

STATE OF NEW MEXICO

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010



SUSANA MARTINEZ, GOVERNOR

PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

*RICHARD E. MAY
CABINET SECRETARY*

*STEVE GONZALES
ACTING DIRECTOR/STATE CONTROLLER*

STATE OF NEW MEXICO

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COVER IMAGE CREDITS

Capitol (New Mexico Tourism Department, Dan Monaghan): The building is round, with four square entryways. From above this forms the Native American sun symbol, or Zia, this also appears at the center of the state flag. The building opened in 1966, replacing the Palace of the Governors, which served as the seat of government for almost three centuries. Built in 1610, the Palace of the Governors is now a state museum. The Capitol is part of the El Camino Real National Scenic Byway and on Santa Fe Trail National Scenic Byway.

Black Bear (New Mexico Department of Tourism, Mike Stauffer): New Mexico's official state mammal, the black bear can actually come in a variety of shades from black, to brown, to cinnamon. This bear lives a life of ease and comfort at Living Desert State Park in Carlsbad, New Mexico; however wild bears roam across much of the State's landscape.

Tour of Gila (New Mexico Department of Tourism, Mike Stauffer): Each spring hundreds of the country's best cyclists and many international representatives gather to race their bikes across the rugged mountain terrain around Silver City, New Mexico.

Rio Grande (New Mexico Department of Tourism, Mike Stauffer): New Mexico has carved out a top spot among the fly-fishing locations in the nation. These photos are on the Rio Grande. The San Juan, outside Farmington, has a reputation as some of the finest trout fishing waters in the world.

Ski Taos (New Mexico Department of Tourism, Mike Stauffer): Taos Ski Valley is among the elite ski resorts in North America. The huge mountain resort offers terrain suitable for all skill levels, beginner to expert. Taos Ski Valley is part of the Enchanted Circle Scenic Byway.

UFO Museum (New Mexico Department of Tourism, Dan Monaghan): Roswell's "International UFO Museum and Research Center" opened in 1991. In 1996, the Tourism Association of New Mexico awarded the unique museum the "Top Tourist Destination of New Mexico" award. The International UFO Museum and Research Center has become the clearinghouse for information related to UFOs and the phenomenon surrounding them.

Chimayo (New Mexico Department of Tourism, Dan Monaghan): devout northern New Mexico Catholics built El Santuario de Chimayo in 1816. The adobe church has since become an international spiritual draw, known for the healing powers many visitors claim to find at the small chapel. During Holy Week each year thousands of pilgrims will make their way to the tiny village, and await their opportunity to enter the church in prayer. El Santuario de Chimayo is part of the High Road to Taos Scenic Byway.

Abo Ruins (New Mexico Department of Tourism, James Orr and Mike Stauffer): Near Mountainair, New Mexico, the Abo Ruins are one of three now-abandoned Salinas Pueblos (Gran Quivira and Quarai are the other two) that now make up the Salinas Pueblo Missions National Monument. The Abo Ruin is part of the Abo Pass Trail Scenic Byway.

Taos PowWow (New Mexico Department of Tourism, Mike Stauffer): Each July Taos Pueblo hosts a PowWow that attracts Native American dancers from tribes all across the country. A PowWow is a gathering for dancing, singing, drumming, and socializing. These exciting and colorful events also serve as a means to keep alive ancient dances and other cultural aspects. The Taos Pueblo is part of the Enchanted Circle Scenic Byway.

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INTRODUCTORY SECTION

STATE OF NEW MEXICO

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Source: New Mexico Tourism Department, Dan Monaghan

State Capitol: The building is round, with four square entryways. From above, this forms the Native American sun symbol, or Zia, which also appears at the center of the state flag. The building opened in 1966, replacing the Palace of the Governors, which served as a seat of government for almost three centuries. Built in 1610, the Palace of the Governors is now a state museum on El Camino Real National Scenic Byway and on Santa Fe Trail National Scenic Byway.



STATE OF NEW MEXICO
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Susana Martinez
Governor

Richard E. May
Cabinet Secretary

Steve Gonzales
Acting Director/State Controller

March 15, 2011

To the Honorable Governor Susana Martinez, the New Mexico State Legislature,
and the Citizens of the State of New Mexico:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the fiscal year ended June 30, 2010. The Department of Finance and Administration Financial Control Division, as required by Chapter 6-5-4.1 of the New Mexico Statutes Annotated, 1978, prepared this report. The Department of Finance and Administration is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

The purpose of the CAFR is to report the financial position and results of operation of the State of New Mexico. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State's management. To the best of our knowledge and belief, the enclosed data accurately presents the State's financial position and results of operations in all material respects in accordance with generally accepted accounting principles (GAAP). We believe that all disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with GAAP applicable to government as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include the Management's Discussion and Analysis, financial statements, notes to the financial statements, and Required Supplementary Information. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect budgetary basis of accounting, which defers certain payable accruals to the following fiscal year. In addition to the basic financial statements, the CAFR includes combining financial statements that present information by fund category; certain narrative information that describes the individual fund categories; supporting schedules; and statistical tables that present financial, economic, and demographic data about the State.

The funds and entities included in the CAFR are those for which the State is financially accountable based on criteria for defining the financial reporting entity as prescribed by GASB. The primary government is the legal entity that comprises the major and nonmajor funds of the State, its departments, agencies, and state funded institutions of higher education.

To the Honorable Governor Susana Martinez, the New Mexico State
 Legislature, and the Citizens of the State of New Mexico
 March 15, 2011

The State's elected officials are financially accountable for legally separate entities that qualify as component units. Financial results of the State's component units are discretely presented in the financial statements. The following entities qualify as component units of the State:

- New Mexico Finance Authority
- New Mexico Mortgage Finance Authority
- New Mexico Computing Applications Center, Inc.

Additional information about these component units and other related entities is presented in Note 1.A of the financial statements. Audited financial reports are available from each of these entities.

Internal Control. The CAFR consists of management's representations concerning the finances of the State of New Mexico. 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 GAAP 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 the benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

Management's Discussion and Analysis (MD&A). The MD&A beginning on page four provides an overview and analysis of the State's Basic Financial Statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

New Mexico became the forty-seventh state of the United States of America when it was admitted to the union in 1912. Its borders encompass 121,598 square miles of the Great Plains, Rocky Mountains, and the Rio Grande River with elevations ranging from 2,842 to 13,161 feet above sea level. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, mining, and services. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services.

