colleges or public schools or the Section 529 Trust Plan of the New Mexico Education Trust Board.

Component units, as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, are legally separate organizations for which the elected officials of the State are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

Depending upon the significance of the State's financial and operational relationships with various separate entities, the organizations are classified either as blended or as discrete component units. The State had one blended component unit (New Mexico Lottery Authority) and two discrete component units (New Mexico Finance Authority and the New Mexico Mortgage Finance Authority) during the fiscal year ended June 30, 2003.

In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the State. The decision to include a potential component unit in the State's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. As the determination was not made until after the component units issued their financial statements, the component

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

units' separate financial statements may not reflect their status as a component unit. Based on the application of these criteria, the following discretely presented component units are included in these financial statements:

- **New Mexico Finance Authority**

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

- **New Mexico Mortgage Finance Authority**

The New Mexico Mortgage Finance Authority (NMMFA) is a governmental instrumentality of the State, created April 10, 1975 under the Mortgage Finance Authority Act (Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State.

Complete financial statements for each of the individual discretely presented component units may be obtained from:

Mexico Finance Authority
409 St. Michaels Drive
Santa Fe, New Mexico 87505

New Mexico Mortgage Finance Authority
344 4th St., SW
Albuquerque, New Mexico 87102

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made in the Statement of Net Assets to minimize the grossing-up effect on the assets and liabilities within governmental and business-type activities columns. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary (enterprise) funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Thus, the accounting and financial reporting treatment applied to a fund or activity is determined by its measurement focus.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary (enterprise) fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the State first uses restricted resources then unrestricted resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. With the exception of the State General Fund, the State generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For this purpose, the State General Fund considers tax revenues to be available if they are collected within 30 days after the end of the fiscal year; reversions, if collected within 90 days of the end of the current fiscal period; and all other revenues to be available if collected prior to completion of the State General Fund's financial statements, which is usually the

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

December 15th following the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other State and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received if they are not susceptible to accrual.

The accounts of the State are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures.

Governmental-type funds are those through which most governmental functions of the State are financed. The acquisition, use and balances of the State's expendable available financial resources and the related liabilities (except those accounted for in enterprise funds) are accounted for through governmental-type funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

Fund financial statements report detailed information about the State. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources and uses of current financial resources.

All proprietary (enterprise) fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

changes in fund net assets presents increases and decreases in net total assets. The statement of cash flows provides information about how the State finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

The State reports the following major funds:

Major Governmental Funds

General Fund - This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State's primary operating fund.

Education Fund - The Education Fund includes funds to operate education-related programs.

Health and Human Services Fund - The Health and Human Services Fund includes funds used to operate various health and family service-related programs such as healthcare, elder affairs, and child support, etc.

Highway Transportation Fund - The Highway and Transportation Fund accounts for the maintenance and development of the State highway system and other transportation-related projects.

Severance Tax Permanent Fund - The Severance Tax Permanent Fund accounts for the severance tax levied by the State on certain natural resources extracted from State lands. Severance tax revenues are first applied to pay the required debt service on Severance Tax Bonds issued by the State. Remaining severance tax revenues are then transferred to the State Investment Council, which adds these amounts to the Severance Tax Permanent Fund.

Land Grant Permanent Fund - Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13.4 million acres, are held in trust for the benefit of the public schools and other specific institutions. Other portions of the fund that benefit the State are presented in the Governmental Funds. The Fund is administered by the State Investment Council.

Major Business Type Funds

Unemployment Insurance Fund - The Unemployment Insurance Fund accounts for funds used for unemployment compensation. This Fund does not account for funds other than unemployment compensation (i.e., workers' compensation, employment security labor market statistics, administration of the employment compensation program, etc.).

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Educational Institutions Fund – The Educational Institution accounts for the activities of the State’s ten educational institutions created by the New Mexico constitution in Articles XII, Section 11: University of New Mexico, New Mexico State University, New Mexico Highlands University, Western New Mexico University, Eastern New Mexico University, New Mexico Tech, New Mexico Military Institute, New Mexico School for the Visually Handicapped, New Mexico School for the Deaf, and Northern New Mexico Community College.

Additionally, the State reports the following governmental fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenues sources (other than major capital projects) that are restricted to expenditures for specified purposes. The State has many individual Special Revenue Funds; for presentation in this report, the funds have been combined into specific functional areas.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of principal and interest on, general long-term obligations and payments on certain lease-purchase or other contractual obligation of the State. The State has many individual Debt Service Funds; for presentation in this report, the funds have been combined into specific functional areas.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds.)

Permanent Fund – The Tobacco Settlement fund receives monies pursuant to the master settlement agreement entered into between the tobacco product manufacturers and various states, including New Mexico, which was executed on November 23, 1998. Money in this fund is invested pursuant to Chapter 6, Article 8 NMSA 1978. Income from investment of the fund is credited to the Fund.

Proprietary Fund Types

Proprietary-type funds are used to account for the State’s ongoing activities where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods and services to other departments or agencies of the governmental unit, or to other unrelated governmental units, on a continuing basis be financed or recovered primarily through user or customer charges. Proprietary funds distinguish operating revenues and expenses from

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Proprietary Fund Types (Continued)

nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary-type Funds include Enterprise Funds and Internal Service Funds.

Internal Service Fund - The Internal Service Fund is primarily used to report activities that provide goods or services to other funds or agencies within the State, rather than to the general public.

Enterprise Funds - Enterprise Funds are used to report activities for which a fee is charged to external users for goods or services.

Fiduciary Fund Types

These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. Trust Funds do require the measurement of results of operations.

Private-Purpose Trust Funds - used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. These funds include the Scholarship Fund and the Land Grant Permanent Fund.

Pension and Other Employee Benefits Trust Funds - used to report resources that are required to be held in trust for the members and beneficiaries of pension plans and other employee benefit plans. These funds account for the activities of the Public and Educational Employees Retirement Systems.

Agency Funds - used to report resources held by the State in a purely custodial capacity.

External Trust Funds - account for assets held by the government in a trustee capacity. These funds are used to account for cash, securities and other investments held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following private-sector guidance issued after November 30, 1989 for its business-type activities and proprietary funds and component units. As allowed by GASB 20, the State has elected to follow only those Financial Accounting Standards Board (FASB) Statement and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989.

D. Cash and Cash Equivalents

Cash and cash equivalents represent petty cash, cash on deposit with banks, and cash invested in short-term securities and restricted cash and cash equivalents. Cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less.

The State is required by statute to deposit any money received into the State Treasury. Balances maintained at the end of the day are pooled and invested by the State Treasurer in overnight repurchase agreements. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits, categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the State. All repurchase agreements are collateralized by U.S. Treasury Securities held by the State Treasurer's custodian bank.

Interest on interest-bearing accounts is credited to the various accounts held by the State Treasurer based on the average monthly balance and average monthly interest rates.

Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments.

Many of the State's entities maintain cash accounts with various commercial institutions statewide. Amounts on deposit with the commercial institutions are fully insured by the Federal Deposit Insurance Corporation up to \$100,000. Amounts over \$100,000 must be secured in accordance with 6-10-17, NMSA 1978.

Certificates of deposit held by the State Treasurer represent compliance with the requirement that gasoline and special fuel suppliers must post a bond, cash or certificate of deposit for the privilege of receiving or using special fuel in the State. The certificates are held in the name of the taxpayer and/or State Treasurer. The Taxation and Revenue Department maintains control over the bonds, cash and certificates of deposit, but physical custody is maintained by the State Treasurer. Bonds are posted with a surety agency and the Taxation and Revenue Department maintains a record of all bonds posted on its behalf so that, in the case of a taxpayer's nonpayment of their liabilities, it may be able to collect from the bonding or surety agency.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to the overnight repurchase agreements at the State Treasury, the Educational Retirement Board (Board) invests in the Short-term Investment Funds (STIF) at Banker's Trust (now Deutsche Bank). The STIF is used to facilitate more efficient trade procedures with the Board's external money managers. Net cash balances in each internal and external investment manager's portfolios are swept into the STIF at the end of each day. Overnight investments of \$95,395 for the year ended June 30, 2003, are reported as cash equivalents.

Money market mutual funds invest in short term obligations of the U.S. Government or its agencies or other short-term investments and are carried at the lower of cost or market.

E. Cash Flow Information

The State considers all short-term investments with a maturity of three months or less to be cash equivalents. This includes amounts on deposit with the State Treasurer's Office (including the overnight investment pool), and the Deutsche Bank short-term investment funds.

F. Deferred Charges and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred charges and other assets in both the government-wide and fund financial statements.

G. Due From Other Funds

Short-term amounts owed between funds are classified as due to/due from other funds in the fund financial statements, and eliminations have been made in the statement of net assets to minimize the grossing-up effect on the assets and liabilities within governmental and business-type activities columns.

H. Investments

Fixed-income securities are reported at fair value subject to adjustment for market declines judged to be other than temporary. Gains and losses on sales and exchanges of fixed-income securities are recognized under the completed transaction method.

Equity securities are reported at fair value subject to adjustment for market declines judged to be other than temporary. The cost of corporate stock sold is determined using the average cost of the security. Gains and losses on sales and exchanges of equity securities are recognized under the completed transaction method.

The fair value of investments are estimated and reported based on quoted market prices. If a quoted market price is not available, the fair value is estimated using quoted market prices for similar securities.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments (Continued)

Short-term interest bearing securities are stated at fair value. Maturities are generally less than 365 days.

The State Investment Council (Council) is responsible for the investment activities of certain State trust funds. Investment policies specific to monies invested by the Council are as follows:

The Council's investments are reported in the following categories: private-purpose trust funds and external investment trust funds. Both types of funds are participants in the Council's Large Capitalization Active, Large Capitalization Index, Core Bonds, High Yield Bonds, Mid/Small Capitalization, Non-U.S. Developed Markets and Non-U.S. Emerging Markets investment pools, and private equity. The pools are detailed as follows:

As of June 30, 2003, the Large Capitalization Active Pool is managed internally using fundamental research techniques. This pool seeks to exceed the performance of the S&P 500 Index emphasizing stock selection and by over weighting or under weighting economic sectors.

The Large Capitalization Index Pool is managed internally using complex risk models and optimization software. The objective of the pool is to generate returns within 25 basis points of the S&P 500 Index.

The Core Bonds Pool is managed internally and invests in all major segments of the broad investment-grade debt obligation markets. The primary objective of the Core Bonds Pool is to add significant value over the returns of the broad U.S. bond market and to produce relatively high total returns for the risk assumed. The Core Bonds Pool uses the Lehman Brothers Aggregate Index as its benchmark.

The High Yield Bonds Pool is managed by two active external managers and invests in corporate bonds rated single B or better by a national rating service. The pool's benchmark is the Lehman Brothers High Yield Bonds Index. High yield bonds have both higher expected returns and risk than the investment grade bonds in the Core Bonds pool.

The Mid/Small Capitalization Pool was managed by external managers during the year. As of June 30, 2003, it had two core managers with broad diversification, two active managers with a value style, and two growth managers. Overall, the manager mix is intended to capture the returns of the Russell 2500 Index.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments (Continued)

Non-U.S. Equity Securities Pools:

The Non-U.S. Developed markets pool is an international equity fund with four active external managers that have complementary management styles. As of June 30, 2003, one manager had a value orientation, two were core managers, and one was a growth manager. This strategy is designed to seek the best investment opportunities around the world, as well as to diversify away from a U.S. only approach. The benchmark is the Salomon PMI World Ex-U.S. Index.

The Non-U.S. Emerging Markets Pool is an externally managed international equity fund based upon the MSCI Emerging Markets Free Index. As of June 30, 2003, the fund had three active external managers. The Non-U.S. Emerging Markets Pool began operations in March 2002.

Private Equity:

Private equity investments are recorded at estimated fair value as reported by the Council's investment advisors and their investees. If market declines exist which are considered to be other than temporary, and adjustment is made to reduce the fair value. Increases to fair value are reported when a definable event occurs, such as an additional round of financing to a third-party investor at a higher price or a public offering of the investee company's stock. Income is recognized when the investment advisor reports distributions received in excess of the capital invested.

I. Due From Other Governmental Entities

Due from other governmental entities represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs and other programs.

J. Inventories

Inventories of the governmental funds are valued at cost using predominantly the moving average cost methodology. Inventories of the proprietary funds are valued at cost using the average cost methodology.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Inventories (Continued)

The governmental funds use either the purchase method or the consumption method of accounting for inventories. Under these methods, inventories are recorded as expenditures when purchased for the purchase method or costs are recorded as expenditures when consumed.

Proprietary funds use the consumption method of accounting for inventories. Under the consumption method, costs are recorded as expenditures when consumed rather than when purchased.

Inventories at year-end are reported as assets of the General Fund and are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Food stamps are valued at face value and commodity inventory is valued at an average unit cost that approximates the lower of cost or market.

K. Receivables and Loans Receivable

Receivables are stated net of estimated allowance for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital assets, which include automobiles, buildings and improvements, furniture and fixtures, software, library books, infrastructure (e.g., roads, bridges, sidewalks, and similar items), machinery and equipment, and portable buildings are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

To account for its infrastructure assets, the State elected to use the depreciation method. This method requires the State to allocate the cost of infrastructure assets over their useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. The State elected to use the depreciation method as it determined that it could not meet the condition to maintain the infrastructure (as required by the modified approach) at a predetermined condition level due to anticipated lack of future funding for maintenance.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets of the State are depreciated on the straight-line method over the assets' estimated useful lives. There is no depreciation recorded for land and right-of-way land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with the practices followed by many museums and libraries, museum and library collections are not reported as assets in the accompanying financial statements. Purchases of the items are reported as expenditures. Certain library books, however, are capitalized.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

L. Capital Assets (Continued)

<u>Capital Asset Category</u>	<u>Reporting Capitalization Threshold</u>	<u>Estimated Useful Life (in Years)</u>
Infrastructure	1,000	25-30
Non-depreciable Infrastructure	1,000	-
Land improvements	1,000	10-40
Furniture and equipment	1,000	3-10
Vehicles	1,000	3-7
Buildings & improvements	1,000	10-40
Construction in Progress	1,000	-
Land	1,000	-

The capitalization limit for equipment and chattels is set by State Statute 12-6-10 NMSA 1978 at \$1,000.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per bi-weekly pay period. There is no limit to the amount of sick leave which an employee may accumulate. Employees are paid for accumulated sick leave annually, or upon retirement or other termination, but only for accumulated sick leave in excess of 600 hours. Annually, employees may be paid 50% of the excess over 600 hours, up to a maximum of 120 hours. Upon retirement or other termination, employees are paid 50% of the excess over 600 hours, up to a maximum of 400 hours.

~~Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon the length of service and employees hire date. Employees are paid for the accumulated annual leave upon retirement or other termination. A maximum of thirty days of annual leave (240 hours) may be accumulated by each employee and carried forward into the beginning of the calendar year, with any excess forfeited.~~

Compensated absences additions for the year are calculated as follows: salaries expense (including required taxes), multiplied by an average of 2.5 weeks per employee, divided by 52 weeks.

The State accrues a liability for compensated absences, which meets the following criteria:

1. The State's obligation relating to employees' rights to receive compensation for future absences is attributable to an employee's service already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the State has accrued a liability for vacation pay, which has been earned but not taken by State employees. For governmental funds, the liability for compensated absences is shown in the government-wide financial statements. For enterprise funds, the liability for compensated absences is shown in the individual fund to which the liability pertains since funds will be expended out of those individual funds.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute interfund reimbursements to a fund for expenditures/expenses initially made for it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions except interfund services provided and used interfund reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as interfund transfers. All other interfund transfers are reported as "interfund transfers".

On fund financial statements, receivables and payables (resulting from short-term interfund loans and as a result of transactions between the funds) are classified as "Due to/from other funds".

As a general rule, eliminations have been made in the Statement of Net Assets to minimize the grossing-up effect on the assets and liabilities within governmental and business-type activities columns. Exceptions to this general rule are various charges between the business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

O. Accrued Liabilities

Accrued liabilities consist primarily of payroll and related fringe benefit accruals.

P. Deferred Revenue

When the State receives funds in advance from federal agencies, revenue is recognized when funds are expended for these projects.

Q. Payables

Payables represent unpaid claims against the State for goods and services received by the State prior to June 30, 2003.

R. Long-term Obligations

Several of the State's Departments are obligated under certain leases accounted for as capital leases. In the government-wide financial statements, capital leases are reported as assets and liabilities in the governmental activities column of the statement of net assets.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Assets and Fund Equity

Net assets are reported as restricted when external or legal constraints are placed on their use. Unrestricted net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” Net assets are categorized as:

Invested in Capital Assets, Net of Related Debt. This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvements of these assets reduce the balance in this category.

Restricted for Permanent Trusts. This category is used to report restrictions on trusts that are either expendable or nonexpendable.

Restricted for Unemployment Compensation. This category presents net assets restricted for unemployment benefits.

Restricted for Other Purposes. This category presents net assets subject to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Restricted for Capital Projects. This category represents funds restricted for capital outlay.

Restricted for Debt Service. The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs.

Unrestricted Net Assets. This category represents net assets of the State, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Specific reservations and designations of fund balance accounts are summarized below:

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Assets and Fund Equity (Continued)

Reserved for Capital Projects. This reserve was created to restrict the use of all resources contributed to or earned by Capital Projects Funds.

Reserved for Inventories. This reserve was created to represent the portion of fund balance that is not available for expenditures because the State expects to use the resources within the next budgetary period.

Reserved for Encumbrances. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund, Special Revenue Funds, and Capital Projects Funds. The cost of construction contract commitments generally is recorded as an encumbrance of Capital Projects Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Reserved for Subsequent Years' Expenditures. This reserve was created to restrict the use of all resources contributed to or earned by Special Revenue and Capital Projects Funds as required by the following years budget.

Reserved for Special Projects. This reserve was created to restrict the use of resources collected for expenditure on special projects as required by the respective federal grant or enabling legislation.

Segregated for Debt Service. Fund balances segregated for debt service represent various capital reserve assets available to finance future debt service payments in accordance with the underlying bond indentures.

Segregated for Pool Participants. Fund balances segregated for pool participants represent the respective net asset of those entities participating in the Severance Tax Permanent Fund and the Land Grant Permanent Fund.

T. Use of Estimates

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

U. Indirect Expenses

Certain of the state agencies allocate indirect expenses to program functions in the Statement of Activities.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Restatements

Prior period adjustments in the government activities are primarily the result of errors made in certain accruals and deferrals of income.

The following schedule reconciles June 30, 2002, fund balance/net assets previously reported to beginning fund balance/net assets, as restated.