SIGNIFICANT NEW MEXICO RANKINGS							
Demographic	State Rank ¹	Value	Period	Economic	State Rank ¹	Value	Period
Population Growth Rate ²	18th	1.0%	2007-08	Rate of Job Growth/Loss ⁴	25th	-3.7%	Aug 2009
Fertility Rate ³	10th	76.4	2007	Unemployment Rate ⁴	17th	7.5%	Aug 2009
Life Expectancy	27th	77 years	2006	Median Household Income	45th	\$43,508	2008
Median Age	40th	35.8 years	2008	Average Annual Pay	44th	\$37,490	2008
Household Size	14th	2.62 persons	2008	Per Capita Personal Income	44th	\$32,091	2008
				Personal Income (% Change)	5th	2.8%	Q1 2009
Social Indicators							
Poverty Rate	45th	17.1%	2008	<i>Notes:</i> 1) Rank is most favorable to least favorable. 2) Rankings are based on the most current data available for all states and may differ from other data. 3) Births per 1,000 women. 4) Job growth and unemployment rates are nonseasonally and seasonally adjusted, respectively, and are based on BLS and NM WSD data			
Educational Attainment of Persons 25+							
High School Degree	43rd	82.4%	2008				
Bachelor's Degree	35th	24.7%	2008				

Source: New Mexico Economic Summary, New Mexico Legislative Council Service and New Mexico Department of Finance and Administration

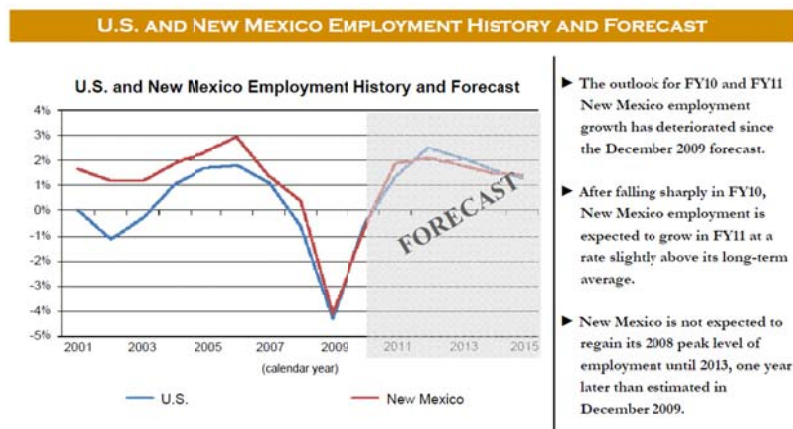
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Structure. As shown in the organizational chart on page xvii, state government is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the *Constitution of the State of New Mexico*, which can be amended only by a majority vote of the State's citizens. State government services provided to citizens include building and maintaining roads; providing public safety, health, and environmental protection services to protect the general welfare of the State's citizens; helping adults, children and families through difficult times such as abuse, divorce, illness, death, and unemployment; fostering an attractive business climate to encourage economic growth; and protecting public lands and natural resources for conservation and recreational activities. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help those entities meet the specific needs of their constituents.

Budgetary Control. The *Constitution of the State of New Mexico* requires that budgeted expenditures not exceed estimated revenues and other sources of funding, including beginning fund balances. Annually, the Governor is required to submit a balanced budget by fund, function, and activity to the Legislature for the General Fund, Education Fund, Health and Human Services Fund, Highway and Transportation Fund, and all Special Revenue funds with the exception of the American Recovery and Reinvestment Act Fund and the Bond Proceeds Fund. The Legislature authorizes expenditures in the annual *Appropriations Act*. The *Appropriation Acts* also identify the sources of funding for budgeted expenditures. In the event actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the Legislature to address budget issues. Adjustments to the budget may also be made throughout the year for changes in departmental or fund revenues so that departments and fund will not end the fiscal year in a deficit position. Expenditures are controlled at the program appropriation unit level. Administrative category expenditures (personal service, contracts, other) may legally exceed budgeted amounts; however, the total of all the administrative category expenditures may not legally exceed the approved program appropriation budget. For additional information on budgetary control, see the Required Supplementary Information on page 171.

ECONOMIC CONDITIONS AND OUTLOOK

Economy. The United States economy grew by 5.4 percent in the 4th quarter of 2009, slowed to 3.7 percent during the 1st quarter of 2010, and slowed further to realize only 1.6 percent growth through July 2010. The July 2010 unemployment report from the Bureau of Labor Statistics showed that total employment in the nation declined by 131 (amounts in thousands unless otherwise noted). The decline was attributable to very weak growth in the private sector with a loss of 71 jobs, a large decline in federal government employment of 154 jobs, primarily reflecting the departure of 143 temporary Census 2000 workers and a decline of 48 jobs in state and local governments.

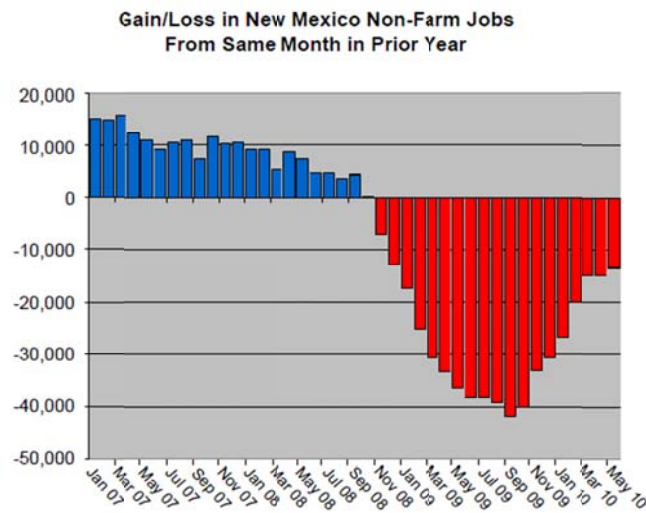


Source: New Mexico Economic Summary, New Mexico Legislative Council Service and New Mexico Department of Finance and Administration

To the Honorable Governor Susana Martinez, the New Mexico State
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Economic statistics released late in August 2010 offered the clearest sign yet that the recovery, already slowing is beginning to crawl. The government lowered its estimate of economic growth in the 2nd quarter to an annual rate of 1.6 percent after originally reporting last month that growth during April 2010 and June 2010 was 2.4 percent. The revision is a significant slowdown from the annual rate of 3.7 percent in the 1st quarter of 2010 and 5.0 percent in the last quarter of 2009.

In fiscal year 2010, New Mexico's seasonally adjusted unemployment rate remained at 8.2 percent in July 2010, down from 8.4 percent in May 2010, but higher than 7.4 percent reported one year ago. The national employment rate remained at 9.5 percent. The rate of job growth over the last 12 months was a negative 8.8 percent, representing 6,600 (not in thousands) jobs lost last year. New Mexico ranked 22nd in lowest unemployment, North Dakota (3.6 percent) and Nevada (14.2) percent ranked lowest and highest, respectively.



Source: New Mexico Economic Summary, New Mexico Legislative Council Service and New Mexico Department of Finance and Administration

Real GDP Growth and the Unemployment Rate: In the 3rd quarter of 2010, Gross Domestic Product (GDP) is forecast to range from a high of 2.5 percent (FAIR), 1.6 percent (BEA), and a low growth consensus forecast by the state of New Mexico economists at roughly 1.1 percent. None of the models forecast a recession for 2011 and growth is expected to range as high as 3.5 percent. Nationally, the unemployment rate is expected to fall from 9.3 percent in the 4th quarter of 2010, to 8.2 percent by year-end 2011. If these expectations are met, the economy should add about 2.5 million jobs during that period. Projected growth rates are near 4.0 percent in 2012, 3.5 percent in 2013 and 2014, and then settle down to about 3.0 percent after that. (All growth rates are at annual rates.)

Inflation: Inflation as measured by the growth of the GDP deflator (GDPD) is expected to reach 2.7 percent by the end of 2011. It is expected to reach about 4.0 percent in 2013.

Monetary Policy: The estimated interest rate rule for the three month bill rate is essentially zero through 2011, 1st quarter, to 2.1 percent at the end of 2012.