	Government Funds	Proprietary Funds	Pension Trust Fund
Ending fund balance, as previously reported	\$ 5,623,743	3,051,243	13,948,818
Reclassify Retiree Health Care Authority	-	(106,803)	106,803
Prior period adjustments	<u>24,622</u>	<u>198</u>	<u>-</u>
Beginning balance, as restated	<u>\$ 5,648,365</u>	<u>2,944,638</u>	<u>14,055,621</u>

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

By law, all deposits and investments are under the control of the State Treasurer, except for those with which specific authority are under the control of the component units. Legally authorized investments vary by fund, but generally include: obligation of or guaranteed by the United States; obligations of the State of New Mexico and its political subdivisions; stocks and bonds; and repurchase agreements.

Cash and Cash Equivalents

Cash and cash equivalents represent the demand deposits with the New Mexico State Treasurer and commercial banks. The State Treasurer invests all public monies held in excess of the minimum compensating balance which it must maintain in the non-interest bearing demand deposit account with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance. The interest earned on the investment of these public monies is distributed monthly to earmarked accounts, as specifically identified by statute, based on their monthly average cash balances at the average certificate of deposit rate and overnight investment rate. The remaining portion is transferred to the State General Fund Appropriations Account.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The State maintains accounts at commercial banks for various purposes at locations throughout the State. Bank deposits may be under the joint custody of the State Treasurer and the organization, agency, or other component units with the exception of the University funds, which are entirely under the control of the Universities.

For deposits of public monies with New Mexico financial institutions, the State requires that its depository banks pledge collateral valued at 50% to 100% of the amount deposited, depending upon each financial institution's operating results and capital.

Primary Government. As of June 30, 2003, the carrying amount of the Primary Government's total cash and cash equivalents was \$4,123,343. Cash and cash equivalents in bank accounts for the primary government was \$1,006,104. The remaining balances were at the State Treasurer.

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

Cash at State Treasurer's Office	\$ 2,291,335
Cash at U.S. Treasury Department	658,358
Bank accounts	<u>1,006,104</u>
	<u>\$ 3,955,797</u>
Governmental Activities	\$ 768,116
Business-Type Activities	885,855
Internal Service Fund	167,546
Fiduciary Funds	<u>2,134,280</u>
	<u>\$ 3,955,797</u>

The State's deposits are categorized to give an indication of the level of risk assumed by the State at year-end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50%.

	<u>Category</u>			Bank Balance	Book Balance
	1	2	3		
Bank accounts	\$ 13,334	339,115	632,494	984,943	<u>1,006,104</u>

The State is responsible to ensure that all accounts held by any bank for all State governmental entities have collateral at the required level for amounts in excess of FDIC coverage.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments (Continued)

Investments

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

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

Custodial Credit Risk Categorization

Custodial credit risk refers to the risk that the State may not be able to obtain possession of its investments in the event of default by a counterparty. The three types of custodial credit risk are:

- Category 1, which includes investments that are insured or registered or for which securities are held by the State or its agent in the State's name;
- Category 2, which includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the State's name; and
- Category 3, which includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the State's name.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The categories of the State's investments at were as follows (expressed in thousands):

	Category			Carrying Amount and Fair Value
	1	2	3	
Investments Categorized				
Certificates of deposit	\$ 213,376	1,520	-	214,896
Government sponsored enterprise and agency issues	2,464,783	-	551,855	3,016,638
Corporate equity securities	2,485,564	2,058,759	837,287	5,381,610
Corporate obligations	2,989,751	-	-	2,989,751
International securities	1,153,970	-	69,689	1,223,659
Conventional mortgage pass-through certificates	1,504	-	-	1,504
U.S. Government mortgage backed securities	1,669,646	-	-	1,669,646
Total Categorized	\$10,978,594	2,060,279	1,458,831	14,497,704
Investments Not Categorized				
Investment pools				62,373
Investment in building				20,178
International securities				958,701
Corporate equity securities				258,473
Corporate obligations				25,111
Government sponsored enterprise and agency issues				879,782
Common stock				8,955,645
Private equity				285,902
Mortgage loans				33,214
Money market/mutual funds				25,677
Investment pool - SIC				173,049
Repurchase agreements				3,370,753
U.S. Treasury bills				91,031
Investment in NM Business Dev. Corp.				1,665
Miscellaneous				1,559,819
Permanent fund				22,872
				\$ 31,221,949

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment by funds at June 30, were as follows:

Governmental Activities	\$ 4,610,324
Business-Type Activities	1,149,486
Fiduciary Funds	<u>25,462,139</u>
	<u>\$ 31,221,949</u>

Securities Loan Program

Through a safekeeping agent, the State lends securities for a fee from its investment portfolios on a collateralized basis to third parties, primarily financial institutions and/or brokerage houses. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. Securities loaned and securities taken as collateral are all book-entry securities which are substantially similar in type, rate, and maturity for each transaction. Under this program, the State may demand return within twenty-four (24) hours of any security previously loaned.

Discretely Presented Component Units

New Mexico Finance Authority (NMFA). Funds held for others and short-term investments are held at various trustees in the name of NMFA. The following is a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the financial statements.

Cash and cash equivalents and restricted cash and cash equivalents

State Treasurer cash account	\$ 204,944
Money market accounts	40,750
Repurchase agreements	21,032
Bank accounts	<u>2,120</u>
	<u>\$ 268,846</u>

NMFA's deposits are categorized to give an indication of the level of risk assumed by NMFA at year-end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50%. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	<u>Category</u>			Bank	Book
	1	2	3	Balance	Balance
Bank accounts	\$ -	37,914	-	<u>37,914</u>	<u>2,120</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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

New Mexico Mortgage Finance Authority (NMMFA). NMMFA's cash deposits are categorized below to give an indication of the level of risk assumed by NMMFA.

Cash and Cash Equivalents

	<u>Category</u>			Bank Balance	Book Balance
	1	2	3		
Bank accounts	\$ 14,339	-	12,304	26,643	26,643
Cash equivalents not considered deposits					
Money market accounts					39,658
Repurchase agreements					2,867
Investment agreements					276,293
					<u>\$ 345,461</u>

Investments

NMMFA's investments are categorized to give an indication of the level of risk assumed by NMMFA.

	<u>Category</u>			Carrying Amount
	1	2	3	
Securitized mortgage loans, net	\$ 827,445	-	-	958,894
U.S. government and government agency securities	\$ 14,010	-	-	14,010
Noncategorized				
Money market accounts				39,658
Repurchase agreements				2,867
Investment agreements				300,324
				<u>356,859</u>
Less items considered cash equivalents				<u>(318,818)</u>
Total restricted investments and reserve funds				<u>\$ 38,041</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables at June 30, 2003, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities

	Loans	Interest	Taxes	Other	Accounts Receivable	Total Receivables	Allowances	Total Receivables Net
General	\$ 554	64	259,445	148	69,310	329,521	(5,106)	324,415
Educational	18,543	-	-	-	-	18,543	(2,626)	15,917
Health and Human Services	-	-	-	-	317,187	317,187	-	317,187
Highway & Transportation	-	385	21,486	11,330	90	33,291	-	33,291
Severance Tax Permanent Fund	-	-	-	-	30,131	30,131	-	30,131
Land Grant Permanent Fund	-	-	-	-	4,265	4,265	-	4,265
Nonmajor Governmental Funds	-	-	-	-	10,559	10,559	-	10,559
Internal Service Fund	-	-	-	-	9,086	9,086	-	9,086
Total	\$ 19,097	449	280,931	11,478	440,628	752,583	(7,732)	744,851

Business-Type Activities

	Unemployment Insurance	Educational Institutions	Nonmajor Enterprise Funds	Total
Taxes	\$ 31,413	-	-	31,413
Accounts	793	232,722	14,668	248,183
Grants	-	88,516	-	88,516
Overpayments	18,377	-	-	18,377
Total receivables	50,583	321,238	14,668	386,489
Allowances	(26,858)	(104,132)	(2,195)	(133,185)
Total receivables, net	\$ 23,725	217,106	12,473	253,304

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

Fiduciary Funds

	Agency Funds	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Totals
Tax Assessments	\$ 10	-	-	-	10
Accounts	489,996	540,962	3,304	53,861	1,088,123
Loans	120	-	-	-	120
Interest and dividends	3,414	21,155	-	-	24,569
Total receivables	493,540	562,117	3,304	53,861	1,112,822
Allowances	(13,790)	-	-	-	(13,790)
Total receivables, net	\$ 479,750	562,117	3,304	53,861	1,099,032

Discretely Presented Component Units

New Mexico Finance Authority. Loan receivable balances consist of the following:

Loans receivable	\$ 323,033
Allowance of loan losses	<u>(859)</u>
Loans, net	<u>\$ 322,174</u>

An analysis for the allowance for loan losses is as follows:

Balance, beginning of year	\$ (820)
Provision for loan losses	<u>(39)</u>
Balance, end of year	<u>\$ (859)</u>

New Mexico Mortgage Finance Authority. Mortgage loans balances consist of the following:

Mortgage loans receivable	\$ 960,036
Allowance for mortgage loan losses	(615)
Deferred origination and commitment fees	<u>(527)</u>
Mortgage loans, net	<u>\$ 958,894</u>

An analysis of the allowance for mortgage loan losses is as follows:

Balance, beginning of year	\$ 451
Provision (recovery) for loan losses	221
Loans written off, net of recoveries	<u>(57)</u>
Balance, end of year	<u>\$ 615</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2003, is as follows:

	Due From	Due To	Transfers In	Transfers Out
Governmental Activities				
General Fund	\$ 439,263	137,664	1,512,727	4,248,934
Education	186,777	10,297	1,845,563	29,121
Health & Human Services	21,979	26,937	528,939	76,719
Highway & Transportation	22,487	22,487	114,746	121,088
Severance Tax Permanent Fund	1,577	-	38,503	188,204
Land Grant Permanent Fund	159	-	-	-
Nonmajor Governmental Funds	81,481	18,093	587,977	439,584
Internal Service Fund	551	173	2,188	-
	<u>754,274</u>	<u>215,651</u>	<u>4,630,643</u>	<u>5,103,650</u>
Business-Type Activities				
Unemployment Insurance	-	65	-	-
Colleges & Universities	513	238	504,412	-
Nonmajor Proprietary Funds	91	3,273	-	31,405
	<u>604</u>	<u>3,576</u>	<u>504,412</u>	<u>31,405</u>
Fiduciary Funds				
Agency Funds	120,155	655,806	-	-
Totals	<u>\$ 875,033</u>	<u>875,033</u>	<u>5,135,055</u>	<u>5,135,055</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Net Adjustments and Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 62,107	24,894	(25)	(6,794)	80,182
Construction in progress	138,272	64,749	(62,583)	(4,586)	135,852
Infrastructure	3,365	3,839	(105)	353,975	361,074
Mineral rights	19,461	-	-	357	19,818
Total capital assets, not being depreciated	223,205	93,482	(62,713)	342,952	596,926
Capital assets, being depreciated					
Land improvements	951	-	-	14,566	15,517
Equipment and machinery	136,031	19,411	(12,265)	24,383	167,560
Buildings and improvements	776,691	63,046	(15,054)	31,334	856,017
Furniture and fixtures	74,132	2,184	(2,010)	(23,493)	50,813
Data processing equipment	73,817	11,583	(15,489)	1,353	71,264
Vehicles	193,252	17,192	(11,495)	522	199,471
Library books and other	2,294	6,531	(4)	(593)	8,228
Right of Way	-	-	-	-	-
Infrastructure	15,533,191	312,640	(308,471)	(358,576)	15,178,784
Total capital assets, being depreciated	16,790,359	432,587	(364,788)	(310,504)	16,547,654
Less accumulated depreciation for:					
Land improvements	(696)	(434)	-	(4,792)	(5,922)
Equipment and machinery	(108,819)	(12,978)	7,932	27,977	(85,888)
Buildings and improvements	(454,523)	(28,105)	13,119	(55,907)	(525,416)
Furniture and fixtures	(35,733)	(1,292)	522	30,224	(6,279)
Data processing equipment	(32,584)	(11,306)	8,731	(4,703)	(39,862)
Library books and other	(1)	(518)	(7)	(1,254)	(1,780)
Vehicles	(106,072)	(19,994)	9,704	105	(116,257)
Infrastructure	(7,697,091)	(467,577)	308,472	4,652	(7,851,544)
Total accumulated depreciation	(8,435,519)	(542,204)	348,473	(3,698)	(8,632,948)
Total capital assets, being depreciated, net	8,354,840	(109,617)	(16,315)	(314,202)	7,914,706
Governmental activity capital assets, net	\$ 8,578,045	(16,135)	(79,028)	28,750	8,511,632

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Business - type Activities:	Beginning Balance	Additions	Deletions	Net Adjustments and Reclassifications	Ending Balance
Capital Assets, not being depreciated					
Land and land improvements	\$ 44,967	2,237	-	715	47,919
Construction on progress	55,782	76,475	(8,927)	(70,771)	52,559
Total Capital Assets, not being depreciated	100,749	78,712	(8,927)	(70,056)	100,478
Capital Assets, being depreciated					
Land improvements	46,741	818	-	24,749	72,308
Equipment and machinery	482,711	68,737	(49,296)	172,380	674,532
Buildings and improvements	1,231,321	10,057	(1,324)	60,561	1,300,615
Furniture and fixtures	46,349	12,112	(2,059)	17,576	73,978
Data processing equipment	1,112	659	-	3,664	5,435
Library books and other	373,421	9,240	(241)	(206,260)	176,160
Vehicles	5,365	700	(448)	512	6,129
Infrastructure	73,501	1,110	-	(15,574)	59,037
Total Capital Assets, being depreciated	2,260,521	103,433	(53,368)	57,608	2,368,194
Accumulated depreciation for					
Land improvements	(23,356)	(4,243)	17	(44,160)	(71,742)
Equipment and machinery	(311,652)	(44,162)	32,233	(79,791)	(403,372)
Buildings and improvements	(595,694)	(40,800)	11,332	44,618	(580,544)
Furniture and fixtures	(33,725)	(6,115)	1,573	(13,801)	(52,068)
Data processing equipment	(244)	(633)	284	(5,095)	(5,688)
Library books and other	(239,248)	(9,489)	60	101,405	(147,272)
Vehicles	(320)	(102)	93	(564)	(893)
Infrastructure	(38,257)	(2,582)	-	16,154	(24,685)
Total accumulated depreciation	(1,242,496)	(108,126)	45,592	18,766	(1,286,264)
Total Capital Assets, being depreciated, net	1,018,025	(4,693)	(7,776)	76,374	1,081,930
Business - type activities capital assets, net	\$ 1,118,774	74,019	(16,703)	6,318	1,182,408

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense charged to functions/programs of governmental activities as follows:

General	\$ 6,100
Culture, Recreation, Natural Resources	4,320
Highways and Transportation	376,997
Judicial	3,921
Legislative	303
Public Safety	8,279
Regulation, Licensing, Etc,	2,556
Health and Human Services	79,996
Education	<u>59,732</u>
	<u>\$ 542,204</u>

Discretely Presented Component Units

Activity for the New Mexico Finance Authority was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated				
Furniture, fixtures and equipment	\$ 239	16	-	255
Accumulated depreciation	<u>(207)</u>	<u>(18)</u>	<u>-</u>	<u>(225)</u>
Capital assets, net	<u>\$ 32</u>	<u>(2)</u>	<u>-</u>	<u>30</u>

Activity for the New Mexico Mortgage Finance Authority was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	<u>\$512</u>	<u>-</u>	<u>-</u>	<u>512</u>
Capital assets, being depreciated				
Buildings and improvements	3,041	-	-	3,041
Furniture, equipment and vehicles	1,590	64	(197)	1,457
Total capital assets, being depreciated	<u>4,631</u>	<u>64</u>	<u>(197)</u>	<u>4,498</u>
Accumulated depreciation for				
Equipment and machinery	(1,198)	(87)	194	(1,091)
Buildings and improvements	(1,142)	(156)	-	(1,298)
Accumulated depreciation	<u>(2,340)</u>	<u>(243)</u>	<u>194</u>	<u>(2,389)</u>
Total capital assets, being depreciated, net	<u>2,291</u>	<u>(179)</u>	<u>(3)</u>	<u>2,109</u>
Capital assets, net	<u>\$2,803</u>	<u>(179)</u>	<u>(3)</u>	<u>2,621</u>

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

The State has active construction projects as of June 30, 2003. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction are as follows:

Project Commitment

Highway construction	\$ 312,390
University infrastructure	134,391
University facilities construction and renovation	60,085
Vocational institute buildings	1,510
Military facility	2,595
Total	<u>\$ 510,971</u>

Operating Leases

The State leases building and office facilities and other equipment under noncancelable operating leases. Total cost for such leases were \$47,128 for the year ended June 30, 2003. The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
2004	\$ 49,429
2005	40,905
2006	36,714
2007	33,088
2008	30,475
2009-2013	46,152
2014-2018	17,224
2019-2023	4,388
Total	<u>\$ 258,375</u>

Capital Leases

The State is obligated under lease purchase contracts. In the opinion of counsel for the State, these lease purchase contracts comply with the *Montano vs. Gabaldon* decision, in that payments for these will be made from Special Revenue Funds and not from general tax revenue.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2003:

Year Ending June 30:

2004	\$ 3,852
2005	3,145
2006	2,338
2007	1,888
2008	1,321
2009 to 2013	<u>1,002</u>
Total	13,546
Amount representing interest	<u>2,218</u>
Total	<u>\$ 11,328</u>

Capital leases by funds are as follows:

Governmental Activities	\$ 7,895
Business-Type Activities	<u>3,433</u>
	<u>\$ 11,328</u>

E. Bonds Payable

General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. During the year, general obligation bonds in the amount of \$175,855 were issued as follows:

General Obligation Bonds Series 2003

On February 11, 2003, the State Board of Finance issued bonds with a principal amount of \$130,900 to finance certain capital expenditures for senior citizen, public education, library and water projects. Interest rates range from 3% to 5% with principal payments due through 2013.

General Obligation Bonds Refunding Series 2003B

On March 11, 2003, the State Board of Finance issued General Obligation Bonds Refunding Series 2003B with a principal amount of \$44,955. The refunding debt was used to refund in advance of their stated maturity dates the September 1, 2005-2006 maturities of the General Obligation Bond Series 1999 Bond in the principal amount of \$39,775,000 and the September 1, 2003, maturity of the General Obligation Bond Series 1997 Bonds in the principal amount of \$7,525,000. Interest rates range from 2% to 5% with principal payment due through 2008.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the State. These bonds generally are issued as 10-year serial bonds with equal amounts of principal maturing each year.

General obligation bonds currently outstanding as of June 30, 2003 are as follows:

	Amount	Interest Rate	Final Maturity
<i>Capital Projects Series 1999</i>	\$ 17,485	4.00 – 5.00	2011
<i>Capital Projects Series 2001</i>	52,520	4.00 – 5.00	2011
<i>Enhanced 911 Revenue Bonds – Series 2000</i>	3,390	4.35 – 5.90	2008
<i>Refunding Series 2001-A</i>	17,620	5.00	2004
<i>2001-B Refunding</i>	23,830	5.00	2007
<i>Capital Projects Series 2003</i>	130,900	3.00 - 5.00	2013
<i>2003 - B Refunding</i>	44,955	2.00 - 5.00	2008
	<u>\$ 290,700</u>		

Annual debt service requirements to maturity for general obligation bonds in the governmental funds are as follows:

Year ending June 30,	Principal	Interest	Total
2004	\$ 46,213	8,263	54,476
2005	45,628	8,153	53,781
2006	36,968	6,606	43,574
2007	37,012	6,614	43,626
2008	29,700	5,308	35,008
2009 to 2013	95,179	20,888	116,067
Total	<u>\$ 290,700</u>	<u>55,832</u>	<u>346,532</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Severance Tax Bonds

The State levies severance taxes on the mining and production of various natural resources, and has issued severance tax bonds secured by deposits of such taxes in a bonding fund. The Severance Tax Bonding Act was amended to authorize the creation of a supplemental severance tax bond program to fund school capital funding needs. Supplemental Severance Tax Bonds are secured by a second lien on severance tax revenue and are subordinate in all respect to senior bonds.

The following severance tax bonds were issued during the fiscal year ended June 30, 2003:

Severance Tax Bonds Supplemental Series 2002B. On October 8, 2002 the State Board of Finance issued bonds with a principal amount of \$45,000 to finance public education facilities projects. Interest rates range from 2.50% to 4% with principle payments due through 2012.

Severance Tax Bonds Series 2003A Refunding. On June 10, 2003 the State Board of Finance issued bonds with a principal amount of \$89,660 to finance public capital projects authorized by the State Legislature, as well as to provide for the redemption of Severance Tax Bonds, Series 1998A and Series 1998B that mature on July 1, 2004. Interest rates range from 2.5% to 5% with principal payments due through 2013.

Severance tax bonds currently outstanding as of June 30, 2003 are as follows:

	Amount	Interest Rate	Final Maturity
<i>Series 1998-A Refunding</i>	\$ 10,585	4.25 – 5.00	2008
<i>Series 1998-B</i>	13,150	4.50 – 4.75	2008
<i>Series 1999-A Supplemental</i>	7,365	4.25 – 5.50	2008
<i>Series 1999-B</i>	15,105	5.00	2009
<i>Series 2000</i>	42,875	5.00 – 5.50	2007
<i>Series 2000-C Supplemental</i>	9,120	4.50 – 5.00	2007
<i>Series 2001-A Refunding</i>	114,005	1.85 – 3.60	2013
<i>Series 2002-A</i>	67,000	4.00 – 5.00	2012
<i>Series 2002-A Supplemental</i>	59,540	4.00 – 5.00	2013
<i>Series 2002 - B Supplemental</i>	45,000	2.00 - 5.00	2012
<i>Series 2003 - A</i>	89,660	2.50 - 5.00	2013
	<u>\$ 473,405</u>		

Supp 121,025 .25 300,810 x .25 = 75,202,500
 352,380 .75 300,810 x .75 = 225,607,500
 473,405

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Severance Tax Bonds

Annual debt service requirements to maturity for severance tax bonds in the governmental funds are as follows:

Year ending June 30,	Principal	Interest	Total
2004	\$ 73,789	13,082	86,871
2005	71,738	12,467	84,205
2006	65,396	11,580	76,976
2007	58,020	10,087	68,107
2008	49,449	8,835	58,284
2009 to 2013	155,013	30,569	185,582
Total	\$ 473,405	86,620	560,025

$86,620 \times .25 = 21,655,000$
 $86,620 \times .75 = 64,965,000$

Revenue Bonds

The government also issues bonds where the government pledges income derived from the related acquired or constructed assets to pay debt service.

Revenue bonds outstanding at year-end are as follows:

Governmental Activities	Amount	Interest Rate	Final Maturity
<i>Energy and Minerals Series 1995 – A & B</i>	\$ 2,612	3.00 – 6.00	2015
<i>Energy and Minerals Series 1996 – A & B</i>	2,934	3.00 – 6.00	2016
<i>Energy and Minerals Series 1997 – A & B</i>	3,733	3.00 – 6.00	2017
<i>Energy and Minerals Series 1998 – A & B</i>	4,149	6.00 – 8.00	2018
<i>Office of State Engineer Series 1998 – A</i>	1,141	6.175	2008
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1998</i>	68,680	4.50 – 5.125	2010
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 1998B</i>	75,225	3.70 – 5.125	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1999</i>	77,870	4.75 – 6.00	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2000</i>	174,220	5.00 – 6.00	2015
<i>Enhanced 911 – Series 2000</i>	2,775	4.50 – 6.75	2007
<i>Energy and Minerals Series 2001-A Refunding</i>	4,322	4.70	2020
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2001</i>	184,760	4.00 – 5.25	2013
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002</i>	93,000	4.50 – 5.50	2014
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 2002</i>	67,070	3.25 – 5.00	2011
<i>Highway Infrastructure Fund Revenue Highway Bonds (HIF) – Series 2002C</i>	64,620	3.25 – 5.283	2017
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002 - D</i>	14,670	2.25 - 5.00	2014
	<u>\$ 841,781</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Business-Type Activities

	Amount	Interest Rate	Final Maturity
<i>Refunding and Improvement</i>	\$ 1,125	5.90 – 6.00%	2006
<i>Refunding and Improvement – Series 1994</i>	22,265	3.40 – 5.75	2016
<i>Lease Revenue – Series 1995</i>	905	4.30 – 5.00	2005
<i>Refunding and Improvement – Series 1998</i>	10,205	3.95 – 5.00	2020
<i>Refunding and Improvement – Series 2001</i>	8,590	3.95 – 5.00	2021
<i>Refunding and Improvement – Series 1993</i>	2,905	3.40 – 4.95	2006
<i>System Revenue Bonds – Series 1998</i>	3,335	3.55 – 4.40	2013
<i>General Obligation Building – Series 1999</i>	1,300	3.65 – 5.10	2005
<i>System Refunding – Series 1998</i>	6,630	4.25 – 4.70	2011
<i>Refunding – Series 1998-A</i>	3,545	3.00 – 4.00	2008
<i>System – Series 1994</i>	1,155	5.00 – 6.00	2006
<i>Refunding – Series 2001</i>	9,105	3.25 – 5.00	2013
<i>Improvements – Series 1994</i>	75	5.50 – 6.40	2004
<i>Improvements – Series 1997</i>	5,240	4.50 – 5.75	2019
<i>Subordinate Lien System Improvement – Series 2001</i>	51,928	Variable	2026
<i>System Revenue – Series 2000</i>	16,267	5.00 – 6.35	2029
<i>Subordinate Lien System Improvement – Series 1996</i>	3,975	5.00 – 5.50	2026
<i>Subordinate Lien Adjustable – Series 1996</i>	10,080	5.10	2006
<i>System Revenue Refunding – Series 1992-A</i>	30,890	5.75 – 6.25	2021
<i>Refunding and Improvement Series 2002</i>	14,745	2.00 - 5.00	2022
<i>Subordinate Lien Systems Refunding Series 2003 – A</i>	21,660	2.00 - 5.25	2018
<i>Subordinate Lien System Refunding and improvement - Series 2002 - A</i>	58,075	2.50 - 5.25	2032
<i>Subordinate Lien System Refunding - Series 2002 – B</i>	25,475	3.83	2026
<i>Subordinate Lien System Refunding - Series 2002 – C</i>	36,940	3.94	2030
	<u>346,415</u>		
<i>Bond premium and discounts, net</i>	<u>(5,156)</u>		
	<u>\$ 341,259</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 68,445	43,672	112,117	\$ 21,700	19,022	40,722
2005	72,080	40,395	112,475	20,805	18,014	38,819
2006	75,907	36,987	112,894	18,460	17,018	35,478
2007	80,057	33,211	113,268	14,763	16,508	31,271
2008	83,691	29,124	112,815	15,493	14,561	30,054
2009 to 2013	381,751	78,864	460,615	74,858	57,348	132,206
2014 to 2018	79,161	8,181	87,342	65,042	38,501	103,543
2019 to 2023	689	119	808	55,217	20,287	75,504
2024 to 2028	-	-	-	42,780	8,964	51,744
2029 to 2033	-	-	-	17,297	1,813	19,110
Total	\$ 841,781	270,553	1,112,334	\$ 346,415	212,036	558,451

Advance and current refundings:

The State Board of Finance defeased certain general obligation and severance tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the refunded portion of all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the financial statements

The following advance and current refundings occurred during the year ended June 30, 2003:

On March 11, 2003 the State Board of Finance issued General Obligation Bonds Refunding Series 2003B with a principal amount of \$44,955. The refunding debt was used to refund in advance of their stated maturity dates the Sept 1 2005-2006 maturities of the General Obligation Bond Series 1999 Bonds in the principal amount of \$39,775 and the September 1 2003 maturity of the General Obligation Bond Series 1997 Bonds in the principal amount of \$7,525. The difference in cash flows required between the prior debt service requirement and new refunding debt service requirements resulted in cash flow savings of \$1,692. The economic gain, or present value savings was \$1,562.

On June 10, 2003 the State Board of Finance issued bonds with a principal amount of \$89,660 to finance public capital projects authorized by the State Legislature, as well as to provide for the redemption of Severance Tax Bonds, Series 1998A and Series 1998B that mature on July 1,

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

2004. The difference in cash flows required between the prior debt service requirements and new refunding debt service requirements resulted in cash flow savings of \$555,506. The economic gain, or present value savings was \$550,754.

Certain bonds payable in the Governmental Activities were for construction of capital assets not owned by the State and not included in the calculation of investments in capital assets, net of related debt.

Discretely Presented Component Units

New Mexico Finance Authority bonds payable as of June 30, 2003, consist of:

	Amount	Interest Rate	Final Maturity
<i>Public Project Revolving Fund - 1997A</i>	\$ 6,603	4.25 – 4.90	2017
<i>Public Project Revolving Fund - Series 1999A, B, C, and D</i>	17,605	3.30 – 6.30	2018
<i>Public Project Revolving Fund - Series 2000A</i>	3,270	4.10 – 5.30	2009
<i>Public Project Revolving Fund - Series 2000B and C</i>	22,279	4.75 – 5.50	2030
<i>Public Project Revolving Fund - Series 2002A</i>	48,501	2.00 – 5.00	2026
<i>Public Project Revolving Fund - Series 2003A</i>	39,661	2.00 – 4.75	2032
<i>Public Project Revolving Fund - Series 2003B</i>	44,413	2.00 – 4.00	2021
<i>State Office Building Financing Fund</i>	32,892	4.00 – 5.00	2021
<i>Special Cigarette Tax Revenue Bonds</i>	1,800	4.80 – 5.25	2006
<i>Workers Compensation Financing Fund</i>	3,475	5.00 – 5.60	2016
<i>Highway 44 Financing Fund</i>	90,335	3.95 – 5.52	2015
<i>State Capitol Improvement Financing Fund</i>	7,885	7.00	2015
<i>Federal Highway Forest Road Financing Fund</i>	17,830	4.75 – 5.50	2011
<i>Metro Court Financing Fund</i>	56,090	1.65 – 6.25	2025
<i>Equipment Loan Fund</i>	2,642	4.50 – 6.30	Various
<i>Bond premium and discount</i>	2,087		
	<u>\$ 397,368</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

- a) Interest on the bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the New Mexico Finance Authority and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the bonds, such lower maximum rate as may be specified in the letter of credit.

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2004	26,555	19,406	45,961
2005	26,940	18,090	45,030
2006	27,134	16,980	44,114
2007	26,678	15,200	41,878
2008	26,310	14,122	40,432
2009 to 2013	125,139	53,288	178,427
2014 to 2018	85,135	23,750	108,885
2019 to 2023	40,095	8,825	48,920
2024 to 2028	11,532	1,437	12,969
2029 to 2032	1,850	225	2,075
Total	<u>\$397,368</u>	<u>171,323</u>	<u>568,691</u>

Bonds payable activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$322,541	159,643	(84,816)	397,368	26,555

Series 2002A. On July 2, 2002 the Authority issued \$55,610 of Public Projects Revolving Fund series 2002A bonds. The series 2002A were issued to reimburse the Public Projects Revolving Fund for loans made by the NMFA to various Governmental Units and to reimburse the NMFA for and to finance the costs of issuance of the Series 2002A bonds.

New Mexico Mortgage Finance Authority bonds outstanding consist of:

	Amount	Interest Rate	Final Maturity
Single Family Mortgage Programs			
<i>1985 Series A</i>	\$ 6,335	9.40%	2017
<i>1987 Series A</i>	1,900	6.88 – 7.00	2017
<i>1987 Series B</i>	870	7.50 – 8.00	2017
<i>1987 Series C</i>	1,020	8.50 – 8.63	2017
<i>1988 Series A</i>	585	8.40 – 8.50	2020
<i>1988 Series B</i>	420	8.20 – 8.30	2020

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Single Family Mortgage Programs (Continued)

	Amount	Interest Rate	Final Maturity
<i>1994 Series A</i>	\$ 3,725	6.88	2025
<i>1994 Series B</i>	3,645	6.75	2025
<i>1994 Series C</i>	3,730	6.50	2025
<i>1994 Series D</i>	3,830	6.80	2026
<i>1994 Series E</i>	5,205	6.95	2026
<i>1994 Series F</i>	4,845	6.85 – 7.00	2026
<i>1994 Series G</i>	5,545	6.55 – 7.25	2026
<i>1994 Series H</i>	7,050	5.95 – 6.65	2026
<i>1995 Series A</i>	9,550	5.80 – 6.65	2026
<i>1995 Series B</i>	3,365	5.50	2028
<i>1995 Series C</i>	12,090	5.30 – 6.25	2026
<i>1995 Series D</i>	8,705	5.30 – 6.50	2026
<i>1995 Series E</i>	12,445	5.15 – 6.40	2027
<i>1995 Series F</i>	16,465	5.10 – 6.15	2027
<i>1995 Series G</i>	15,585	4.75 – 5.70	2027
<i>1995 Series H</i>	11,245	5.25 – 6.25	2027
<i>1996 Series C</i>	13,710	5.25 – 6.25	2027
<i>1996 Series D</i>	12,050	5.50 – 6.38	2027
<i>1996 Series E</i>	14,005	5.40 – 6.35	2028
<i>1996 Series G</i>	15,080	5.40 – 6.20	2028
<i>1997 Series A</i>	12,520	5.40 – 6.20	2028
<i>1997 Series B</i>	12,240	5.50 – 6.30	2028
<i>1997 Series C</i>	14,685	5.15 – 7.43	2029
<i>1997 Series E</i>	16,805	4.80 – 6.65	2029
<i>1997 Series F</i>	20,770	4.75 – 6.65	2029
<i>1997 Series G</i>	22,605	4.65 – 6.30	2029
<i>1998 Series A</i>	22,865	4.85 – 6.00	2029
<i>1998 Series B</i>	21,500	5.00 – 6.10	2030
<i>1998 Series C</i>	21,840	4.80 – 6.00	2029
<i>1998 Series D</i>	22,550	4.55 – 6.10	2030
<i>1998 Series E</i>	23,550	4.35 – 6.25	2030
<i>1999 Series A</i>	20,140	4.10 – 6.25	2030
<i>1999 Series B</i>	27,155	4.25 – 6.25	2030
<i>1999 Series C</i>	3,188	5.13	2029
<i>1999 Series D</i>	23,226	4.75 – 6.88	2030
<i>1999 Series E</i>	27,730	4.75 – 6.96	2031

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Single Family Mortgage Programs (Continued)

	Amount	Interest Rate	Final Maturity
<i>1999 Series F</i>	\$ 20,815	4.80 – 7.07%	2031
<i>2000 Series A</i>	18,555	5.05 – 7.76	2031
<i>2000 Series B</i>	18,985	5.15 – 7.55	2032
<i>2000 Series C</i>	17,115	5.20 – 7.82	2032
<i>2000 Series D</i>	22,485	4.75 – 8.34	2032
<i>2000 Series E</i>	25,305	5.40 – 7.39	2032
<i>2000 Second Mortgage Series</i>	699	6.50	2018
<i>2001 Series A</i>	24,855	4.60 – 6.13	2032
<i>2001 Series B</i>	24,800	4.00 – 5.65	2033
<i>2001 Series C</i>	24,105	3.80 – 6.25	2033
<i>2001 Series D</i>	23,045	2.75 – 5.75	2033
<i>2002 Series A</i>	26,845	2.70 – 6.45	2033
<i>2002 Series B</i>	28,390	2.45 – 6.35	2033
<i>2002 Series C</i>	26,165	2.90 – 5.82	2034
<i>2002 Series D</i>	27,000	2.15 – 5.35	2034
<i>2002 Issue 1 & 2</i>	60,474	(a)	2005
<i>2002 Series E</i>	25,000	1.75 – 5.43	2034
<i>2002 Series F</i>	25,000	1.90 – 5.53	2034
<i>2003 Series A</i>	25,000	1.15 – 5.25	2034
<i>2003 Series B</i>	25,000	1.20 – 5.45	2034
<i>2003 Series C</i>	27,500	1.50 – 4.70	2034
<i>2003 Series D</i>	30,000	1.95 – 6.125	2034
<i>2003 Issue</i>	39,732	(b)	2004

\$1,093,239

Rental Housing Programs

<i>1987 Series A & B</i>	9,900	7.25	2011
<i>1993 Rental Housing Refunding Revenue – Series – C</i>	3,285	2.75 – 5.45	2017
<i>1995 Multi-Family Risk-Sharing – La Villa Alegre</i>	3,901	5.504	2037
<i>1997 Multi-Family Risk-Sharing – Las Brisas</i>	3,404	6.45	2032
<i>1997 Multi-Family Housing Revenue – Rio Volcan II</i>	3,980	4.35 – 5.65	2018
<i>1998 Series A & B Multi-Family Housing Revenue – The Bluffs at Tierra Contenta</i>	9,205	5.20 – 6.03	2031

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

	Amount	Interest Rate	Final Maturity
<i>2001 Multi-Family Housing Refunding Revenue – Series A</i>	\$ 2,755	5.00%	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series B</i>	7,565	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series C</i>	5,910	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series D</i>	2,785	5.00	2031
<i>2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa</i>	10,000	5.55 – 7.05	2034
<i>2002 Series A & B Multi-Family Risk Sharing – Sandpiper</i>	10,090	5.40 – 6.75	2038
<i>2003 Series A & B Multi-Family Risk Sharing – Aztec</i>	9,645	5.10 – 5.35	2038
	<u>82,425</u>		
General			
<i>General Revenue Office Building Fund – Series 2000</i>	2,655	4.65 – 6.00	2026
Total bonds	<u>1,178,319</u>		
<i>Unamortized premium, net of underwriter's Discount</i>	16,720		
	<u>1,195,039</u>		

- a) Variable interest rate equal to 89% of London Inter Bank Rate (LIBOR).
- b) Variable interest rate equal to 100% of London Inter Bank Rate (LIBOR).