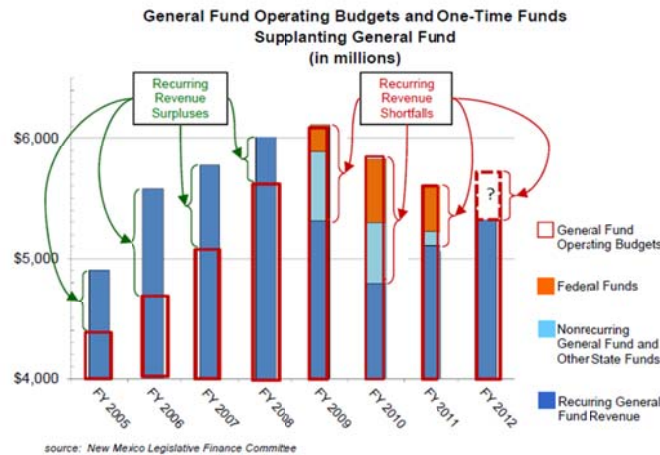
Federal Government Budget: The federal government budget deficit is predicted to be about \$1.3 trillion in the 3rd quarter of fiscal year 2011. It then continues at roughly \$1 trillion until 2016, when it begins rising. By 2019, it is about \$1.4 trillion. (Again, all values are at annual rates.) The federal government debt is expected to rise to \$20.1 trillion at the end of 2020, which is 71.0 percent of nominal GDP. This is up from 35.4 percent in the 1st quarter of 2007. Interest payments of the federal government rise from \$269.8 billion in the 2nd quarter of 2010 to \$1.143 trillion in the 4th quarter of 2020 because of the increasing debt and rising interest rates.

To the Honorable Governor Susana Martinez, the New Mexico State
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Outlook. The 3.9 percent decrease in real GDP in the final quarter of fiscal year 2009 reflected a broad-based recession – the worst since the Great Depression of the early 1930s. Total personal consumption (real) fell 2.1 percent year-on-year, while real nonresidential fixed investment fell by 19.3 percent year-on-year. Virtually all sectors shrank with the exception of aircraft manufacturing and construction of power and communication structures and manufacturing facilities. Exports for the quarter were (21.5) percent year-on-year, while imports were (30.7) percent.

Of particular importance to New Mexico, crude oil and natural gas prices have declined from highs of \$12.55 per mcf for natural gas and \$130.57 per barrel of crude oil in July 2008 to \$3.43 per mcf for natural gas and \$31.84 per barrel of crude oil in April and February 2009, respectively. Oil prices in fiscal year 2010 averaged \$64.71 per bbl., while natural gas averaged \$5.65 per mcf. The increase and stabilization of oil and gas revenues in fiscal year 10 absorbed some of the slump in other tax revenues.

While IHS Global Insight reports job gains nationally have begun to occur in the second quarter of 2010, the University of New Mexico’s Bureau of Business and Economic Research (BBER) – our State’s macroeconomic forecaster – reports job losses in New Mexico through that same quarter. This job weakness in New Mexico is reflected in substantial reductions in expected General Fund revenues from recent years and slow growth through fiscal year 2014. The root causes are well known: mortgage defaults and home foreclosures, which led to a national financial crisis; falling house prices and resulting severe decreases in household net wealth; falling stock market prices; and a national and worldwide recession. The recession, causing the national unemployment rate to peak at more than 10.0 percent, is now causing secondary problems in the credit and housing markets. The good news is that the recession in output has recently ended. Because of the depth of the recession, jobs and General Fund revenues will take several years to achieve the peak levels of fiscal year 2008. This revenue forecast does not indicate that there will be sufficient revenue in fiscal year 2012 to make up for the loss of ARRA funding.



Based on recent data, job growth has slowed in New Mexico from over 3.0 percent in mid-2006 to (1.5) percent as of preliminary May 2010 reports. Oklahoma, Texas, Utah, and Arizona grew faster than New Mexico in the region for the period May 2009 to May 2010, while New Mexico grew faster than Colorado, California, Wyoming, Nevada, and Arizona. The preliminary U.S. average growth for the May 2009 – May 2010 period was (0.4) percent. New Mexico ranked 44th among all states in job growth for this period. New Mexico's preliminary May 2010 unemployment rate was 8.4 percent, up 1.6 percent year-over-year, but down 0.3 percent from the prior month. The national preliminary May 2010 unemployment rate was 9.7 percent, up 0.3 percent year-over-year and down 0.2 percent from the prior month.

- ▶ Taxable gross receipts (TGR), the base of the gross receipts tax, increased by just less than 1% in the fourth quarter of FY 2010 and approximately 5% in the first quarter of FY 2011, after six quarters of negative growth.
- ▶ The state first reached the current level of TGR in the fourth quarter of FY 2006.
- ▶ TGR in the first quarter of FY 2011 is 9.5% below its peak level in the first quarter of FY 2009.
- ▶ TGR is projected to continue on its upward trend during FY 2011 and FY 2012, with projected increases in the gross receipts tax of 6.5% in FY 2011 and 4% in FY 2012. A portion of this increase is due to the one-eighth percent increase in the gross receipts tax passed during the 2010 session.

RECURRING REVENUE GROWTH RATES

FY 2010			Annual Growth Rate		
in millions	% of total	Revenue Source	FY 2010	FY 2011	FY 2012
\$1,685.3	35.1%	Gross Receipts Tax	(10.8%)	6.5%	4.0%
372.9	7.8%	Selective Sales Taxes	(7.9%)	16.4%	2.8%
956.6	19.9%	Personal Income Tax	(0.2%)	10.3%	3.8%
125.1	2.6%	Corporate Income Tax	(23.0%)	75.9%	18.2%
813.7	17.0%	Energy-Related Revenues	(17.3%)	(1.7%)	6.6%
646.3	13.5%	Investment Earnings	(6.7%)	0%	1.0%
198.8	4.1%	Other Revenues	16.0%	7.8%	1.3%
\$4,798.7		Total Recurring Revenue	(9.8%)	7.6%	4.4%

- ▶ Recurring revenue growth is forecast at 7.6% in FY 2011 and 4.4% in FY 2012. Roughly half of the FY 2011 increase is due to revenue-enhancement legislation passed during the 2010 sessions. Absent this legislation, FY 2011 growth is forecast at 3.8%.
- ▶ Gross receipts tax revenue, which is more than one-third of total revenue, is expected to grow by 6.5% during FY 2011, augmented by the recently enacted one-eighth percent tax rate increase. Without the rate increase, revenue growth would have been only 3.8%.
- ▶ Personal income taxes are expected to increase 10% in FY 2011 after a 21% decline from a peak of \$1.2 billion in FY 2009.

Source: New Mexico Economic Summary, New Mexico Legislative Council Service and New Mexico Department of Finance and Administration

LONG-TERM FINANCING PLANNING

Debt Administration. As part of its long-term financial planning, in 2007 the State adopted a debt policy to provide for the effective management of the State's debt programs in a manner consistent with applicable laws, industry standards, and the maintenance of the highest credit ratings. In addition, the State has developed a Debt Affordability Study as a management tool for assessing the affordability of projected debt issuance by the State and monitoring the State's debt capacity. The availability of capital for investment in critical State infrastructure is essential for the long-term health of the New Mexico economy and for increasing real incomes and the quality of life for New Mexicans. Debt is a critical tool for investing in our schools, addressing essential water needs, improving roads, and building our economy.

The conclusion of the 2010 Debt Affordability Study is the projected debt issuance plans for the core State bonding programs do not place stress on the State General Fund, and are affordable with respect to the revenue streams that are dedicated to debt repayment. Debt ratios are projected to reach a high in 2011 and then to begin to trend downward.