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2004	11,346	63,691	75,037
2005	57,985	63,141	121,126
2006	53,552	62,216	115,768
2007	14,097	61,225	75,322
2008	15,530	60,473	76,003
2009 to 2013	108,005	287,278	395,283
2014 to 2018	152,584	251,109	403,693
2019 to 2023	198,680	199,492	398,172
2024 to 2028	347,003	122,440	469,443
2029 to 2033	204,871	31,363	236,234
2034 to 2038	14,666	1,644	16,310
Total	<u>1,178,319</u>	<u>1,204,072</u>	<u>2,382,391</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 1,228,013	357,086	(390,060)	1,195,039	11,346

Certain Mortgage Purchase Program bonds were legally defeased in 1992 and, therefore, are not reflected in the accompanying Statement of Net Assets. The outstanding balance of these bonds totaled approximately \$26,355,000.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBS's and other assets in the funds and accounts established by the respective bond resolutions.

The single-family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal year 2002 were pooled and packaged as mortgage loan pass-through certificates insured by SNMA or FNMA.

In January 2002, the Authority authorized the \$250,000 Single Family Mortgage Program Bonds, Draw Down Issue 2002, made up of Draw Down Issue 2002-1 and Draw Down Issue 2002-2. These bonds will be refunded by the issuance of bonds under separate indentures, the proceeds of which will be used to purchase securitized mortgage loans under the respective indentures. Cumulative draw downs were \$250,000 through fiscal year-end September 30, 2003. As of September 30, 2003, approximately \$60,474 of proceeds from the bond issue is outstanding and, accordingly, reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par value bearing variable interest at 100.1% of LIBOR, as determined two business days prior to each monthly accrual period, 1.12% at September 30, 2003. Due to the short-term nature of Draw Down Issue 2002, there is no economic gain or loss from refundings on this issue.

In August 2003, the Authority authorized the \$300,000 Single Family Mortgage Program Bonds, Draw Down Issue 2003. These bonds will be refunded by the issuance of bonds under separate indentures, the proceeds of which will be used to purchase securitized mortgage loans under the respective indentures. Cumulative draw downs were \$39,732 through fiscal year-end September 30, 2003. As of September 30, 2003, approximately \$39,732 of proceeds from the bond issue is outstanding and, accordingly, reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par value bearing variable interest at 100.1% of LIBOR, as determined one business day prior to each monthly accrual period. 1.11% at September 20, 2003.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 204,267	175,855	89,422	290,700	46,213
Severance tax bonds	416,311	134,660	77,566	473,405	73,789
Revenue bonds	891,466	16,000	65,685	841,781	68,445
Total bonds payable	1,512,044	326,515	232,673	1,605,886	188,447
Notes and loans payable	115,354	-	7,189	108,165	6,755
Capital leases	7,117	4,724	3,946	7,895	2,784
Other	1,000	-	1,000	-	-
Claims and judgments	36,043	9,569	9,057	36,555	8,676
Reserve for losses	38,753	4,860	-	43,613	15,393
Compensated absences	52,270	46,100	46,402	51,968	15,606
	250,537	65,253	67,594	248,196	46,430
Governmental activity long-term liabilities	\$1,762,581	391,768	300,267	1,854,082	234,877
Business-type activities					
Bonds payable					
Revenue bonds	\$ 298,802	163,628	121,194	341,236	21,700
Bond premiums and discounts	(241)	23	(241)	23	5
Total bonds payable	298,561	163,651	120,953	341,259	21,705
Notes and loans payable	3,362	160	662	2,860	510
Capital leases	5,483	1,150	3,200	3,433	751
Compensated absences	65,669	3,321	26,291	42,699	2,419
Other	104,246	3,341	58,468	49,119	45,968
	178,760	7,972	88,621	98,111	49,648
Business-type activity long-term liabilities	\$ 477,321	171,623	209,574	439,370	71,353

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes

The following information came from Note 3 in the Tax and Revenue Anticipation Notes:

The following notes were issued by the State of New Mexico during fiscal year 2003 and matured June 30, 2003:

- A. 2002 - 2003 Tax and Revenue Anticipation Notes, Series 2002, \$400.0 million.
- B. 2002 - 2003 Tax and Revenue Anticipation Notes, Series 2002A, \$300.0 million.

These notes were issued by the State of New Mexico under the authority of the Short-Term Cash Management Act, Section 6-12A-1, NMSA 1978. The notes were issued to fund a portion of the State's cash flow needs for the State General Fund during its fiscal year 2003.

The transactions related to the notes have been presented in accordance with generally accepted accounting principles (GASB Codification Section B50.101); accordingly, interest and issuance costs are presented in the accompanying financial statements as expenses/expenditures.

The processes to deposit the proceeds from the notes and subsequently pay the notes were as follows:

The Office of the State Treasurer deposited the net proceeds from the sale of the notes, \$707,143,996, to its anticipation notes fund (Central Accounting System fund number 323). The Office of the State Treasurer subsequently transferred the entire amount of the proceeds to the appropriation account fund (Central Accounting System fund number 853).

To pay the notes, the State General Fund transferred \$715,690,278 from the appropriation account fund to the state treasurer anticipation notes debt service fund (Central Accounting System fund number 393). From the debt service fund, the Office of the State Treasurer then paid the note principal and interest due at maturity.

Subsequent to June 30, 2003, the State of New Mexico issued the following Tax and Revenue Anticipation notes: 03 - 04 Tax and Revenue Anticipation Notes, Series 2003, \$400.0 million.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 3. OTHER INFORMATION

A. Risk Management

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through its Internal Service Fund. Coverage is provided for the following:

Workers' Compensation	General Liability
Civil Rights and Foreign Jurisdiction	Automobile
Aircraft	Property
Money and Securities	Employee Fidelity Bond
Health/Life	ST & LT Disability

Coverage is extended to the entities contained within the enterprise funds, including universities and other schools.

The Internal Service Fund (ISF) services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. ISF has reinsurance for liability and civil rights claims in the amounts of \$500 each. All funds, agencies, and authorities of the State participate in ISF. ISF allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency, or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

ISF fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Total insurance claims payable at June 30, 2003 were \$121,530. Insurance claims payable of \$105,152 represents amounts expected to be paid by the ISF for covered claims incurred but not reported with the Department through June 30, 2003. The amount of the liability was determined by an independent actuarial consultant to the ISF. The liability is shown in the accompanying financial statements net of approximately \$2,192 in interest, computed at 5%, expected to be earned between June 30, 2003, and the date the claims are ultimately paid. Outstanding claims of \$16,378 have been accrued based upon an independent actuarial report.

Insurance claims payable presented are actuarially computed estimates of the costs of administering, defending, and settling claims for events that had occurred as of the year-end. Since these estimates are based on historical information and various statistical measures, actual amounts paid may vary significantly from the amount estimated by the fund actuaries and reported herein.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The basis of estimating the liabilities for unpaid claims is found in the independent actuarial report. The following shows the reconciliation of changes in the unpaid claims in the ISF, which are stated at present value.

	Balance June 30, 2002	Incurred	Payments	Balance June 30, 2003
Surety Bond	\$ 10	75	(54)	31
Public Property				
Reserve	1,172	2,322	(2,411)	1,083
Workers Compensation	18,710	3,618	(6,374)	15,954
Public Liability	76,999	21,535	(11,235)	87,299
State Unemployment	624	4,531	(4,507)	648
Local Public Body	134	912	(909)	137
Total	\$ 97,649	32,993	(25,490)	105,152

It is possible that other claims against ISF may exist, but have not yet been asserted.

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement systems: Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). PERA is the administrator of four pension plan systems, including the Public Employees Retirement System, (PERS) the Judicial Retirement System, (JRS) the Magistrate Retirement System, (MRS), and the Volunteer Firefighters Retirement Fund (VFRF), (collectively, the "Systems" offering an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators). ERB is the administrator of the Educational Employees Retirement System (EERS). The laws governing the administration of the Systems are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978) and applicable Replacement Pamphlets.

PERA is directed by the Public Employees Retirement Board (Board) which consists of twelve members. Ten of the Board members are elected by PERA active and retired members under state and municipal coverage plans. Two Board members, the Secretary of State and the State Treasurer, are ex-officio members.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Each plan provides retirement, death, and disability benefits to State employees, employees of counties, municipalities, public schools, universities, colleges, special schools, and certain other political subdivisions. Each system is independent. Assets may not be transferred from one system to another or used for any purpose other than to benefit each system's participants.

The number of participating government employers, the number of members, and payroll amounts for each system for the year ended June 30, 2003 were:

	PERS	JRS	MRS	VFRS	EERS
Number of employers					
State Agencies	119	-	-	-	14
Cities	75	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	12
Special Schools	-	-	-	-	9
Charter Schools	-	-	-	-	25
Other	53	15	18	373	-
Retirees and beneficiaries					
receiving benefits Counties Employees	19,728	87	46	234	24,085
Terminated plan members Universities, Colleges & not yet receiving benefits	3,168	15	14	-	21,077
Active plan members	44,070	84	67	5,362	62,614

* Included with state, cities, and counties employees.

Funding Benefit Policies

Public Employees Retirement System (PERS) - is a cost sharing, multiple employer defined benefit pension plan which has six divisions of members: State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire, and Legislative, and offers 18 different coverage plans. The majority of the state and municipal employees, excluding those covered under the separate Educational Retirement Act, participate in a System under Section 10-11-1 through 10-11-140, NMSA 1978, the "Public Employees Retirement Act."

Retirement ages vary depending upon the division to which the member belongs, but benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Early retirement benefits are also available at age 60 and above.

Members' contributions for all divisions, except Legislative, are based upon a percentage of salary and range from 4.78% to 16.30%, depending upon the division. Employer's contributions, also a percentage of salaries paid, range from 9.15% to 25.72%. Contribution rates are established by State statute.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Retirement benefits for all divisions, except Legislative, are computed based upon the member's "final average salary", length of service and a pension factor. Monthly benefits vary depending upon the division to which the member belongs and range from 2% to 3.5% of the member's "final average salary".

Benefits for duty and non-duty death and disability and for post retirement survivors' annuities are also available.

Judicial Retirement System (JRS) - Persons who serve or have served in the office of Judge or Justice may be entitled to retirement benefits under Section 10-12B-1 through 10-12B-17, NMSA 1978, the "Judicial Retirement Act." Benefits are available at age 64 or older to anyone having served not less than five years. Early retirement at age 60 is available to anyone having served at least 15 years. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5% of their salaries and the members' court contributes 9% of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement System (MRS) - Persons who serve or have served in the office of Magistrate may be entitled to retirement benefits under Section 10-12C-1 through 10-12C-16, NMSA 1978, the "Magistrate Retirement Act". Benefits are available at age 64 or older to any Magistrate having ceased to hold office by reason of expiration of his term or voluntary resignation. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5% of their salaries and the State, through the Administrative Office of the Courts, contributed 9% of the member's salary. Additionally, the magistrate or metropolitan court contributed \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid. Contribution rates are established by State statute.

Volunteer Firefighters Retirement System (VFRS) - Persons who serve or have served as volunteer non-salaried firefighters may be entitled to retirement benefits under Section 10-11A-1 through 10-11A-7, NMSA 1978, the "Volunteer Firefighters Retirement Act". Benefits are available at age 55 or older to any member having served as a volunteer firefighter for not less than 10 years. The plan also provides for survivors' allowances. Benefits range from \$100 to \$200 per month based on length of service.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

State statutes require that the State Treasurer transfer \$750 from the Fire Protection Fund to the "Volunteer Firefighters Retirement Fund.

The Educational Employees' Retirement System (EERS) - This is a qualified, defined benefit, governmental retirement plan established and administered by the State of New Mexico to provide pension benefits for all state certified employees, teachers and other employees of the State educational institutions, junior colleges, and technical vocational institutes.

The benefits are computed using the final average compensation and years of service. Plan options may be selected by retiring members requiring actuarial reductions based on attained age, age of spouse and similar actuarial factors. A brief summary of coverage plan provisions are as follows:

(1) Normal retirement eligibility conditions applicable to all members:

The member's age and earned service credit add up to sum of 75 or more; or
Age 65 or more with at least five years of earned service credit; or
The member has earned service credit and allowed service credit totaling 25 or more years.

A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2% of the average salary of the last five years of each year of contributory employment needed, plus 3% compounded interest from July 1, 1957 to the date of payment.

When a member has completed five or more years of "earned service credit" and has made contributions for at least five years, the member may terminate employment, leave his/her contributions in the retirement fund and retire (1) when the member's age and years of "earned service credit" (covered employment in New Mexico) add up to the sum of 75 or more, or (2) the member may retire at age 65, if he/she has at least five years of "earned service credit."

(2) Normal Retirement Pension Amount - The benefit for retirement at age 60, or after 25 years of service before age 60, is an annual sum equal to the "final average compensation" multiplied by the total number of years of service credited times 2.35%.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

- (3) Normal and Optional Forms of Payment - The normal form of Payment is for life. Optional contingent survivor beneficiary forms of payment are available on an actuarial equivalent basis.
- (4) Disability Retirement - A member may be eligible for disability benefits after the member has completed ten years of earned service credit and is totally disabled to continue in employment and is unable to gain or retain other employment commensurate with his education, background and experience.

~~In order to receive benefits, the disabled member must have terminated employment because of their disability and must file application with the Educational Retirement Board.~~

The member must also submit to an examination by medical examiners appointed by the Board. The annual disability benefit generally shall be the final average compensation multiplied by number of years of service times 2.0%. If this amount is less than one-third of the final average compensation or the product of the final average compensation times 2.0% times the sum of the member's service credit and 60 minus member's age, whichever is less.

When a disabled member becomes age 60, the member is deemed to have retired, and thereafter, his/her disability benefit becomes a retirement benefit, subject to the reduction if the member elects an option. The member is no longer subject to removal from status due to an improvement of condition.

- (5) Cost of Living Increases - Pensions are increased each July 1 in accordance with 1/2 of the percent change in the Cost of Living of the preceding calendar year or 4%, whichever is less. The annual adjustment shall be no less than 2%. The first adjustment to the annuity will be made on July of the year in which the retirement member attains age 65 or on July 1 of the following year in which the member retires, whichever is later.

As a condition of participation in the EERS, both employees and employers are required to contribute 7.60 and 8.65% of salaries and wages, respectively.

Members may withdraw their contributions only when they terminate covered employment in New Mexico and certification of termination has been provided by the former employers. Interest paid to members when they withdraw their contributions, following termination of employment, is 75% of the average earnings rate of the fund during the five fiscal years preceding the year of withdrawal. Interest is not earned on contributions credited to accounts prior to July 1, 1971, and contributions on deposit for less than one year earned no interest.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

The total actuarial present value of the statutory obligations, also known as the actuarial present value of total projected benefits, is intended to help users assess systems funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between public employee retirement systems. This calculation includes all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of the statutory obligations as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus invested earnings will provide sufficient assets to pay total projected benefits when due. Actuarial valuation and funding progress is further detailed in the other required supplementary information section of the financial statements.

C. Post-Employment Benefits Other than Pensions

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act or the Magistrate Retirement Act or the Public Employees Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires on or before July 1, 1995, in which event the time period required for employee and employer contributions shall become the period of time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

Each participating employer makes contributions to the fund in the amount of one percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to one-half of one percent of the employee's salary. Each participating retiree pays a monthly premium of \$79.19 for the basic single plan and an additional participation fee of \$5.00 if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan. Participants may also enroll in optional plans of coverage.

Contributions for participating employers and participating employees become the property of the Retirement Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retirement Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The post employment benefit expenses for the year ended June 30, 2003, consisted of premiums and claims paid in the amount of \$115,879. Participant contributions were \$107,991. Therefore, the net expense for the year was \$7,888.

For the fiscal year ended June 30, 2003 employers/employees and retirees remitted \$58,646 and \$49,345 respectively. As of June 30, 2003, approximately 22,000 retirees were participating in the plan.

D. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local governments and school district employees whose employers have elected participation in the plan permitting participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Plan uses a third party administrator, and all costs of administration and funding are borne by the Plan participants. The assets of the Plan are not assets of the State, but are held in trust for the exclusive benefit of Plan participants and their beneficiaries. The State has no liability for losses under the Plan but does have the duty of due care that would be required of a fiduciary agent.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds

Prior to the Tax Reform Act of 1986 (TRA), state and local governments had up to three years to use the proceeds from tax exempt bonds issued by them before arbitrage on such proceeds had to be paid to the Treasury Department. Arbitrage, as defined, is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bond holders.

TRA 1986 required rebate of such arbitrage to the Treasury Department on governmental bonds issued after August 31, 1986, and on private activity bonds issued after December 31, 1984, when the proceeds were held for six months or longer. These rebates must be calculated annually and paid at the end of every fifth year until the bonds are retired.