Steady revenues and stable economic growth and diversification underpin the State of New Mexico bonding programs, and assure the affordability of its capital improvement program. Each of the core State bonding programs are funded by dedicated revenue streams, including the general obligation bond millage, the Severance Tax Bonding Fund revenues and the Road Fund revenues, for the general obligation, severance tax and transportation bonding programs, respectively, and none of these core bonding programs utilize revenues that flow into or would otherwise flow into the General Fund. Each of the programs provide strong legal protections and the revenue-backed bonds demonstrate strong historical and projected debt service coverage. The global financial crisis and the ensuing

To the Honorable Governor Susana Martinez, the New Mexico State
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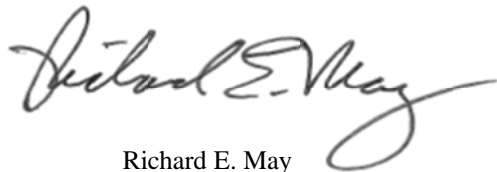
recession have placed considerable stress on state and municipal government credit ratings, and the State of New Mexico is no exception.

The challenge to the State's incoming administration will be to restore operating balances and healthy reserve levels as New Mexico emerges from the recession. The new administration will be faced with competing budget demands, ongoing though lifting pressures on revenues, and the need for stabilization and rebuilding of reserve funds.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Department of Finance and Administration Financial Control Division. We also express our appreciation to the budget and accounting officers throughout state government for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,



Richard E. May



Steve Gonzales

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2010

Executive

Bill Richardson, Governor • **Diane D. Denish**, Lieutenant Governor • **Mary Herrera**, Secretary of State • **Hector H. Balderas**, State Auditor • **James B. Lewis**, State Treasurer • **Gary K. King**, Attorney General • **Patrick H. Lyons**, Commissioner of Public Lands • **Jason A. Marks**, Public Regulation Commission • **David W. King**, Public Regulation Commission • **Jerome D. Block, Jr.**, Public Regulation Commission • **Carol K. Sloan**, Public Regulation Commission • **Sandy R. Jones**, Public Regulation Commission • **Theresa Becenti-Aguilar**, Public Regulation Commission

Judicial

Petra J. Maes, Chief Justice of the Supreme Court • **Edward L. Chavez**, Justice of the Supreme Court • **Charles W. Daniels**, Justice of the Supreme Court • **Patricio M. Serna**, Justice of the Supreme Court • **Richard C. Bosson**, Justice of the Supreme Court • **Cynthia A. Fry**, Chief Judge of the Court of Appeals • **James J. Wechsler**, Judge of the Court of Appeals • **Timothy L. Garcia**, Judge of the Court of Appeals • **Linda M. Vanzi**, Judge of the Court of Appeals • **Michael D. Bustamante**, Judge of the Court of Appeals • **Cecilia Foy Castillo**, Judge of the Court of Appeals • **Robert E. Robles**, Judge of the Court of Appeals • **Roderick T. Kennedy**, Judge of the Court of Appeals • **Michael E. Vigil**, Judge of the Court of Appeals • **Jonathan B. Sutin**, Judge of the Court of Appeals

Legislative

Senate: **Timothy Z. Jennings**, President Pro Tempore • **Michael S. Sanchez**, Majority Floor Leader • **Stuart Ingle**, Minority Floor Leader • **Mary Jane M. Garcia**, Majority Whip • **William H. Payne**, Minority Whip • **David Ulibarri**, Majority Caucus Chair • **Dianna J. Duran**, Minority Caucus Chair

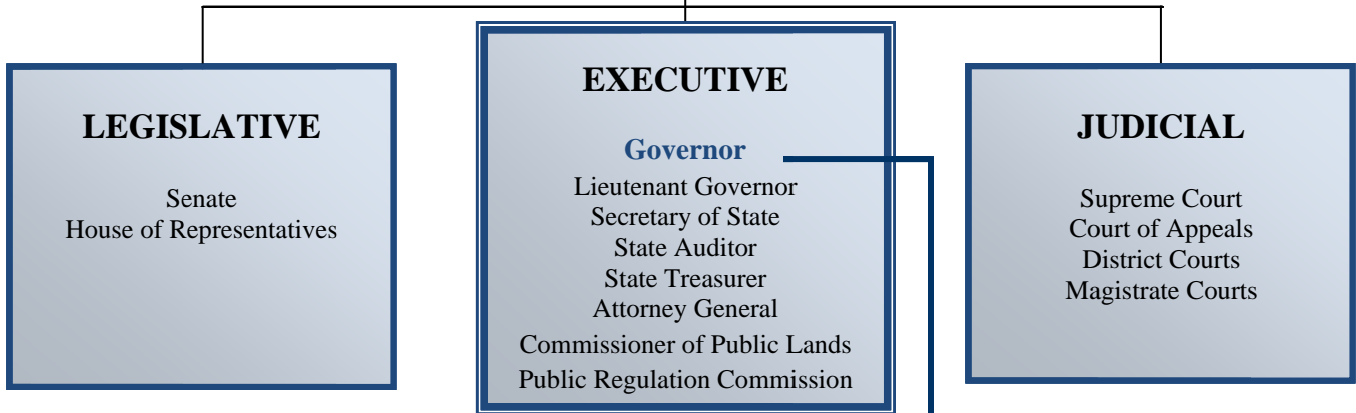
House of Representatives: **Ben Lujan**, Speaker of the House • **W. Ken Martinez**, Majority Floor Leader • **Thomas C. Taylor**, Minority Floor Leader • **Sheryl W. Stapleton**, Majority Whip • **Keith J. Gardner**, Minority Whip • **John A. Heaton**, Majority Caucus Chair • **Anna M. Crook**, Minority Caucus Chair

STATE OF NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2010

Citizens of New Mexico



- GOVERNOR'S CABINET**
- | | |
|---|---|
| Office of African American Affairs | Aging and Long-Term Services Department |
| Department of Agriculture | Department of Information Technology |
| Children, Youth and Families Department | Corrections Department |
| Department of Cultural Affairs | Economic Development Department |
| Public Education Department | Energy, Minerals and Natural Resources Department |
| Environment Department | Expo New Mexico |
| Department of Finance and Administration | General Services Department |
| Department of Health | Higher Education Department |
| Department of Homeland Security
and Emergency Management | Indian Affairs Department |
| Human Services Department | Department of Military Affairs |
| Department of Workforce Solutions | Public Defender Department |
| State Personnel Office | Regulation and Licensing Department |
| Department of Public Safety | State Investment Council |
| Office of the State Engineer | Department of Transportation |
| Taxation and Revenue Department | Department of Veterans' Services |
| Tourism Department | Worker's Compensation Administration |

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

FINANCIAL SECTION



Source: New Mexico Tourism Department, James Orr

Sunset: With its high altitude, open vistas, and unique weather patterns New Mexico is blessed with the recipe for nightly beauty as the sun drops below the horizon.

Independent Accountants' Report

The Honorable Susana Martinez, Governor of the State of New Mexico
Mr. Richard E. May, Secretary of the
New Mexico Department of Finance and Administration,
Mr. Steve Gonzales, Acting Director/State Controller, and
Mr. Hector Balderas, 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, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents in accordance with 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 representation of the management of the State of New Mexico. We did not review the financial statements of the New Mexico Mortgage Finance Authority (MFA), a component unit of the State or the 529 Higher Education Savings Plan (529 Plan) of the Education Trust Board, a private purpose trust fund of the State, which statements reflect total assets and revenues constituting 5.8% and 4.3%, respectively, of the basic financial statements. These statements were audited by other accountants, whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for MFA and the 529 Plan, are based solely upon the reports of other accountants.