The Revenue Reconciliation Act of 1989 amended the 6 month rule. For bonds issued after December 19, 1989, the rebate requirement does not apply if, both, all of the gross proceeds of the issue, other than the reserve fund, are spent within the 6 month period following the date of issue, and the rebate requirement is satisfied for the reserve fund after the 6 month period. The term gross proceeds for purposes of the rule includes both the sale proceeds received from the bonds purchaser on the issue date and investment earnings on such proceeds during the 6 month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund, however, are not subject to the expenditure requirement.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

The following is a schedule of bond issues, along with the bond year ends and arbitrage rebate due dates. The State Treasurer's Office has completed the first arbitrage computation for the bonds as indicated:

	<u>Bond Year End of First Rebate Computation</u>	<u>First Arbitrage Rebate Due Date</u>	<u>First Computation of Arbitrage Completed</u>
Capital Projects General Obligation Bonds Series 1999	July 2004	August 2004	
General Obligation Bonds Series 2001	July 2005	August 2005	
General Obligation Bonds Refunding Series 2001A	July 2005	August 2005	
Severance Tax Refunding Bonds Series 1998 - A	July 2003	August 2003	X
Severance Tax Bonds Series 1998 - B	July 2003	August 2003	X
Severance Tax Bonds Series 1999 - B	July 2004	August 2004	
Severance Tax Bonds Series 1999 - A Supplemental	July 2004	August 2004	
Severance Tax Bonds Series 2000	July 2005	August 2005	
Severance Tax Bonds 2000C Supplemental	July 2005	August 2005	
Enhanced 911 Revenue Bonds Series 2000	July 2005	August 2005	

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

Interest earnings on invested bond proceeds through June 30, 2003, did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as an accrued liability in the accompanying financial statements.

F. Commitments and Contingencies

Federal Funds

The State received funding from federal sources for specific purposes. The funds are subject to audit, which may result in expenses that are disallowed, or other noncompliance findings under the terms of the funding source's guidelines. The State believes that such disallowances or other noncompliance findings, if any, would not be material to the State's financial position.

Litigation

The State has been named as defendant in several lawsuits or complaints. Neither the final outcome nor the amount of potential loss from these cases is presently determinable. However, management estimates that the potential loss to the State, if any, is not likely to be material to the State's financial statements.

G. Deficit Fund Balance

The unreserved, undesignated fund balance of the Highway and Transportation Fund had a deficit as a result of expenditures in excess of available resources. The unrestricted net assets of the New Mexico Magazine and State Fair Commission had deficits as a result of general and administrative expenses exceeding current year revenue.

H. Land Grant Permanent Fund (LGPF)

The Fergusson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants, it was stipulated that such lands, totaling 13.4 million acres, were to be held in trust for the benefit of the public schools and other specific public institutions. Royalties and principal from land sales are transferred by the State Land Office to the Investment Office, which adds these amounts to the Land Grant Permanent Fund (LGPF). Gains and losses on investment transactions are credited or charged to the LGPF and do not directly affect distributions to the beneficiaries. On November 5, 1996, New Mexico voters approved Constitutional Amendment No. 1 which, among other things, provides that annual distributions from the LGPF shall be one hundred two percent (102%) of the amount distributed in the immediately preceding fiscal year until the

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (Continued)

annual distributions equal four and seven-tenths percent (4.70%) of the average of the year-end market values of the fund for the immediately preceding five years. Thereafter, the amount of the annual distributions shall be four and seven-tenths percent (4.70%) of the average of the year-end market values of the fund for the immediately preceding five years. The amendment became effective when it was passed by the U.S. Congress and signed by the President of the United States in August 1997.

Beneficiary	Balance June 30, 2002	Earnings from State Lands	Other Decreases In Capital Accounts, net	Balance June 30, 2003	Participation Percentage June 30, 2003
Benefiting the State, included in governmental funds					
Charitable penal and reform	\$ 53,759	3,806	(738)	56,827	.83%
Miner's Colfax Medical Center	74,828	1,769	(1,210)	75,387	1.11%
New Mexico Boys School	539	11	(9)	541	.01%
New Mexico State Hospital	16,169	219	(270)	16,118	.24%
Improvements to the Rio Grande	22,264	184	(377)	22,071	.32%
Water reservoirs	68,661	2,757	(1,049)	70,369	1.03%
Penitentiary of New Mexico	139,015	3,635	(2,224)	140,426	2.06%
Public Buildings - Capitol	81,008	1,909	(1,312)	81,605	1.20%
	<u>456,243</u>	<u>14,290</u>	<u>(7,189)</u>	<u>463,344</u>	<u>6.80%</u>
Benefiting the State, included in proprietary funds					
Eastern New Mexico University	7,024	48	(119)	6,953	.10%
New Mexico Highlands University	2,014	31	(33)	2,012	.03%
New Mexico Institute of Mining and Technology	13,666	460	(216)	13,910	.20%
New Mexico Military Institute	237,766	7,342	(3,751)	241,357	3.55%
New Mexico School for the Deaf	143,448	3,654	(2,309)	144,793	2.13%
New Mexico School for the Visually Handicapped	143,043	3,654	(2,302)	144,395	2.12%
New Mexico State University	29,793	1,106	(456)	30,443	.45%
Northern New Mexico Community College	1,434	31	(23)	1,442	.02%
The University of New Mexico	112,842	4,642	(1,747)	115,737	1.70%
The University of New Mexico Saline Lands	545	-	(10)	535	.01%
Western New Mexico University	2,030	31	(33)	2,028	.03%
	<u>693,605</u>	<u>20,999</u>	<u>(10,999)</u>	<u>703,605</u>	<u>10.34%</u>
Not considered to benefit the State, included in fiduciary funds					
Public schools	<u>5,543,022</u>	<u>185,129</u>	<u>(86,900)</u>	<u>5,641,251</u>	<u>82.86%</u>
Total net assets held in trust for pool participants	\$ 6,692,870	220,418	(105,088)	6,808,200	100.00%

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information

The following is condensed financial information for the segments within the proprietary funds that have revenue bonds.

(In Thousands)	State Fair	Educational Institutions						UNM
		NM State	Eastern NM	Highlands	NM Tech	Military Inst	Western	
Current Assets	\$ 2,582	114,967	18,438	11,687	27,895	6,819	9,295	380,507
Capital assets	30,354	275,037	72,072	40,913	90,385	38,675	25,326	553,771
Other assets	389	86,686	21,543	3,594	61,335	250,166	2,480	308,856
Total assets	33,325	476,690	112,053	56,194	179,615	295,660	37,101	1,243,134
Current Liabilities	2,021	39,310	9,171	6,923	14,077	2,952	3,266	139,222
Long-term liabilities	1,469	69,124	14,511	8,109	12,175	9,790	5,297	258,932
Total Liabilities	3,490	108,434	23,682	15,032	26,252	12,742	8,563	398,154
Invested in Capital Assets, net of related debt	29,210	209,787	62,597	32,365	86,840	28,194	20,011	368,365
Restricted	804	66,646	13,704	5,902	46,709	250,258	6,270	234,835
Unrestricted	(179)	2,610	12,070	2,894	19,814	4	23	241,781
Total net assets	29,835	279,043	88,371	41,161	153,363	278,456	26,304	844,981
Operating Revenues								
Sales/services	-	28,674	846	-	-	-	-	73,247
Investment income	-	-	-	-	-	-	-	-
Licenses and fees	14,880	-	-	-	-	-	-	-
Net student tuition and fees	-	32,377	5,652	4,029	3,778	2,052	2,810	65,423
Patient income	-	-	-	-	-	-	-	96,181
Other	-	180,052	36,295	28,406	64,396	8,644	10,922	473,453
Total operating revenues	14,880	241,103	42,793	32,435	68,174	10,696	13,732	708,304
Operating Expenses								
Operating expense	16,088	86,595	20,022	17,292	59,726	7,062	8,877	433,956
Depreciation	-	22,465	5,292	3,206	8,175	1,905	3,188	34,668
General and administrative	-	280,092	52,777	28,674	25,076	13,086	19,139	575,344
Total operating expenses	16,088	389,152	78,091	49,172	92,977	22,053	31,204	1,043,968
Operating income (loss)	(1,208)	(148,049)	(35,298)	(16,737)	(24,803)	(11,357)	(17,472)	(335,664)
Nonoperating revenue (expense)								
Gov't grants and contracts	-	154,517	36,772	21,560	21,695	-	-	238,182
Net investment income	57	2,897	224	52	1,419	8,265	42	18,169
Increase (decrease) in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	4,732	1,985	-	2,408	8,110	14,906	20,197
Interest expense	(132)	(2,953)	(617)	-	-	(491)	-	(7,212)
Other expense	61	(5,983)	(388)	-	-	-	-	64,890
Total nonoperating income	(14)	153,210	37,976	21,612	25,522	15,884	14,948	334,226
Other	-	12,187	863	4,323	8,026	554	2,455	41,056
Net transfers	-	-	-	-	-	-	-	-
Change in net assets	(1,222)	17,348	3,541	9,198	8,745	5,081	(69)	39,618
Net assets at beginning of year	31,057	350,908	84,829	31,963	144,439	277,837	28,607	805,361
Net assets at end of year	29,835	368,256	88,370	41,161	153,184	282,918	28,538	844,979
Net cash provided (used) by:								
Operating activities	1,311	(122,389)	(29,500)	(13,127)	(7,370)	(9,734)	(14,494)	(275,423)
Noncapital financing activities	(412)	158,109	36,718	25,883	22,100	285	14,906	330,184
Capital and related financing activities	(722)	(16,289)	(8,489)	131	(2,696)	(4,479)	868	(22,215)
Investing activities	57	5,364	916	(9,674)	(7,898)	12,589	42	(52,155)
Cash and cash equivalents at beginning of year	2,443	27,997	13,115	1,211	7,204	6,323	4,224	120,850
Cash and cash equivalents at end of year	\$ 2,677	52,792	12,760	4,424	11,340	4,984	5,546	101,241

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**OTHER REQUIRED
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUND - GENERAL FUND
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

		<u>General Fund</u>			
		<u>Budgeted Amounts</u>		Actual	Variance with
		Original	Final	(Budgetary Basis)	Final Budget
					Positive
					(Negative)
Revenues					
Direct revenues					
	Fees and charges	\$ 85,270	88,658	84,859	(3,799)
	Licenses	1,710	1,710	1,376	(334)
	Taxes	580	514	363	(151)
	Miscellaneous	1,086	1,181	400	(781)
	Interest	3,124	30,994	185,492	154,498
	Grants	533,180	588,943	515,990	(72,953)
	Other	84,741	95,836	88,326	(7,510)
	Prior year funds rebudgeted	63,638	45,141	8,703	(36,438)
	Other state funds	50,884	52,555	46,085	(6,470)
		<u>824,213</u>	<u>905,532</u>	<u>931,594</u>	<u>26,062</u>
Indirect revenues					
	Transfers	13,490	14,741	12,068	(2,673)
	Appropriations*	1,114,855	1,123,296	1,126,887	3,591
	Other financing sources	17,198	17,016	65,313	48,297
		<u>1,145,543</u>	<u>1,155,053</u>	<u>1,204,268</u>	<u>49,215</u>
		<u>\$ 1,969,756</u>	<u>2,060,585</u>	<u>2,135,862</u>	<u>75,277</u>
Expenditures					
	Personnel services and benefits	902,411	907,438	889,465	17,973
	In-state travel	15	18	18	-
	Maintenance and repairs	1	1	-	1
	Supplies	166	244	200	44
	Contractual services	370,738	405,410	350,967	54,443
	Operating costs	18,380	20,415	18,460	1,955
	Other costs	540,716	574,913	533,907	41,006
	Capital outlay	98	100	1,123	(1,023)
	Out-of-state travel	39	39	28	11
	Other uses	137,192	152,007	83,061	68,946
		<u>1,969,756</u>	<u>2,060,585</u>	<u>1,877,229</u>	<u>183,356</u>
	Total expenditures	<u>\$ 1,969,756</u>	<u>2,060,585</u>	<u>1,877,229</u>	<u>183,356</u>

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR FUND - EDUCATION
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	Education			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	499	499	508	9
Interest	170	170	516	346
Grants	362,154	365,299	282,564	(82,735)
Other	-	-	119	119
Other state funds	8,089	8,106	6,198	(1,908)
Prior year funds rebudgeted	1,134	1,134	-	(1,134)
	<u>372,046</u>	<u>375,208</u>	<u>289,905</u>	<u>(85,303)</u>
Indirect revenues				
Transfers	1,824,022	1,824,022	1,824,057	35
Other financing sources	36,813	46,130	53,641	7,511
	<u>1,860,835</u>	<u>1,870,152</u>	<u>1,877,698</u>	<u>7,546</u>
Revenues	\$ 2,232,881	2,245,360	2,167,603	(77,757)
Expenditures				
Personnel services and benefits	\$ 14,408	14,934	14,504	430
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	3,728	3,851	3,383	468
Operating costs	-	-	-	-
Other costs	63,706	67,343	63,594	3,749
Capital outlay	-	-	-	-
Other uses	2,151,039	2,159,232	2,157,471	1,761
	<u>2,151,039</u>	<u>2,159,232</u>	<u>2,157,471</u>	<u>1,761</u>
Total expenditures	\$ 2,232,881	2,245,360	2,238,952	6,408

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR FUND - HEALTH AND HUMAN SERVICES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

Health and Human Services

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ 310	310	284	(26)
Licenses	12,874	12,553	12,246	(307)
Taxes	-	-	-	-
Miscellaneous	23	53	53	-
Interest	-	-	-	-
Grants	6,333	6,333	5,440	(893)
Other	1,528,717	1,816,619	1,844,123	27,504
Other state funds	1,147	1,215	1,242	27
Prior year funds rebudgeted	185	4,241	225	(4,016)
	<u>1,549,589</u>	<u>1,841,324</u>	<u>1,863,613</u>	<u>22,289</u>
Indirect revenues				
Transfers	369,198	451,951	448,292	(3,659)
Other financing sources	130,779	131,183	124,680	(6,503)
	<u>499,977</u>	<u>583,134</u>	<u>572,972</u>	<u>(10,162)</u>
	<u>\$ 2,049,566</u>	<u>2,424,458</u>	<u>2,436,585</u>	<u>12,127</u>
Expenditures				
Personnel services and benefits	\$ 2,024	3,115	3,248	(133)
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	157	157	101	56
Supplies	38	38	36	2
Contractual services	21,596	39,098	40,834	(1,736)
Operating costs	385	448	423	25
Other costs	1,945,469	2,298,621	2,294,249	4,372
Capital outlay	-	-	-	-
Other uses	79,897	82,981	89,378	(6,397)
	<u>\$ 2,049,566</u>	<u>2,424,458</u>	<u>2,428,269</u>	<u>(3,811)</u>

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
MAJOR FUND - HIGHWAY AND TRANSPORTATION
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

Highway and Transportation

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	319,555	309,232	307,306	(1,926)
Interest	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Other state funds	321,076	332,292	353,318	21,026
Prior year funds rebudgeted	13,271	16,791	-	(16,791)
	<u>653,902</u>	<u>658,315</u>	<u>660,624</u>	<u>2,309</u>
Indirect revenues				
Transfers	-	-	976	976
Other financing sources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>976</u>	<u>976</u>
	<u>\$ 653,902</u>	<u>658,315</u>	<u>661,600</u>	<u>3,285</u>
Expenditures				
Personnel services and benefits	\$ 113,373	114,971	108,516	6,455
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	303,569	295,327	258,314	37,013
Operating costs	-	-	-	-
Other costs	120,783	130,187	106,979	23,208
Capital outlay	-	-	-	-
Other uses	116,177	117,830	116,033	1,797
	<u>\$ 653,902</u>	<u>658,315</u>	<u>589,842</u>	<u>68,473</u>

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUNDS AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

	General	Education	Health and Human Services	Highway & Transpiration
Revenues				
Budgetary basis revenues	\$ 2,135,862	2,167,603	2,436,594	661,600
Change in accounts receivable	1,891	1	(479)	-
Change in deferred revenue	2,502	-	108	-
Change in due from	(4,562)	-	8,228	-
Change in other financing sour	375,391	(20,793)	(2,479)	(16,699)
Prior cash budgeted	(5,830)	(1,904)	(170)	-
Revenue not budgeted	1,859,797	-	-	-
Reclassifications and other	79,564	9,939	5,978	(573)
Budgeted transfers	(12,068)	(1,824,057)	(448,292)	(976)
GAAP basis revenues	<u>\$ 4,432,547</u>	<u>330,789</u>	<u>1,999,488</u>	<u>643,352</u>
Budgetary basis expenditures				
Budgetary basis expenditures	1,877,229	2,238,952	2,428,269	589,842
Change in accounts payable	(648)	6,705	(10)	-
Change in other accruals	392,666	6,662	(1,092)	-
Change in valid encumbrances	(8,739)	(79,061)	5,054	-
Change in due to	3,940	-	(1,092)	-
Change in other financing uses	(14,419)	(107)	(16,942)	230,051
Other	(452,405)	126,897	35,328	30
GAAP basis expenditures	<u>\$ 1,797,624</u>	<u>2,300,048</u>	<u>2,449,515</u>	<u>819,923</u>

STATE OF NEW MEXICO
NOTE A – BUDGETARY REPORTING
JUNE 30, 2003

A. Budgetary Reporting

Budget Process

Chapter 6, Article 3, New Mexico Statutes, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

An operating budget is submitted annually for approval to the Budget division of the Department of Finance and Administration and reviewed by the Legislative Finance Committee, State of New Mexico. The modified cash basis of accounting used for budgetary purposes differs from accounting principles generally accepted in the United States of America (GAAP). The budget is prepared on the modified cash basis whereby revenues are recorded when received and expenses are recorded when paid. Current year outstanding encumbrances are a budgetary expense. Certain GAAP expenses, such as depreciation expense, and adjustments to the reserve for losses are not recorded as budgetary expenditures. Budget amendments must be reviewed by the Department of Finance and Administration. Administrative line item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed approved budget category amounts.

Budgetary Basis of Accounting

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with accounting principles generally accepted in the United States of America (GAAP). Appropriations are made from funds that are prescribed by law.

Budgetary basis revenues are essentially reported on the modified accrual basis and include amounts classified by GAAP as other financing sources. Budgetary basis expenditures include all payments made during the fiscal year against the current budget, and encumbrances of the current year budget at the end of the fiscal period, that the Department of Finance and Administration has approved and carried forward. The budgetary basis expenditures exclude any payments made during the fiscal year against prior year encumbrances (budgets).