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 generally accepted auditing standards, 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.

As discussed in Note 2.H, the State has restated certain July 1, 2009 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$59 million due to errors made in certain revenue and expenditure accruals. Business-type activities net assets were increased by \$62 million due to errors made in certain revenue and expenditure accruals. Finally, trust fund net assets were decreased by \$248 million due to the correction of presentation of the funds.

The Honorable Susana Martinez, Governor of the State of New Mexico
Mr. Richard E. May, Secretary of the
New Mexico Department of Finance and Administration,
Mr. Steve Gonzales, Acting Director/State Controller, and
Mr. Hector Balderas, New Mexico State Auditor

Based on our review and the reports of other accountants, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with generally accepted accounting principles.

The information included in the accompanying combining financial statements is presented only for supplementary analysis. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Management's Discussion and Analysis beginning on page 4, Schedule of Funding Progress for Employee Retirement Systems and Plans on pages 178-183, and Budgetary Comparison Schedules on pages 171-174 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. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

The accompanying introductory section and statistical information, as listed in the table of contents, is 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. Accordingly, we do not express an opinion or any form of assurance on the introductory section and statistical information.

Mess Adams LLP

Albuquerque, New Mexico
March 15, 2011

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

❖ INTRODUCTION

The following is a discussion and analysis of the State of New Mexico's financial performance and position, providing an overview of the State's activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

❖ FINANCIAL HIGHLIGHTS

Government-wide

Net Assets

- ✚ The assets of the State of New Mexico exceeded its liabilities by \$16 billion as of June 30, 2010, a decrease of \$413 million or (2.6) percent from fiscal year 2009. Net assets of the governmental activities decreased \$575 million or (4.7) percent due to projected revenues not materializing. Net assets of business-type activities increased by \$162 million or 4.2 percent due to investment earnings rebounding.
- ✚ The State General Fund ended the year with net assets at 5.2 percent of recurring prior year appropriations as compared to 6.4 percent in fiscal year 2009.

Capital Assets

- ✚ Capital assets continued to increase due to the continuing work on the Statewide Human Resources, Accounting, and Management Reporting (SHARE) Project. SHARE has been funded through the sale of Severance Tax bonds pursuant to the Laws of 2004, Chapter 26, Sections 11 and 561 and contributed funds for the purchase of additional modules for state agencies. SHARE was implemented on July 1, 2006 and depreciation was calculated based on a ten-year service life with no residual value. All development costs for the system, including phase two, has been capitalized as of June 30, 2010. Depreciation of SHARE has been recorded for all implementation and development costs through June 30, 2010. On July 1, 2009, the capitalized costs of SHARE were transferred from the Department of Finance and Administration to the Department of Information Technology.
- ✚ In addition, the State has spent the last several years constructing the infrastructure for the Rail Runner transportation system expansion from Albuquerque to Santa Fe. The Rail Runner used existing infrastructure and constructed new infrastructure to accommodate the planned route.

Long-term Debt

- ✚ The State's long-term bonded debt increased a net of \$312 million or 8.5 percent through the issuance of new bonds exceeding the payment of principal on the prior year balance. During the year, the State issued bonds totaling \$759 million. More detailed information regarding the government-wide, fund level, and long-term debt activities can be found in the capital asset and debt administration section of this management's discussion and analysis (MD&A).

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Fund Level

Governmental Funds

- ✦ As of June 30, 2010, the State's governmental funds reported a combined ending fund balance of \$6,739 million, a decrease of \$139 million or (2.0) percent from fiscal year 2009. The State reported a positive unreserved fund balance of \$1,024 million in fiscal year 2010.
- ✦ Total net tax collections for fiscal year 2010 were \$6,500 million. Combined reporting system taxes (gross receipts, withholding, and compensating taxes) were the single largest category of collections at \$4,100 million, or 63.0 percent of total collections. Mineral extraction taxes were next at \$928 million or 14.0 percent. Income taxes were \$664 million or 10.0 percent. Of the total tax collections, the Taxation and Revenue Department distributed a total of \$3,400 million to the State General Fund to finance the State's appropriations.

Proprietary Funds

- ✦ The proprietary funds reported net assets of \$4,056 million as of June 30, 2010, an increase of \$162 million or 4.2 percent from fiscal year 2009, mainly due the rebound of the investments related to the Land Grant Permanent Fund investment and the State Investment Council's investment pools.
- ✦ The universities have shifted from long-term investments to cash equivalents due to market volatility and interest rates.
- ✦ Through bond funding and capital appropriations, the universities continue with new construction projects for student services, such as the Science & Mathematics Learning Center at the University of the New Mexico (UNM). UNM increased their capital assets by approximately \$160 million.
- ✦ The State experienced a significant increase in the payments for unemployment benefits. The State paid \$412 million more in unemployment benefits in fiscal year 2010 than in fiscal year 2009. The State's unemployment rate increased 20.6 percent from 6.8 percent as of June 30, 2009 to 8.2 percent as of June 30, 2010.

❖ OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Comprehensive Annual Financial Report (CAFR) presents the State's financial activities and position in four-parts:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Reporting the State as a Whole

Government-wide Statements

The Statement of Net Assets and the Statement of Activities beginning on page 19 together comprise the *government-wide financial statements*. These statements provide a broad overview of the State's finances as a whole with a long-term focus and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets* - the difference between total assets and total liabilities and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the State's overall financial condition is getting better or worse. In evaluating the State's overall condition, however, additional non-financial factors should be considered such as the State's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure. The government-wide statements report three activities:

Governmental Activities

Most of the State's basic services fall under this activity including education, transportation, public safety, judicial, health and human services, general control, culture, recreation and natural resources, legislative, and regulation and licensing. Taxes and federal grants are the major funding sources for these programs.

Business-type Activities

The State operates certain activities much like private-sector companies by charging fees to customers to cover all or most of the costs of providing the goods and services. Educational institutions, unemployment and public schools insurance, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries, and industries for the blind are examples of business-type activities.

Component Units

The State includes three separate legal entities in its report, as disclosed in Note 1 of the Notes to the Financial Statements. Although legally separate, these "component units" are important because the State is financially accountable for them and may be affected by their financial well-being. In addition, the State blends one other component unit in the business-type activities because it benefits the Educational Institutions as designated in the Lottery Act.

Reporting the State's Most Significant Funds

Fund Financial Statements

The fund financial statements beginning on page 25 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that the State uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity.

All of the State's funds are divided into three types, each of which uses a different accounting approach.

Governmental Funds

Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as *governmental activities* in the government-wide statements. Governmental funds use the *modified accrual* basis of accounting, which measures the flow of current financial resources that can be converted to cash

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

and the balances left at year-end that are available for future spending. This *short-term* view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds

Proprietary funds include enterprise funds and internal service funds and account for state activities that are operated much like private-sector companies. Like the government-wide statements, proprietary fund statements are presented using the *full-accrual basis* of accounting. Activities whose customers are mostly outside of state government (e.g., water project loans to local governments) are accounted for in *enterprise funds* and are the same functions reported as *business-type activities*. Thus, the *enterprise fund* financial statements reinforce the information reported for *business-type activities* in the government-wide statements, but provide more detail and additional information, such as cash flows. Activities whose customers are mostly other state agencies (e.g., motor pool) are accounted for in *internal service funds*. The internal service fund activities are consolidated with the governmental activities in the government-wide statements because those services predominantly benefit governmental rather than business-type activities.