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget. However, the expenditures of the component appropriation by law must equal the individual amounts appropriated in the various appropriation acts.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

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**OTHER
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET - BY FUND TYPE
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003
 (IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 135,139	4	96,942	2,048	234,133
Deferred charges and other assets	7,181	-	-	-	7,181
Due from other governmental entities	3,888	-	4,937	-	8,825
Due from other funds	48,155	21,677	11,649	-	81,481
Inventories	80	-	-	-	80
Investments	41,746	150,438	-	70,476	262,660
Receivables, net	5,483	948	3,470	658	10,559
Total assets	\$ 241,672	173,067	116,998	73,182	604,919
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts payables	\$ 11,367	-	8,890	-	20,257
Accrued liabilities	727	-	-	-	727
Deferred revenue	6,798	-	54,681	-	61,479
Due to other funds	11,563	-	6,480	50	18,093
Due to other governmental entities	5	-	-	-	5
Due to custodians - securities lending	-	-	-	10,691	10,691
Funds held for others	2,155	-	-	-	2,155
Other obligations	275	3,184	-	431	3,890
Total liabilities	\$ 32,890	3,184	70,051	11,172	117,297
FUND BALANCES (DEFICIT)					
Fund balances reserved for					
Capital projects	\$ -	-	7,430	-	7,430
Inventories	12,769	-	-	-	12,769
Encumbrances	59,012	-	29,975	-	88,987
Subsequent years' expenditures	17,742	-	(2,964)	-	14,778
Special projects	37,667	-	9	-	37,676
Fund balances segregated for					
Debt service	-	7,211	-	-	7,211
Pool participants	-	-	-	62,010	62,010
Unreserved - special revenue	81,592	-	-	-	81,592
Unreserved - debt service funds	-	162,672	-	-	162,672
Unreserved - capital projects funds	-	-	12,497	-	12,497
Total fund balances	208,782	169,883	46,947	62,010	487,622
Total liabilities and fund balance	\$ 241,672	173,067	116,998	73,182	604,919

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BY FUND TYPE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2003
 (IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
Revenues					
Charges for services	\$ 6,329	-	-	-	6,329
Federal funds	31,084	-	17,333	-	48,417
Interest and other investment income	7,575	17,372	3,548	2,214	30,709
Licenses, fees and permits	16,864	-	-	43,760	60,624
Other	23,719	-	11,659	-	35,378
State funds	-	-	-	-	-
Rentals and royalties	1,291	-	-	-	1,291
Taxes	29,098	-	9,100	-	38,198
Total revenues	115,960	17,372	41,640	45,974	220,946
Expenditures					
Current					
Expenditures					
General Control	61,601	5,188	4,623	-	71,412
Culture, Recreation, Natural Resources	27,926	-	25,995	-	53,921
Judicial	23,828	-	-	-	23,828
Public Safety	8,048	-	1,596	-	9,644
Regulation, Licensing, Etc,	17,746	-	-	-	17,746
Health and Human Services	-	-	-	-	-
Debt Service					
Interest payment	-	195,389	-	-	195,389
Principal payment	-	104,120	-	-	104,120
Capital outlay	-	-	74,222	-	74,222
Total expenditures	139,149	304,697	106,436	-	550,282
Excess (deficiency) of revenues over expenditures	(23,189)	(287,325)	(64,796)	45,974	(329,336)
Other Financing Sources (Uses)					
Face amount of bonds sold	176,237	-	-	-	176,237
Increase/(decrease) in fair value of investments	-	-	-	224	224
Operating transfers in	220,409	282,403	85,165	-	587,977
Operating transfers out	(369,709)	(300)	(3,900)	(65,675)	(439,584)
Total other financing sources (uses)	26,937	282,103	81,265	(65,451)	324,854
Net change in fund balances	3,748	(5,222)	16,469	(19,477)	(4,482)
Fund balances - beginning as restated	205,034	175,105	30,478	81,487	492,104
Fund balances - ending	\$ 208,782	169,883	46,947	62,010	487,622

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2003
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial
ASSETS			
Cash and cash equivalents	\$ 25,496	52,982	8,282
Deferred charges and other assets	7,104	10	-
Receivables, net	805	3,570	350
Due from other funds	1,856	45,583	392
Due from other governmental entities	152	1,833	1,227
Inventories	-	-	-
Investments	15,961	1,665	-
Total assets	\$ 51,374	105,643	10,251
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued liabilities	\$ 125	48	203
Accounts payables	444	7,523	939
Deferred revenue	187	4,997	44
Due to other funds	5,092	4,527	413
Due to other governmental entities	-	-	-
Funds due to beneficiaries	-	-	-
Funds held for others	-	20	2,135
Other obligations	40	-	210
Total liabilities	5,888	17,115	3,944
Fund Balance			
Reserved for			
Inventories	7,104	5,518	-
Encumbrances	7,818	40,749	1,097
Special projects	8,892	26,736	
Subsequent years' expenditures	3,260	5,788	1,455
Unreserved - designated for special revenue	18,412	9,737	3,755
Total fund balances	45,486	88,528	6,307
Total liabilities and fund balance	\$ 51,374	105,643	10,251

	Public Safety	Reg, Lic. Etc.	Total
\$	6,057	42,322	135,139
	-	67	7,181
	172	586	5,483
	262	62	48,155
	505	171	3,888
	-	80	80
	-	24,120	41,746
	<hr/>		
\$	6,996	67,408	241,672
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\$	66	285	727
	706	1,755	11,367
	-	1,570	6,798
	1,097	434	11,563
	-	5	5
	-	-	-
	-	-	2,155
	-	25	275
	<hr/>		
	1,869	4,074	32,890
	<hr/>		

	-	147	12,769
	1,096	8,252	59,012
	108	1,931	37,667
	319	6,920	17,742
	3,604	46,084	81,592
	<hr/>		
	5,127	63,334	208,782
	<hr/>		
\$	6,996	67,408	241,672
	<hr/>		

STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
Revenues		
Assessments	\$ -	-
Charges for services	1,940	3,524
Federal funds	1,470	19,167
Interest and other investment income	5,886	299
Licenses, fees and permits	56	113
Other	9,297	2,056
State funds	-	-
Severance tax proceeds	-	-
Rentals and royalties	1,291	-
Sales revenue	-	-
Taxes	3,900	24,593
Total revenues	<u>23,840</u>	<u>49,752</u>
Expenditures	27,926	61,601
Current expenditures	-	-
Debt Service		
Interest payment	-	-
Principal payment	-	-
Capital outlay	-	-
Total expenditures	<u>27,926</u>	<u>61,601</u>
Excess (deficiency) of revenues over expenditures	(4,086)	(11,849)
Other Financing Sources (Uses)		
Face amount of bonds sold	-	176,237
Increase (decrease) in fair value	-	-
Operating transfers in	13,393	191,167
Operating transfers out	(31,357)	(333,384)
Total other financing sources (uses)	<u>(17,964)</u>	<u>34,020</u>
Net change in fund balances	(22,050)	22,171
Fund balances - beginning as restated	<u>67,536</u>	<u>66,357</u>
Fund balances - ending	<u>\$ 45,486</u>	<u>88,528</u>

	Judicial	Public Safety	Reg, Lic. Etc.	Total
	-	-	-	-
\$	865	-	-	6,329
	5,406	4,459	582	31,084
	-	-	1,390	7,575
	-	-	16,695	16,864
	10,755	520	1,091	23,719
	-	-	-	-
	-	-	-	-
	-	-	-	1,291
	-	-	-	-
	-	-	605	29,098
	17,026	4,979	20,363	115,960
	23,828	8,048	17,746	139,149
	-	-	-	-
	-	-	-	-
	-	-	-	-
	23,828	8,048	17,746	139,149
	(6,802)	(3,069)	2,617	(23,189)
	-	-	-	176,237
	-	-	-	-
	8,348	6,419	1,082	220,409
	(550)	(3,115)	(1,303)	(369,709)
	7,798	3,304	(221)	26,937
	996	235	2,396	3,748
	5,311	4,892	60,938	205,034
\$	6,307	5,127	63,334	208,782

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2003
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
ASSETS		
Cash and cash equivalents	\$ 62,508	32,611
Receivables, net	604	2,451
Due from other funds	1,565	4,169
Due from other governmental entities	38	-
Total assets	\$ 64,715	39,231
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payables	2,198	2,468
Accrued liabilities	\$ -	-
Deferred revenue	43,431	9,986
Due to other funds	2,279	4,201
Total liabilities	47,908	16,655
Fund Balance		
Reserved for		
Capital projects	-	15,035
Encumbrances	4,993	5,975
Special projects	9	-
Subsequent years' expenditures	6,878	-
Unreserved - capital projects (deficit)	4,927	1,566
Total fund balances	16,807	22,576
Total liabilities and fund balance	\$ 64,715	39,231

Judicial	Public Safety	Reg, Lic. Etc.	Total
\$ 1	\$ 1,784	38	96,942
-	-	415	3,470
-	5,873	42	11,649
3,223	1,676	-	4,937
<u>\$ 3,224</u>	<u>9,333</u>	<u>495</u>	<u>116,998</u>
\$ 3,224	797	203	8,890
-	-	-	-
-	1,133	131	54,681
-	-	-	6,480
<u>3,224</u>	<u>1,930</u>	<u>334</u>	<u>70,051</u>
(7,605)	-	-	7,430
7,605	11,402	-	29,975
-	-	-	9
-	(10,003)	161	(2,964)
-	6,004	-	12,497
-	7,403	161	46,947
<u>\$ 3,224</u>	<u>9,333</u>	<u>495</u>	<u>116,998</u>

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control
Revenues		
Charges for services	\$ -	-
Federal funds	13,585	-
Interest and other investment income	11	3,507
Licenses, fees and permits	-	-
Other	2	11,307
State funds	-	-
Taxes	3,416	5,684
Total revenues	17,014	20,498
Expenditures	25,995	4,623
Current expenditures	-	-
Capital outlay	25,524	22,320
Total expenditures	51,519	26,943
Excess (deficiency) of revenues over expenditures	(34,505)	(6,445)
Other Financing Sources (Uses)		
Face amounts of bonds sold	-	-
Operating transfers in	45,177	11,945
Operating transfers out	(3,890)	-
Total other financing sources (uses)	41,287	11,945
Net change in fund balances	6,782	5,500
Fund balances - beginning as restated	10,025	17,076
Fund balances - ending	\$ 16,807	22,576

	Judicial	Public Safety	Reg, Lic. Etc.	Total
\$	-	-	-	-
	-	3,260	488	17,333
	-	-	30	3,548
	-	-	-	-
	3	-	347	11,659
	-	-	-	-
	-	-	-	9,100
	3	3,260	865	41,640
	-	1,596	-	32,214
	-	-	-	-
	22,947	2,234	1,197	74,222
	22,947	3,830	1,197	106,436
	(22,944)	(570)	(332)	(64,796)
	-	-	-	-
	22,944	4,817	282	85,165
	-	(10)	-	(3,900)
	22,944	4,807	282	81,265
	-	4,237	(50)	16,469
	-	3,166	211	30,478
\$	-	7,403	161	46,947

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUND
 JUNE 30, 2003
 (IN THOUSANDS)

	General Control	Culture Recreation and Natural Resources	Total
ASSETS			
Cash and cash equivalents	-	4	4
Receivables, net	\$ 948	-	948
Due from other funds	21,407	270	21,677
Investments	150,438	-	150,438
Total assets	\$ 172,793	274	173,067
LIABILITIES AND FUND BALANCES			
Liabilities			
Other obligations	\$ 3,184	-	3,184
Total liabilities	3,184	-	3,184
Fund Balance			
Segregated for debt service	6,937	274	7,211
Unreserved - designated for arbitrage	162,672	-	162,672
Total fund balances	169,609	274	169,883
Total liabilities and fund balance	\$ 172,793	274	173,067

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2003
 (IN THOUSANDS)

	General Control	Culture Recreation and Natural Resources	Total
Revenues			
Interest and other investment income	\$ 17,372	-	17,372
Total revenues	<u>17,372</u>	<u>-</u>	<u>17,372</u>
Expenditures			
Current Expenditures	5,188	-	5,188
Debt service			
Interest payment	195,315	74	195,389
Principal payment	103,928	192	104,120
Total expenditures	<u>304,431</u>	<u>266</u>	<u>304,697</u>
Excess (deficiency) of revenues over expenditures	<u>(287,059)</u>	<u>(266)</u>	<u>(287,325)</u>
Other Financing Sources (Uses)			
Face amount of bonds sold	-	-	-
Transfer in	282,139	264	282,403
Transfer out	(300)	-	(300)
Total other financing sources (uses)	<u>281,839</u>	<u>264</u>	<u>282,103</u>
Net change in fund balances	<u>(5,220)</u>	<u>(2)</u>	<u>(5,222)</u>
Fund balances - beginning	<u>174,829</u>	<u>276</u>	<u>175,105</u>
Fund balances - ending	<u>\$ 169,609</u>	<u>274</u>	<u>169,883</u>

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**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2003**

NONMAJOR PROPRIETARY FUNDS

The Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Commission for the Blind – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and includes the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account certain activities of the Corrections Industries Division. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for waste water and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of a monthly magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life and disability.

New Mexico Lottery Authority – This fund accounts for the operation of lottery games to provide revenues for public purposes as defined by the New Mexico Lottery Act. The New Mexico Lottery Authority is a separate legal entity from the State and therefore, a blended component unit. The New Mexico Lottery Authority was created by New Mexico State Statute - 6-24-5A. A complete financial statement may be obtained from: New Mexico Lottery Authority, 4511 Osuna Road NE, Albuquerque, NM 87109.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the State Highway and Transportation Department. The fund is used to account for loans made for road projects.

Miners' Colfax Medical Center - Miners' Colfax Medical Center is a State-owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the miners' Hospital and Northern Colfax County Hospital. Miners' Colfax operates a 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners' Colfax has programs that serve both miners and non-miners.

State Fair Commission – This fund administers operations of the annual New Mexico State Fair.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2003
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	2,500	71,219	591
Deferred charges and other assets	-	9	-	19
Due from other governmental entities	519	-	-	-
Due from other funds	-	91	-	-
Inventories	243	1,031	-	224
Loans Receivable-Current	-	-	5,609	-
Receivables, net of allowance for uncollectible	88	338	6,475	303
Total current assets	850	3,969	83,303	1,137
Non-current assets				
Investments	\$ -	-	-	-
Fixed assets, net of depreciation	108	1,041	-	33
Loans Receivable-Long Term	-	-	87,405	-
Total noncurrent assets	108	1,041	87,405	33
Total assets	\$ 958	5,010	170,708	1,170
LIABILITIES				
Current Liabilities				
Deficit cash	\$ 535	-	-	-
Accounts payables	89	108	-	47
Accrued liabilities	63	139	-	83
Deferred revenues	-	-	-	92
Due to other funds	-	23	-	-
Other long-term liabilities, current	-	-	-	1,301
Bonds payable, current	-	-	-	-
Total current liabilities	687	270	-	1,523
Noncurrent Liabilities				
Bonds payable, long-term	-	-	-	-
Total liabilities	687	270	-	1,523
NET ASSETS				
Investment in capital assets, net of related debt	108	1,040	-	33
Restricted for				
Building construction	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	-	-
Loans	-	-	-	-
Restricted net assets	-	-	170,708	-
Unrestricted (deficit)	163	3,700	-	(386)
Total net assets	271	4,740	170,708	(353)
Total net assets and liabilities	\$ 958	5,010	170,708	1,170

	Public Schools Insurance	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	16,991	2,852	15,277	13,418	2,675	125,523
	250	3,671	-	3	13	3,965
	-	-	-	-	-	519
	-	241	-	493	14	91
	-	-	2,501	-	-	2,246
	172	2,575	25	2,228	269	8,110
	17,413	9,339	17,803	16,142	2,971	12,473
\$	29,522	-	-	2,534	-	32,056
	603	619	-	11,862	30,354	44,620
	-	-	-	-	-	87,405
	30,125	619	-	14,396	30,354	164,081
\$	47,538	9,958	17,803	30,538	33,325	317,008
\$	-	-	-	-	-	535
	3,049	6,891	-	318	528	11,030
	-	-	-	541	241	1,067
	-	-	-	44	310	446
	-	3,017	-	-	233	3,273
	43,720	-	-	150	1,053	46,224
	-	-	-	-	350	350
	46,769	9,908	-	1,053	2,715	62,925
	-	-	-	-	775	775
	46,769	9,908	-	1,053	3,490	63,700
	603	-	-	11,862	29,210	42,856
	-	-	-	3	-	3
	-	-	-	-	804	804
	80	-	-	-	-	80
	-	-	17,803	-	-	17,803
	-	50	-	4	-	170,762
	86	-	-	17,616	(179)	21,000
	769	50	17,803	29,485	29,835	253,308
\$	47,538	9,958	17,803	30,538	33,325	317,008

STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2003
(IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
Operating Revenues				
Charges for Services	\$ -	4,061	-	-
Sales income	276	-	-	4,162
Federal Funds	-	-	11,793	-
Interest and other investment income	-	-	3,449	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	406	-	-	-
Patient Services/Clinical Operations	-	-	-	-
Total operating revenues	682	4,061	15,242	4,162
Operating Expenses				
Benefits, claims and premiums	-	-	-	-
Game Expense	-	-	-	-
Depreciation Expense	-	-	-	-
General and administrative	1,211	-	454	4,224
Losses	-	-	-	-
Other operating expenses	-	4,623	-	-
Total operating expenses	1,211	4,623	454	4,224
Operating (loss) income	(529)	(562)	14,788	(62)
Non-operating revenue (expense)				
Federal grant revenue	-	-	-	-
Loss on disposal of capital assets	-	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-
Other nonoperating expenses	-	-	(6)	-
Other nonoperating revenues	-	113	3,000	-
Total nonoperating revenues (expenses)	-	113	2,994	-
income before transfers	-	113	2,994	-
Transfers in (out)	122	-	-	-
Change in net assets	(407)	(449)	17,782	(62)
Net assets at beginning of year	678	5,189	152,926	(291)
Net assets at end of year	\$ 271	4,740	170,708	(353)

	Public Schools Insurance	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	185,103	-	-	-	1,345	190,509
		133,250	-	-	1,387	139,075
	-	-	-	317	-	12,110
	-	147	248	-	57	3,901
	-	-	-	-	12,149	12,149
	332	-	-	5,036	-	5,774
	-	-	-	12,862	-	12,862
	185,435	133,397	248	18,215	14,938	376,380
	33,669	-	-	-	-	33,669
	-	94,890	-	-	-	94,890
	-	-	-	-	-	-
	5,037	5,573	-	-	16,088	32,587
	163,623	-	-	-	-	163,623
	(2,580)	-	-	17,468	133	19,644
	199,749	100,463	-	17,468	16,221	344,413
	(14,314)	32,934	248	747	(1,283)	31,967
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,517	-	-	156	-	1,673
	(10)	-	-	-	-	(16)
	-	159	-	(40)	61	3,293
	1,507	159	-	116	61	4,950
	1,566	(33,093)	-	-	-	(31,405)
	(11,241)	-	248	863	(1,222)	5,512
	12,010	50	17,555	28,622	31,057	247,796
\$	769	50	17,803	29,485	29,835	253,308

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

	Commission for the Blind	Corrections Department	Environment Department	New Mexico Magazine
Cash Flows from Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	-	-	-
Cash paid to suppliers and employees	(1,136)	(3,863)	(368)	(4,130)
Cash payments made to borrowers	-	-	(14,068)	-
Federal Funds	-	-	11,793	-
Cash received from refinancing fees	-	-	-	-
Cash received on interest from loans	-	-	1,983	-
Cash received on repayment of loan principal	-	-	4,566	-
From MUSL	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
Interest payments received from banks	-	-	976	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	408	(468)	-	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	302	4,061	-	4,076
Reimbursement for losses from excess insurers and rebates	-	-	-	-
To prize winners and related taxes	-	-	-	-
Net cash (used) provided by operating activities	(426)	(270)	4,882	(54)
Cash Flows from Investing Activities				
Interest, dividends, gains & losses, net, on investment	-	38	-	-
Purchase of equities and bonds	-	-	-	-
Additions to MUSL Reserve Accounts	-	-	-	-
Purchases of property & equipment	-	-	-	-
Receipts of rent	-	-	-	-
Sales of equities and bonds	-	-	-	-
Other	-	-	-	-
Net cash provided (used) by investing activities	-	38	-	-
Cash Flows from Non-Capital Financing Activities				
Appropriation from/reversion to state general fund	122	-	-	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	-	-	-	1
Other	-	-	-	-
Net cash (used) provided by non-capital financing	122	-	-	1
Cash Flows from Capital and Related Financing Activities				
Grant expenditures	-	-	(6)	-
Grant proceeds - EPA	-	-	-	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from contributed capital	-	-	1,320	-
Proceeds from sale of property, land and equipment	-	221	-	-
Purchase of premises and equipment	(5)	(331)	-	(12)
Net cash (used) provided by capital financing activities	(5)	(110)	1,314	(12)
Net (decrease) increase in cash and cash equivalents	(309)	(342)	6,196	(65)
Cash and cash equivalents (deficit) at beginning of year	(226)	2,842	65,023	656
Cash and cash equivalents (deficit) at end of year	\$ (535)	2,500	71,219	591

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	(4,854)	-	-	-	-	(4,854)
	-	(16,165)	-	(15,352)	(14,428)	(55,442)
	-	-	-	-	-	(14,068)
	-	-	-	-	-	11,793
	-	-	-	-	-	-
	-	-	-	-	-	1,983
	-	-	-	-	-	4,566
	-	(13,653)	-	-	-	(13,653)
	-	-	-	-	-	-
	-	-	317	-	-	1,293
	(158,550)	-	-	-	-	(158,550)
	-	-	-	404	-	344
	185,448	-	-	-	-	185,448
	(32,728)	-	-	-	-	(32,728)
	-	122,279	-	17,202	15,739	163,659
	425	-	-	-	-	425
	-	(58,413)	-	-	-	(58,413)
	(10,259)	34,048	317	2,254	1,311	31,803
	181	39	-	(96)	57	219
	(20,301)	-	-	-	-	(20,301)
	-	(1,061)	-	-	-	(1,061)
	-	(360)	-	-	-	(360)
	-	110	-	-	-	110
	12,767	-	-	-	-	12,767
	-	10	-	-	-	10
	(7,353)	(1,262)	-	(96)	57	(8,616)
	1,566	(32,080)	-	-	-	(30,392)
	-	-	-	-	(64)	(64)
	-	-	-	-	(350)	(350)
	-	-	-	-	-	1
	(10)	-	-	-	-	(10)
	1,556	(32,080)	-	-	(414)	(30,815)
	-	-	-	-	-	(6)
	-	-	-	-	-	-
	-	-	-	-	(85)	(85)
	-	-	1,028	-	(8)	1,020
	-	-	-	-	(325)	(325)
	-	-	-	-	61	1,381
	-	-	-	(957)	-	(736)
	(26)	-	-	-	(365)	(739)
	(26)	-	1,028	(957)	(722)	510
	(16,082)	706	1,345	1,201	232	(7,118)
	33,073	2,146	13,932	12,217	2,443	132,106
\$	16,991	2,852	15,277	13,418	2,675	124,988

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2003**

	Commission for the Blind	Corrections Department	Environment Department	New Mexico Magazine
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss) including any prior period restatements	\$ (529)	(562)	14,788	(62)
Adjustments to reconcile operating income to net cash provided by				
Accounts payable and accrued liabilities	79	(267)	-	3
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	(5)	-	-
Bad debt expense	-	-	-	(3)
Compensated absences	10	16	-	-
Contributed capital assets	-	-	-	-
Construction loans in process	-	-	5,758	-
Credits received from vendors	-	-	-	-
Deferred revenues	-	-	-	7
Depreciation	11	278	-	14
Due from other funds	-	35	-	-
Due to insurance carriers for claims paid	-	-	-	-
Due to other funds	-	227	-	-
Accrued interest	-	-	379	-
Unrealized (gain) loss on investments	-	-	-	-
Inventories	(23)	74	-	37
Lawsuit liability	-	-	-	-
Loans receivable	-	-	(16,043)	-
Other revenues	-	21	-	-
Prepaid expenses and deposits	-	-	-	87
Prize payables	-	-	-	-
Receivables from excess insurers	-	-	-	-
Receivables from participants	-	-	-	-
Receivables, net	26	(87)	-	(80)
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	(57)
Net cash (used) provided by operating activities	\$ (426)	(270)	4,882	(54)

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Colfax Medical Center	State Fair Commission	Total
\$	(14,314)	32,934	248	747	(1,283)	31,967
	785	224	69	(175)	(97)	621
	-	(6)	-	-	-	(6)
	-	-	-	-	(36)	(41)
	-	-	-	1,369	-	1,366
	-	-	-	-	-	26
	-	-	-	-	(28)	(28)
	-	-	-	-	-	5,758
	-	-	-	-	-	-
	-	-	-	(76)	103	34
	29	316	-	1,144	1,661	3,453
	-	-	-	-	-	35
	(1,430)	-	-	-	-	(1,430)
	-	-	-	-	-	227
	-	-	-	-	-	379
	-	-	-	(48)	-	(48)
	-	187	-	(112)	(6)	157
	-	38	-	-	-	38
	-	-	-	-	-	(16,043)
	-	-	-	(5)	(6)	10
	3	40	-	-	-	130
	-	2,608	-	-	-	2,608
	94	-	-	-	-	94
	49	-	-	-	-	49
	-	(1,554)	-	(590)	917	(1,368)
	4,860	292	-	-	-	5,152
	-	(1,031)	-	-	86	(945)
	(335)	-	-	-	-	(335)
	-	-	-	-	-	(57)
\$	(10,259)	34,048	317	2,254	1,311	31,803

**STATE OF NEW MEXICO
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2003**

PRIVATE PURPOSE TRUST FUNDS

The Private Purpose Trust Funds are used to account for assets held by the government in a trustee capacity and where the principal may not be expended.

Scholarship Fund – This grouping includes scholarship trust funds administered by the Commission on Higher Education and the Department of Education.

Land Grant Permanent Fund – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13.4 million acres, are held in trust for the benefit of the public schools and other specific institutions. Only the portion of the fund that does not benefit the State is presented as a Private Purpose Trust Fund. Other portions of the fund that benefit the State are presented in both the Governmental Funds and the Proprietary Funds. The Fund is administered by the State Investment Council.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2003
 (IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,213	190,860	193,073
Investments at fair value	20	6,354,080	6,354,100
Receivables, net of allowance	-	53,861	53,861
Total assets	2,233	6,598,801	6,601,034
LIABILITIES & NET ASSETS			
Liabilities			
Distributions payable due to beneficiaries	-	-	-
Due to brokers	-	-	-
Due to custodians - securities lending	-	-	-
Due to other funds	-	-	-
Other liabilities	-	60,449	60,449
Security lending liability	-	897,102	897,102
Total liabilities	-	957,551	957,551
Net Assets			
Net assets held in trust for pool participants	-	5,641,250	5,641,250
Reserved for other beneficiaries	2,233	-	2,233
Total net assets	2,233	5,641,250	5,643,483
Net assets	\$ -	-	-

STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Total
ADDITIONS			
Deposits	\$ -	182,946	182,946
Interest and other investment income	54	200,656	200,710
Investment earnings	-	-	-
Total additions	54	383,602	383,656
DEDUCTIONS			
Expenditures			
Distributions	-	228,431	228,431
Other operating expenses	-	205	205
Management expenses	-	56,737	56,737
Total deductions	-	285,373	285,373
Change in net assets	54	98,229	98,283
Net assets, beginning	2,179	5,543,021	5,545,200
Net assets, ending	\$ 2,233	5,641,250	5,643,483

STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2003

PENSION TRUST FUNDS

The Pension Trust Funds are used to account for assets held by the government in a trustee capacity. These funds account for the activities of the Public and Educational Employees Retirement Systems.

Magistrate Retirement – The Magistrate Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. All magistrates are eligible for membership upon election or appointment to office (eligibility is set forth in Section 10-12C-4, NMSA 1978).

Public Employees Retirement Fund (PERA) – PERA is a cost-sharing, multiple-employer defined benefit pension plan. Membership is open to employees and elected officials of every affiliated public employer (eligibility is set forth in Section 10-11-3, NMSA 1978). There are six divisions of members and eighteen coverage plans.

Educational Employees' Retirement System (ERA) – ERA is a qualified, defined benefit, governmental retirement plan established and administered by the State of New Mexico to provide pension benefits for all state certified employees, teachers and other employees of the State educational institutions, junior colleges, and technical vocational institutes.

Judicial Retirement – The Judicial Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. Every judge or justice is eligible for membership upon election or appointment to office (eligibility is set forth in Section 10-12B-4, NMSA 1978).

Volunteer Firefighters Retirement – The Volunteer Firefighters Retirement Fund is a cost-sharing, multiple-employer defined pension benefit plan with a special funding mandate. Membership is open to most volunteer, nonsalaried firefighters who are listed as active members on the rolls of a fire department and meet certain age and service credit requirements (eligibility set forth in Section 10-11A-2, NMSA 1978).

New Mexico Retiree Health Care Authority (NMRHCA) – NMRHCA is an insurance fund that provides comprehensive group health insurance coverage for retired public employees, their spouses, dependents and surviving spouses.

**STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement
ASSETS		
Cash and cash equivalents	\$ 1,757	428,729
Investments at fair value	30,418	8,338,214
Receivables, net of allowance	1,776	479,217
Other assets	-	920
	<hr/>	
Total assets	33,951	9,247,080
	<hr/>	
LIABILITIES & NET ASSETS		
Liabilities		
Payables	3,455	931,706
Other liabilities	-	1,270
Security lending liability	837	229,155
	<hr/>	
Total liabilities	4,292	1,162,131
	<hr/>	
Net Assets		
Net assets held in trust for pension	29,659	8,084,949
	<hr/>	
Net assets	\$ -	-
	<hr/>	

Education Retirement	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$ 108,068	3,027	1,553	13,589	556,723
6,673,870	57,119	29,150	106,820	15,235,591
71,199	3,349	1,609	4,967	562,117
3,634	-	-	351	4,905
<u>6,856,771</u>	<u>63,495</u>	<u>32,312</u>	<u>125,727</u>	<u>16,359,336</u>
62,061	6,369	3,250	211	1,007,052
445	114	51	17,906	19,786
<u>710,907</u>	<u>1,573</u>	<u>803</u>	<u>-</u>	<u>943,275</u>
<u>773,413</u>	<u>8,056</u>	<u>4,104</u>	<u>18,117</u>	<u>1,970,113</u>
<u>6,083,358</u>	<u>55,439</u>	<u>28,208</u>	<u>107,610</u>	<u>14,389,223</u>
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement
ADDITIONS		
Employee contributions	\$ 196	146,589
Employer contributions	1,143	213,713
Interest and other investment income	870	238,606
Other operating revenues	8	3,224
Net increase in fair value of investments	150	39,708
Nonoperating revenues	-	198
	<hr/>	<hr/>
Total additions	2,367	642,038
DEDUCTIONS		
Expenditures		
Benefits and claims	1,471	381,919
General and admin	-	-
Refunds	-	-
	<hr/>	<hr/>
Total deductions	1,471	381,919
Change in net assets	896	260,119
Net assets, beginning as restated	<hr/>	<hr/>
	28,763	7,824,830
Net assets, ending	<hr/> <hr/>	<hr/> <hr/>
	\$ 29,659	8,084,949

	Education Retirement	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	154,427	372	-	107,984	409,568
	179,010	2,118	-	-	395,984
	144,773	1,629	825	2,615	389,318
	-	-	750	3,198	7,180
	16,156	208	189	-	56,411
	4,343	-	-	6,017	10,558
	<u>498,709</u>	<u>4,327</u>	<u>1,764</u>	<u>119,814</u>	<u>1,269,019</u>
	396,082	4,042	271	115,215	899,000
	4,287	-	-	2,408	6,695
	28,338	-	-	1,384	29,722
	<u>428,707</u>	<u>4,042</u>	<u>271</u>	<u>119,007</u>	<u>935,417</u>
	70,002	285	1,493	807	333,602
	<u>6,013,356</u>	<u>55,154</u>	<u>26,715</u>	<u>106,803</u>	<u>14,055,621</u>
\$	<u>6,083,358</u>	<u>55,439</u>	<u>28,208</u>	<u>107,610</u>	<u>14,389,223</u>

**STATE OF NEW MEXICO
EXTERNAL TRUST FUNDS
JUNE 30, 2003**

EXTERNAL TRUST FUNDS

The External Trust Funds account for assets held by the government in a trustee capacity. These funds are used to account for cash, securities and other investments held in custody for participant in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds.

State Investment Council – The State Investment Council is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Mid/Small Capitalization, Non-U.S. Index, Non-U.S. Developed Markets, Non-U.S. Emerging Markets and High Yield Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments. There are three external investment pools: State Funds Investment Pool, Short-Term Investment Pool and Consolidated Investment Pool.

**STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 EXTERNAL TRUST FUND
 YEAR ENDED JUNE 30, 2003
 (IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and cash equivalents	\$ 10,724	-	10,724
Investments at fair value	319,938	3,521,739	3,841,677
Receivables, net of allowance	3,304	-	3,304
	<hr/>		
Total Assets	\$ 333,966	3,521,739	3,855,705
	<hr/> <hr/>		
LIABILITIES & NET ASSETS			
Liabilities			
Due to brokers	\$ -	-	-
Due to custodians - securities lending	54,728	-	54,728
Due to other funds	-	-	-
Funds held for others	2,794	20,679	23,473
	<hr/>		
Total liabilities	57,522	20,679	78,201
	<hr/>		
Net Assets			
Net assets held in trust for pool participants	\$ 276,444	3,501,060	3,777,504
	<hr/> <hr/>		

STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EXTERNAL TRUST FUND (CONTINUED)
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Deposits	\$ -	-	-
Interest and other investment income	10,987	70,391	81,378
Other operating revenues	3,790	-	3,790
Net decrease in fair value of investments	3,659	-	3,659
Total additions	18,436	70,391	88,827
DELETIONS			
Expenditures			
Distributions	23,890	26,501	50,394
Expenses and management fees	340	397	737
Total deductions	24,230	26,901	51,131
Change in net assets	(5,794)	43,490	37,696
Net assets, beginning	282,238	3,457,570	3,739,808
Net assets, ending	\$ 276,444	3,501,060	3,777,504

**STATE OF NEW MEXICO
AGENCY FUNDS
JUNE 30, 2003**

AGENCY FUNDS

The Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or funds.

Allotment Related Funds – These funds are administered by the Department of Finance and Administration and serve to receive revenues and systematically distribute funds to state, county and municipal agencies. The funds are broadly classified as Policy Development, Fiscal Management and Community Development. Policy Development funds account for proceeds from sales of various bond issues, such as General Obligation and Severance Tax Bonds. Fiscal Management funds account for funds transmitted or transferred to various state agencies, including educational facilities. Community Development funds account for distributions of funds to county and municipal governments for designated projects.

Culture, Recreation and Natural Resources – These funds are administered by the Office of Cultural Affairs.

Receipts Pending Distribution of Funds – These are funds administered by the Secretary of State, Regulation & Licensing, Public Regulation Commission, Gaming Control Board, Racing Commission, Department of Education, and Department of Finance & Administration.

Suspense Related Funds – These funds are administered by Taxation & Revenue, Department of Finance & Administration, Racing Commission, Livestock Board, Energy, Minerals & Natural Resources, Department of Human Services And Worker's Compensation Administration.

Other Agency Funds – This grouping contains all other Agency Funds.

**STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
YEAR ENDED JUNE 30, 2003
(IN THOUSANDS)**

	Other Agency Funds	Allotment Related Funds	Culture, Recreation and Natural Resources
ASSETS			
Cash and cash equivalents	\$ 111,497	776,638	425
Due from other fund	61,096	2,098	-
Investments at fair value	30,771	-	-
Due from other governmental entities	-	-	-
Other assets	8	-	-
Receivables, net of allowance	42,610	-	120
Security deposits	396,720	-	-
	<hr/>	<hr/>	<hr/>
Total assets	642,702	778,736	545
LIABILITIES			
Deposits held in trust	403,421	-	-
Due to beneficiary	73,079	-	-
Due to other funds	98,918	428,305	-
Due to other governmental entities	3,205	-	-
Funds held for others	60,391	-	545
Other liabilities	2,836	350,431	-
Payables	852	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	642,702	778,736	545
Net assets	\$ -	-	-

	Receipts Pending Distribution of Funds	Suspense Related Funds	Total
\$	10,998	474,202	1,373,760
	7,367	49,594	120,155
	-	-	30,771
	1,633	2,478	4,111
	-	-	8
	1,816	435,204	479,750
	-	56	396,776
	<u>21,814</u>	<u>961,534</u>	<u>2,405,331</u>
	3	618	404,042
	-	26,978	100,057
	19,135	109,448	655,806
	2,440	180,126	185,771
	236	15,056	76,228
	-	628,850	982,117
	-	458	1,310
	<u>21,814</u>	<u>961,534</u>	<u>2,405,331</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>

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**STATISTICAL
SECTION**

STATE OF NEW MEXICO
REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL FUND TYPES
For the Last Ten Fiscal Years
(Amounts in Thousands)

	2003	2002*	2001	2000	1999
<u>Revenues by Source</u>					
Taxes	\$ 3,275,713	3,283,859	3,504,194	3,127,685	2,927,032
Licenses, fees and permits	113,421	92,360	81,523	73,457	86,612
Interest and other investment income	1,545,064	(1,112,306)	(1,239,950)	3,525,310	3,702,083
Rents and royalties	182,946	484,890	421,409	249,249	156,876
Charges for services	1,579,478	2,045,448	462,562	416,302	402,942
Intergovernmental	3,695,529	3,334,171	2,411,266	2,199,250	1,875,180
Contributions	805,552	674,600	728,773	676,252	636,762
Other sources	80,286	121,375	310,404	299,884	273,623
Total Revenues	\$ 11,277,989	8,924,397	6,680,181	10,567,389	10,061,110
<u>Expenditures by Function</u>					
Legislative	\$ 22,424	11,874	19,280	15,258	17,564
Judicial	158,362	153,391	174,901	133,534	116,834
General Control	2,392,404	2,589,502	2,203,032	1,902,418	1,746,989
Commerce and Industry	75,894	100,022	88,126	88,696	84,827
Culture/Recreation and Natural Resources	203,607	169,027	179,171	164,039	141,441
Health and Human Services	3,424,129	3,148,466	2,847,600	2,545,270	2,227,138
Public Safety	338,676	323,909	290,413	269,535	290,887
Highway and Transportation	585,187	875,972	951,306	897,716	640,222
Education	4,182,628	4,070,219	4,210,928	4,051,113	3,762,107
Total Expenditures	\$ 11,383,311	11,442,382	10,964,757	10,067,579	9,028,009

*As a result of adopting GASB 34 in 2002, certain revenues and expenditure amounts are not comparable to years prior to 2002. 2002 amounts include the primary government and component unit amounts from the statement of activities and fiduciary fund amounts from the statement of changes in fiduciary net assets.