Reporting the State's Fiduciary Responsibilities

Fiduciary Funds

Fiduciary funds account for assets that, because of trust relationships, can be used only for trust beneficiaries. The State is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds *use full-accrual* accounting, but are *not* included in the government-wide statements because their assets are not available to finance the State's own programs.

Component Units of the State

The State created one organization that provides services directly to the State and three other organizations that provide services directly to the citizens of New Mexico. The financial position and activities of the New Mexico Lottery Authority have been blended within the Statement of Net Assets and Statement of Activities in the business-type activities column and in the proprietary funds. The financial position and activities of the New Mexico Finance Authority, the New Mexico Mortgage Finance Authority, and the New Mexico Computing Applications Center, Inc. have been presented in the Combining Statement of Net Assets and Combining Statement of Activities Component Units. These component units have been discretely presented in the State's financial statements because their nature and significance to the State cause them to have an effect on the fiscal condition of the State and the State is accountable for them.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 27 and 33 that reconcile and explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus).

The following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements

The notes beginning on page 52 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information (RSI)

Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets. In addition, the RSI includes schedules on the funded status and employer contributions for the State's Defined Benefit Pension Plans and Other Postemployment Benefits Plan. RSI further supports the information in the basic financial statements.

Other Supplementary Information

Supplementary Information includes combining statements for the State's nonmajor governmental, nonmajor proprietary, and fiduciary funds. This section also includes schedules, which compare budgeted expenditures to actual results at the legal level of control, which is generally the line item level of the *General Appropriation Acts*.

❖ ADJUSTMENTS TO BEGINNING NET ASSETS AND FUND BALANCES

As discussed in Note 2.H, the State has restated certain July 1, 2009 net assets and fund balances. Governmental activities net assets, special revenue, capital projects, and debt service fund balances were increased by \$59 million due to errors made in certain revenue and expenditure accruals. Finally, trust fund net assets were decreased by \$248 million due to the separation of the State's participation in the State Treasurer's investment pool and the State Investment Council's investment pools.

❖ FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets decreased \$413 million or (2.6) percent in fiscal year 2010. In comparison, net assets in the prior year decreased \$2,459 million or (13.3) percent, as restated. Net assets invested in capital assets decreased approximately \$18 million as the State's investment in highways and buildings exceeded depreciation and no additional debt was used to finance current projects. In addition, previous year's analysis of unspent bond proceeds applicable to the State's capital assets was re-evaluated and adjusted to include only the debt attributable to the State's investment in capital assets. Total restricted net assets increased by \$360 million or 5.6 percent more than the prior year. The increase of \$368 million in restricted net assets of the governmental activities was primarily due to the increase in market value of investments held by the State and efficiencies in the reduction of expenditures during the economic crisis of the past recent years. Restricted net assets in business-type activities decreased \$8 million. The decrease of \$854 million in unrestricted net assets of governmental activities was primarily due to the increase restricted net assets \$368 million and the reduction of \$110 million in expected revenues for the State General Fund. The increase of \$97 million in unrestricted net assets of business-type activities was the result of

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

normal operations. Net assets of business-type activities generally can be used only to finance the on-going operations of business-type activities.

State of New Mexico
Net Assets as of June 30,
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009, as Restated	2010	2009, as Restated	2010	2009, as Restated
Current and Other Assets	\$ 8,471,529	\$ 8,580,374	\$ 3,327,463	\$ 3,275,466	\$ 11,798,992	\$ 11,855,840
Capital Assets	8,368,741	8,376,099	2,194,589	2,056,915	10,563,330	10,433,014
Total Assets	<u>16,840,270</u>	<u>16,956,473</u>	<u>5,522,052</u>	<u>5,332,381</u>	<u>22,362,322</u>	<u>22,288,854</u>
Current Liabilities	2,166,169	2,016,780	500,406	540,738	2,666,575	2,557,518
Long-term Liabilities	3,117,053	2,807,128	965,642	897,680	4,082,695	3,704,808
Total Liabilities	<u>5,283,222</u>	<u>4,823,908</u>	<u>1,466,048</u>	<u>1,438,418</u>	<u>6,749,270</u>	<u>6,262,326</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	6,905,275	6,995,306	1,453,705	1,381,260	8,358,980	8,376,566
Restricted	4,899,003	4,530,761	1,845,368	1,853,252	6,744,371	6,384,013
Unrestricted	(247,230)	606,498	756,931	659,451	509,701	1,265,949
Total Net Assets	<u>\$ 11,557,048</u>	<u>\$ 12,132,565</u>	<u>\$ 4,056,004</u>	<u>\$ 3,893,963</u>	<u>\$ 15,613,052</u>	<u>\$ 16,026,528</u>
Percentage change in total net assets from prior year	(4.7) %		4.2 %		(2.6) %	

The largest component 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 at 53.5 percent. 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.

The next largest component at 43.2 percent of the State's net assets is its restricted net assets. 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 3.3 percent of net assets is unrestricted, which may be used to meet the State's ongoing obligations, though certain laws and internally imposed designations of resources further limit the purpose for which many of those net assets may be used.

At the end of the current fiscal year, the State was able to report positive balances in two of the three categories of net assets for the governmental funds and all three categories of net assets for the government as a whole as well as the business-type activities. In the prior year, the State was able to report positive balances in all three categories of net assets, both in the governmental as a whole as well as for its separate governmental and business-type activities.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2010:

**State of New Mexico
Changes in Net Assets
for the Fiscal Year Ended June 30,
(Expressed in Thousands)**

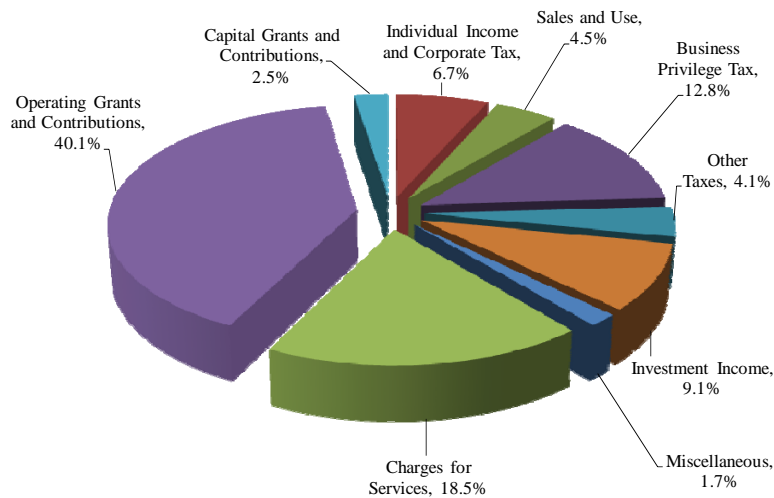
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2009 to 2010</u>
	<u>2010</u>	<u>2009, as Restated</u>	<u>2010</u>	<u>2009, as Restated</u>	<u>2010</u>	<u>2009, as Restated</u>	
Revenues							
General Revenues:							
Taxes	\$ 4,367,305	\$ 4,807,361	\$ 188,465	\$ 193,380	\$ 4,555,770	\$ 5,000,741	(8.9) %
Other General Revenues	1,436,094	(252,068)	323,983	(95,259)	1,760,077	(347,327)	(606.7) %
Program Revenues:							
Charges for Services	1,378,449	1,498,724	1,629,406	1,605,674	3,007,855	3,104,398	(3.1) %
Operating Grants and Contributions	5,331,479	4,272,942	1,188,887	692,833	6,520,366	4,965,775	31.3 %
Capital Grants and Contributions	376,259	388,792	26,966	29,682	403,225	418,474	(3.6) %
Total Revenues	12,889,586	10,715,751	3,357,707	2,426,310	16,247,293	13,142,061	
Expenses							
General Control	1,197,734	1,301,405	-	-	1,197,734	1,301,405	(8.0) %
Culture, Recreation, and Natural Resources	227,367	216,328	-	-	227,367	216,328	5.1 %
Highway and Transportation	1,007,714	939,111	-	-	1,007,714	939,111	7.3 %
Judicial	244,824	252,343	-	-	244,824	252,343	(3.0) %
Legislative	25,474	27,766	-	-	25,474	27,766	(8.3) %
Public Safety	456,583	505,599	-	-	456,583	505,599	(9.7) %
Regulation and Licensing	117,728	132,021	-	-	117,728	132,021	(10.8) %
Health and Human Services	5,995,540	5,297,968	-	-	5,995,540	5,297,968	13.2 %
Education	3,325,810	3,277,536	-	-	3,325,810	3,277,536	1.5 %
Unemployment Benefits	11,537	1,986	-	-	11,537	1,986	
Indirect Interest on Long-term Debt	130,997	117,338	-	-	130,997	117,338	11.6 %
Educational Institutions	-	-	2,678,999	2,668,110	2,678,999	2,668,110	0.4 %
Public Schools Insurance	-	-	298,852	334,740	298,852	334,740	(10.7) %
Lottery	-	-	99,997	101,750	99,997	101,750	(1.7) %
Miners' Colfax Medical Center	-	-	24,896	26,908	24,896	26,908	(7.5) %
Unemployment Insurance	-	-	781,494	368,957	781,494	368,957	111.8 %
State Fair	-	-	18,916	20,025	18,916	20,025	(5.5) %
Other Business-type Activities	-	-	16,307	10,772	16,307	10,772	51.4 %
Total Expenses	12,741,308	12,069,401	3,919,461	3,531,262	16,660,769	15,600,663	
Excess Before Transfers	148,278	(1,353,650)	(561,754)	(1,104,952)	(413,476)	(2,458,602)	
Transfers	(723,795)	(763,662)	723,795	763,662	-	-	
Change in Net Assets	(575,517)	(2,117,312)	162,041	(341,290)	(413,476)	(2,458,602)	
Net Assets - Beginning, as Restated	12,132,565	14,249,877	3,893,963	4,235,253	16,026,528	18,485,130	
Net Assets - Ending	\$ 11,557,048	\$ 12,132,565	\$ 4,056,004	\$ 3,893,963	\$ 15,613,052	\$ 16,026,528	(2.6) %

STATE OF NEW MEXICO

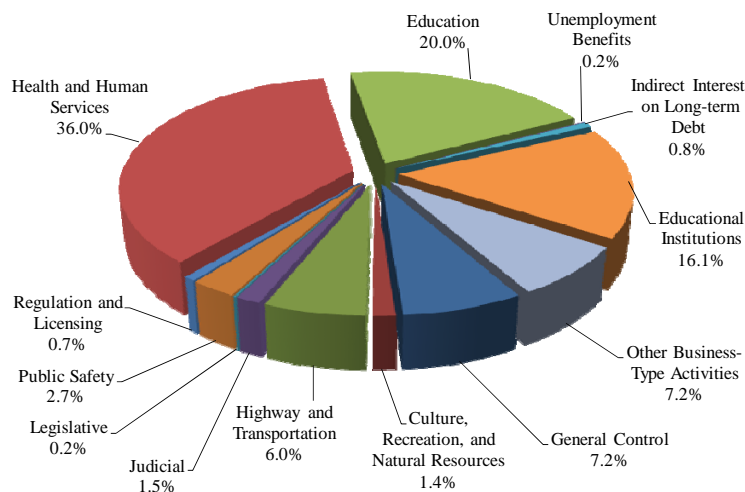
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

STATE OF NEW MEXICO TOTAL REVENUES - FY 2010



STATE OF NEW MEXICO TOTAL EXPENSES - FY 2010



Changes in Net Assets

This year the entire State received 28.1 percent of its revenues from State taxes and 42.6 percent of its revenues from grants and contributions mostly from federal sources. In the prior year, state taxes accounted for 38.0 percent, and grants and contributions were 41.0 percent of total revenues, as restated. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 29.3 percent and 21.0 percent of total revenues for fiscal year 2010 and 2009 (as restated), respectively.

Governmental Activities

The State's total governmental revenues from all sources decreased \$2,174 million or 20.3 percent. The receipt of taxes decreased by approximately \$440.1 million or (9.2) percent, which is a result of the down turn of the economy. However, due to the differences in measurement focus and timing of collections, the decrease at the government-

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

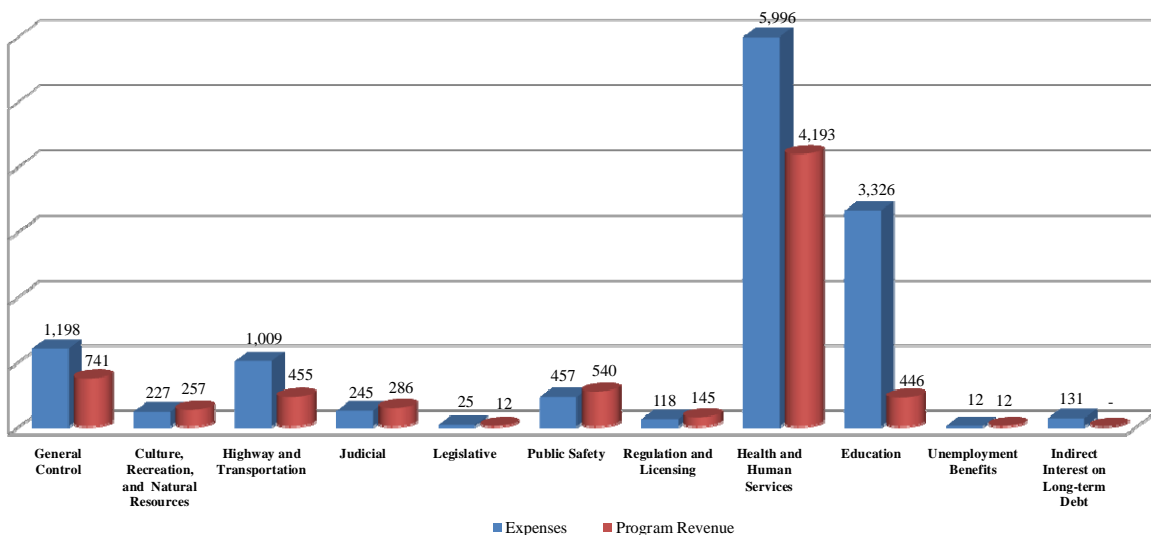
wide level should not be used to predict future changes at the fund statement or budget level. The State's other income increased by approximately \$1,688 million or 669.7 percent due to the investment income's increase in market valuation at June 30, 2010. The operating grants and contributions increased by approximately \$1,059 million due to the funding from the American Recovery and Reinvestment Act of 2010 (ARRA). Education and Health and Human Services expenses increased by approximately \$48 million and \$698 million, respectively, due to increased services provided by the ARRA funding.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2010, state taxes and other general revenues covered 44.4 percent of expenses. The remaining \$7 million or 55.6 percent of the total expenses were covered by charges for services and grants and contributions.