	1998	1997	1996	1995	1994
\$	2,952,593	2,806,839	2,573,357	2,453,722	2,068,971
	76,376	70,649	61,594	89,153	61,453
	2,004,432	2,164,967	1,950,816	1,265,455	1,291,176
	245,529	205,646	142,997	153,163	155,998
	360,410	403,074	359,580	336,777	309,675
	1,812,429	1,728,017	1,714,313	1,637,462	1,544,256
	598,660	572,371	555,495	508,373	466,188
	250,649	252,330	204,831	172,632	189,676
\$	8,301,078	8,203,893	7,562,983	6,616,737	6,087,393
\$	8,343	14,472	12,383	13,120	13,071
	108,975	104,803	95,756	86,538	74,299
	1,754,206	1,496,887	1,384,824	1,287,330	1,271,894
	74,277	71,554	77,572	72,997	66,165
	123,888	117,389	138,033	119,949	103,762
	2,150,013	2,168,603	2,059,712	2,032,363	1,815,876
	224,811	222,355	220,444	197,796	172,029
	570,785	427,310	479,303	493,764	468,676
	3,486,091	3,355,295	3,228,810	3,073,573	2,925,239
\$	8,501,389	7,978,668	7,696,837	7,377,430	6,911,011

STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND
For The Last Six Fiscal Years
(Amounts in Thousands)

	2003	2002	2001	2000	1999	1998
REVENUES						
Taxes and License Fees						
General and selective sales taxes:						
Gross receipts	\$ 1,340,369	1,274,281	1,253,424	1,142,105	1,120,710	1,085,543
Compensating	38,398	36,009	36,593	33,502	32,269	35,390
Tobacco (luxury)	18,318	17,985	18,422	18,939	19,115	19,505
Alcoholic beverage	25,376	24,688	26,687	26,752	26,057	34,044
Insurance	53,763	50,690	44,562	47,022	45,098	41,603
Fire protection	20,756	24,587	19,953	16,414	20,009	20,694
Public utilities	7,347	8,326	4,521	6,154	43	7,143
Racing	1,150	1,154	1,146	1,058	989	906
Private car	661	336	579	346	475	-
Motor vehicle and other excise tax	111,142	106,966	97,440	97,042	87,398	84,679
Gaming tax	38,997	28,920	23,353	19,416	2,341	-
Leased vehicles gross receipts & surcharge	6,067	6,362	6,352	6,367	7,577	7,919
Telecommunications relay surcharge	94	76	68	-	-	-
Boat excise tax	366	537	574	-	-	-
Total general and selective sales taxes	1,662,804	1,580,917	1,533,674	1,415,117	1,362,081	1,337,426
Income Taxes						
Personal income taxes						
Gross Withholding	832,687	798,038	760,579	692,300	641,791	612,024
Final settlements	346,920	460,162	326,820	389,414	381,494	323,455
Less						
Transfer - Retiree health care	(6,017)	(5,373)	(5,068)	(4,781)	(4,511)	-
Transfer - PIT suspense & others	(248,067)	(234,204)	(194,357)	(225,690)	(228,329)	(142,536)
Refunds - TAA suspense	(1,112)	(2,207)	9,513	16,191	5,203	(4,404)
Net personal income taxes	924,411	1,016,416	897,487	867,434	795,648	788,539
Corporate taxes	154,669	178,758	240,112	177,744	180,588	202,032
Less refunds	(51,823)	(37,085)	(20,325)	(11,942)	(19,853)	(22,002)
Net corporate income taxes	102,846	141,673	219,787	165,802	160,735	180,030
Estate taxes	28,443	21,185	24,228	16,237	21,909	12,067
Fiduciary taxes	7,003	9,331	8,607	8,644	7,633	8,664
Total income taxes	1,062,703	1,188,605	1,150,109	1,058,117	985,925	989,300
Severance taxes						
Oil and gas school tax	229,639	205,121	329,031	169,506	107,744	153,679
7% oil conservation	11,939	10,763	16,687	8,931	6,205	8,667
Resources excise	5,756	5,356	5,691	6,118	7,622	8,752
Natural gas processors	21,077	20,270	12,111	12,262	11,276	12,843
Total severance taxes	268,411	241,510	363,520	196,817	132,847	183,941
Total taxes	2,993,918	3,011,032	3,047,303	2,670,051	2,480,853	2,510,667

STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND
For The Last Six Fiscal Years
(Amounts in Thousands)

	2003	2002	2001	2000	1999	1998
Taxes and License Fees (continued)						
License Fees						
Manufactured housing	\$ 440	485	610	710	787	769
Franchise	57	17	3	5	54	19
Corporate filing	2,540	2,239	2,402	2,435	2,303	2,396
Alcoholic beverages and gaming	3,480	3,471	4,105	3,670	3,763	4,318
Financial institutions	2,288	2,123	2,029	2,038	1,999	1,949
Corporate special	4,356	4,267	7,319	4,774	10,244	3,530
Construction industries	4,881	4,846	6,315	5,084	4,787	6,300
Gaming license and permit fees	246	263	306	759	-	-
Securities receipts	12,307	12,454	12,749	11,866	10,941	9,761
Health facilities fees	329	391	75	252	66	93
Pipeline fees	56	71	54	30	64	66
Motor vehicles miscellaneous fees	123	124	402	679	614	649
Drivers Training Fees	27	31	18	-	-	-
State engineers fees	0	110	-	112	105	120
Total license fees	31,130	30,892	36,387	32,414	35,727	29,970
Total taxes and license fees	3,025,048	3,041,924	3,083,690	2,702,465	2,516,580	2,540,637
Other Revenue Sources						
Investment Income						
State land grant permanent fund income	275,684	258,049	234,280	219,820	215,453	211,103
Earnings on state balances	40,504	67,162	98,707	72,034	82,986	62,266
Severance tax permanent fund earnings	170,955	159,183	144,650	141,814	139,033	136,307
Total interest earnings	487,143	484,394	477,637	433,668	437,472	409,676
Rents and royalties						
Federal mineral leasing	268,366	229,323	374,464	205,321	135,692	170,106
Land office	20,727	19,919	31,239	23,815	11,936	15,578
Total rents and royalties	289,093	249,242	405,703	229,136	147,628	185,684
Miscellaneous Receipts and Fees						
Miscellaneous	-	130	-	13	4	59
Environment Department filing fees	1,449	2,300	342	372	472	298

**STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND
For The Last Six Fiscal Years
(Amounts in Thousands)**

	2003	2002	2001	2000	1999	1998
Miscellaneous Receipts and Fees (Continued)						
Local Government Investment Pool						
administrative fees	\$ -	-	-	4	310	642
Tribal revenue sharing	33,096	107,339	53	17,917	30,180	18,722
Magistrate court costs	-	-	-	-	236	1,145
Media lease payments	19	-	-	-	-	-
Metro court costs	-	-	-	-	-	578
MVD penalty assessments	6,597	6,081	5,753	5,737	5,798	5,205
Fines and forfeitures	8,443	8,223	8,605	8,442	7,662	7,259
Birth and death certificates	709	533	561	525	488	510
District judge receipts	968	978	1,173	1,140	1,168	1,088
Notary public fees	751	808	574	593	656	645
Court of appeals	-	-	566	-	-	54
Legislative receipts	61	40	65	46	64	50
Workmen's compensation fees	29	-	39	-	314	-
Payroll administration costs	-	-	-	1	31	35
Law enforcement protection	669	1,096	339	2,038	-	2,510
Small county assistance	2,561	3,170	2,714	4,497	2,294	2,352
Supreme court fees	-	-	2	1	-	18
Unclaimed property	6,201	7,415	4,823	7,736	2,625	6,362
Public Defender reimbursement	223	207	192	233	271	342
Small cities assistance	1,851	559	1,357	532	2,165	2,234
Total miscellaneous receipts and fees	63,627	138,879	27,158	49,827	54,738	50,108
Other revenues						
Miscellaneous non-recurring	93	-	-	-	-	-
Transfers - reversions	50,340	42,119	-	-	-	-
Total other revenues	50,433	42,119	-	-	-	-
Total other revenue sources	890,296	914,634	910,498	712,631	639,838	645,468
Total revenues	\$ 3,915,344	3,956,558	3,994,188	3,415,096	3,156,418	3,186,105

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE EDUCATIONAL RETIREMENT SYSTEM (EERS)
For The Last Seven Years Ending June 30, 2003
(Amount in Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 7,518,200	\$ 9,266,600	\$ 1,748,400	81%	\$ 2,032,500	86%
June 30, 2002	7,595,100	8,748,000	1,152,900	87%	1,978,500	58%
June 30, 2001	7,418,300	8,070,300	652,000	92%	1,819,600	36%
June 30, 2000	6,835,800	7,460,600	624,800	92%	1,795,700	35%
June 30, 1999	5,988,500	6,971,700	983,200	86%	1,637,500	60%
June 30, 1998	5,169,500	6,398,800	1,229,300	81%	1,542,800	80%
June 30, 1997	4,516,400	5,854,400	1,338,000	77%	1,448,700	92%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	\$ 179,132	100.0%
2002	173,863	100.0%
2001	161,524	100.0%
2000	153,260	100.0%
1999	145,521	100.0%
1998	136,190	100.0%
1997	131,535	98.9%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry Age Normal
Amortization method	Level Payment, open
Remaining amortization period	78.0 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return*	8%
Projected salary increases*	4.50% to 13%
*Includes inflation at	3%
Cost of living adjustments (when applicable)	2%

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Seven Years Ending June 30, 2003
(Amount in Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 8,976,908	\$ 9,223,602	\$ 246,696	97%	\$ 1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,304)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,505	5%
June 30, 1998	5,487,475	6,000,439	512,964	91%	1,146,991	45%
June 30, 1997	4,560,312	5,558,679	998,367	82%	1,102,082	91%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	213,713	100%
2002	\$ 204,734	100%
2001	196,544	100%
2000	182,000	100%
1999	174,324	100%
1998	165,248	100%
1997	162,495	100%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	17 years%
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	4.5%
Post retirement benefit increases	3.0%
Projected salary increases*	5.0% - 15.5%**

* Includes inflation at 5.00%

** Projected salary increases, attributable to seniority/merit, vary from 0.00% to 3.8% based on age of employee and division in which employed.

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)
 For The Last Seven Years Ending June 30, 2003
 (Amount in Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 65,223	\$ 85,952	\$ 20,728	76%	\$ 8,575	242%
June 30, 2002	61,686	75,958	14,272	81%	7,507	190%
June 30, 2001	59,523	70,604	11,081	84%	7,060	157%
June 30, 2000	54,726	63,316	8,590	86%	6,754	127%
June 30, 1999	47,776	58,189	10,413	82%	7,071	147%
June 30, 1998	41,974	56,176	14,202	75%	6,644	256%
June 30, 1997	36,598	51,356	14,758	71%	6,537	226%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	\$ 2,813	75.3%
2002	2,737	74.9%
2001	2,342	92.2%
2000	2,682	79.0%
1999	2,374	86.2%
1998	2,540	80.4%
1997	2,229	102.5%

Additional Information

The additional information presented in above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years
Asset valuation method	Smoothed market 4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
 For The Last Seven Years Ending June 30, 2003
 (Amount in Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 29,630	\$ 29,078	\$ (551)	102%	\$ 3,082	0%
June 30, 2002	32,040	28,959	(3,080)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,427	0%
June 30, 1998	19,988	20,388	400	98%	2,471	16%
June 30, 1997	16,677	18,435	1,758	91%	3,178	55%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	\$ 881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1999	803	134.2%
1998	911	117.6%
1997	936	115.9%

Additional Information

The additional information presented in above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	0 years #
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
 For The Last Seven Years Ending June 30, 2003
 (Amount in Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2003	\$ 31,222	\$ 17,058	\$ (14,163)	183%	N/A*	N/A
June 30, 2002	29,784	16,128	(13,656)	185%	N/A*	N/A
June 30, 2001	27,992	15,807	(12,185)	177%	N/A*	N/A
June 30, 2000	24,641	17,303	(7,338)	0%	N/A*	N/A
June 30, 1999	20,246	16,161	(4,085)	125%	N/A*	N/A
June 30, 1998	16,248	14,897	(1,351)	109%	N/A*	N/A
June 30, 1997	12,894	13,905	1,011	93%	N/A*	N/A

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	\$ 0 - 653	114.9%
2002	51 - 953	52.5%
2001	1,788 - 3,385	29.5%
2000	1,867 - 3,346	37.4%
1999	1,907 - 3,266	30.6%
1998	1,940 - 3,197	31.3%
1997	1,825 - 2,940	25.5%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2003
Actuarial cost method	Unit credit cost
Amortization method	Level percent open
Amortization period	30 years
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	N/A+
Projected salary increases*	N/A+

+ Benefits are not based on salary and are not subject to cost of living increases.

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
For The Last Nine Years Ending June 30, 2003
(Amount in Thousands)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member	Employer	Investment	Other	
	Contributions	Contributions	Income	Income	
2003	\$ 154,427	\$ 179,010	\$ 160,929	\$ 4,344	\$ 498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934
1997	115,616	130,033	220,812	2,219	468,680
1996	112,350	126,594	294,029	2,279	535,252
1995	108,414	121,251	239,058	1,917	470,640

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit	Administrative	Refunds to	Other	
	Payments	Expenses	Terminated Employees	Expenses	
2003	\$ 396,082	\$ 4,013	\$ 28,338	\$ 274	\$ 428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142
1997	231,602	2,377	24,683	-	258,662
1996	210,621	2,369	22,969	-	235,959
1995	193,074	2,077	22,266	-	217,417

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Nine Years Ending June 30, 2003
(Amount in Thousands)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2003	\$ 149,814	\$ 213,713	\$ 278,314	\$ 198	\$ 642,039
2002	143,833	204,734	(175,299)	157	173,425
2001	135,594	196,544	(166,425)	3,055	168,768
2000	125,929	182,000	834,762	4,654	1,147,345
1999	119,377	174,325	929,248	4,517	1,227,467
1998	113,693	165,249	908,326	4,143	1,191,411
1997	109,624	162,496	873,646	9,150	1,154,916
1996	105,256	158,086	742,082	3,493	1,008,917
1995	92,577	136,944	175,571	3,636	408,728

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2003	\$ 349,178	\$ 6,756	\$ 25,986	\$ -	\$ 381,920
2002	318,441	3,815	25,625	-	347,881
2001	291,118	3,993	27,358	-	322,469
2000	264,480	3,273	26,812	-	294,565
1999	237,555	4,876	25,612	-	268,043
1998	212,130	12,913	25,000	-	250,043
1997	182,217	12,611	21,487	-	216,315
1996	161,927	11,082	19,317	-	192,326
1995	148,407	9,333	17,463	-	175,203

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Nine Years Ending June 30, 2003
(Amount in Thousands)

REVENUES BY SOURCE

Fiscal Year Ended June 30	Member Contributions	Employer Contributions	Investment Income	Other Income	Total
2003	\$ 372	\$ 2,118	\$ 1,837	\$ -	\$ 4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367
1997	310	2,286	6,827	242	9,665
1996	301	1,919	4,370	5	6,595
1995	276	1,882	1,649	59	3,866

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	Total
2003	\$ 4,030	\$ 12	\$ -	\$ -	\$ 4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807
1997	2,461	12	-	-	2,473
1996	2,173	14	38	-	2,225
1995	1,962	16	2	-	1,980

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Nine Years Ending June 30, 2003
(Amount in Thousands)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2003	\$ 205	\$ 1,143	\$ 1,020	\$ -	\$ 2,368
2002	193	1,146	(611)	-	728
2001	180	1,282	(532)	15	945
2000	175	940	2,877	9	4,001
1999	160	1,077	3,256	1	4,494
1998	164	1,072	858	-	2,094
1997	167	1,086	3,323	-	4,576
1996	164	1,219	2,027	-	3,410
1995	174	1,176	592	-	1,942

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2003	\$ 1,462	\$ 10	\$ -	\$ -	\$ 1,472
2002	1,197	7	2	-	1,206
2001	1,122	6	14	-	1,142
2000	1,065	6	-	-	1,071
1999	895	6	40	-	941
1998	712	8	24	-	744
1997	654	7	-	-	661
1996	551	10	-	-	561
1995	392	14	19	-	425

STATE OF NEW MEXICO
 REVENUES AND EXPENSES BY TYPE
 THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
 For The Last Nine Years Ending June 30, 2003
 (Amount in Thousands)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2003	\$ -	\$ 750	\$ 1,014	\$ -	\$ 1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443
2000	-	1,250	2,660	-	3,910
1999	-	1,000	2,950	-	3,950
1998	-	1,000	744	-	1,744
1997	-	750	2,793	-	3,543
1996	-	500	1,720	-	2,220
1995	-	500	549	-	1,049

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2003	\$ 271	\$ -	\$ -	\$ -	\$ 271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212
1999	172	-	-	-	172
1998	147	2	-	-	149
1997	119	1	-	-	120
1996	79	6	-	-	85
1995	50	8	-	-	58