State of New Mexico
Net Assets as of June 30,
(Expressed in Thousands)

	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
			2010	2010	2009,	2009,
					as Restated	as Restated
General Control	\$ 1,197,734	\$ (740,722)	\$ 457,012	\$ 881,979	61.8 %	43.2 %
Culture, Recreation, and Natural Resources	227,367	(256,670)	(29,303)	13,139	112.9 %	80.0 %
Highway and Transportation	1,007,714	(455,146)	552,568	387,953	45.2 %	45.8 %
Judicial	244,824	(285,781)	(40,957)	12,012	116.7 %	78.1 %
Legislative	25,474	(11,830)	13,644	24,037	46.4 %	5.8 %
Public Safety	456,583	(540,335)	(83,752)	(56,690)	118.3 %	96.0 %
Regulation and Licensing	117,728	(145,388)	(27,660)	3,553	123.5 %	95.2 %
Health and Human Services	5,995,540	(4,193,230)	1,802,310	1,660,525	69.9 %	67.6 %
Education	3,325,810	(445,548)	2,880,262	2,865,097	13.4 %	12.5 %
Unemployment Benefits	11,537	(11,537)	-	-	100.0 %	- %
Indirect Interest on Long-term Debt	130,997	-	130,997	117,338		
	\$ 12,741,308	\$ (7,086,187)	\$ 5,655,121	\$ 5,908,943	55.6 %	48.5 %

STATE OF NEW MEXICO
EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2010 (In Millions)



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Business-type Activities

Revenues from the State's business-type activities increased by \$931 million or 38.4 percent from the prior year. Charges for services for business-type activities increased \$24 million or 1.5 percent. The modest increase is partially due to the 2.0 percent increase in enrollment and tuition rates the universities are experiencing. The other income increased by approximately \$419 million or 440.1 percent due to the investment income's increase in market valuation at June 30, 2010. The expenses for the educational institutions increased by \$10 million or 0.4 percent. The increase is a result of an increase in instructional expenses for the universities.

❖ FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2010, the State's governmental funds reported combined ending fund balances of \$6,739 million. Of this amount, \$5,715 million or 84.8 percent is reserved for specific programs by state law, by external constraints, or by contractual obligations. Unspent bond proceeds, balances of restricted accounts and agencies' nonlapsing balances are included in reserved fund balance. An additional \$275 million or 4.1 percent of total fund balance has been segregated through internally imposed limitations on uses of certain funds. Note 1 contains more details about reserved and segregated fund balances at June 30, 2010. The remaining \$749 million or 11.1 percent of fund balance is available for appropriation for the general purpose of the funds.

State of New Mexico
Fund Balances as of June 30, 2010
(Expressed in Thousands)

	General Fund	Education	Health and Human Services	Highway and Transportation	Appropriated Bonds Proceeds Capital Outlay	Severance Tax Permanent	Nonmajor Governmental Funds	Totals Governmental Funds
Reserved	\$ 32,572	\$ 27,766	\$ 106,097	\$ 76,969	\$ 1,415,395	\$ 3,379,773	\$ 676,474	\$ 5,715,046
Unreserved:								
Designated	-	-	-	-	-	-	274,611	274,611
Undesignated	355,267	76,495	(93,402)	240,203	-	-	170,832	749,395
Total	\$ 387,839	\$ 104,261	\$ 12,695	\$ 317,172	\$ 1,415,395	\$ 3,379,773	\$ 1,121,917	\$ 6,739,052
Percent Change from Prior Year	(18.8) %	(27.6) %	(92.8) %	(4.9) %	7.3 %	6.5 %	(10.5) %	(2.0) %

Governmental Funds

General Fund

Fund balance at June 30, 2010 totaled \$388 million, a decrease of (18.8) percent during the fiscal year. This decrease was due to expenditures exceeding revenue. See additional analysis below. The General Fund ended the fiscal year 2010 with a "surplus" from unreserved and undesignated sources of \$355 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues decreased \$480 million or (8.7) percent. The change was due to the decrease in taxes recognized, and royalties on natural resources in the State. All other revenue remained stable from the prior year.

The General Fund expenditures decreased \$57 million or (4.8) percent due to the reduction of the fiscal year 2010 original approved budgets that were mandated due to the revenue shortfall for the State. This measure was one aspect the Legislature took to balance the budget for fiscal year 2010.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2010 budget during the 2009 General Session. The original General Fund budgeted revenues at the start of fiscal year 2010 were 50.9 percent more than the final fiscal year 2009 budget basis revenues. During the year, the actual revenue was \$99 million more than the final approved budget, with the most significant change coming from investment income and license, fees, and permits. The original budgeted expenditures for fiscal year 2010 were \$122 million higher than the final fiscal year 2009 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$177 million below the final budgeted amounts. This is mainly the result of a legislative mandated reduction of operating budgets by 3.2 percent during the fiscal year. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Education

Fund balance at June 30, 2010 totaled \$104 million, a decrease of \$40 million or (27.6) percent. Total revenues increased by \$40 million or 9.5 percent. This was a result of the slight increase in federal revenue expended for fiscal year 2010 relating to the ARRA funds. Total expenditures decreased by \$241 million or 7.4 percent, which was subsidized by state appropriations.

Health and Human Services

Fund balance at June 30, 2010 totaled \$13 million, a decrease of \$163 million or (92.8) percent during the fiscal year. Total revenues increased by \$457 million or 12.6 percent with total expenditures increasing by 7.5 percent or \$379 million. The additional revenue and expenditures resulted from the ARRA funding source.

Highway and Transportation

Fund balance at June 30, 2010 totaled \$317 million, a decrease of \$17 million or (4.9) percent. Total expenditures decreased by \$141 million or (11.8) percent. During 2010, Highway and Transportation fund did not issue any new debt for construction projects. Spending on current construction projects came from prior bond issuances, which were included in reserved fund balance in fiscal year 2010.

Appropriated Bond Proceeds Capital Outlay Fund

The fund balance at June 30, 2010 totaled \$1,415 million, an increase of \$96 million or 7.3 percent. The modest increase is due to reduction of bond being issued for State projects.

Severance Tax Permanent Fund

Fund balance at June 30, 2010 totaled \$3,380 million, an increase of \$206 million or 6.5 percent. The increase relates to gains on investments. During fiscal year 2010, the fund did not experience any other significant fluctuation from the prior fiscal year.

❖ FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

The State's proprietary funds reported net assets of \$4,104 million; this includes an increase of \$194 million or 5.0 percent. The above net assets include \$4,056 million for enterprise funds, which excludes the Internal Service Fund.

Educational Institutions

Net assets at June 30, 2010 totaled \$3,372 million. Current period activity increased the net assets of the State's educational institutions by \$308 million or 10.1 percent. For the fiscal year 2010, the State transferred \$767 million

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

to the State's educational institutions from the State General Fund, a decrease of \$37 million or (4.5) percent from fiscal year 2009.

❖ DISCRETE 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. All 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
- ✚ New Mexico Computing Applications Center, Inc.

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

❖ CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Asset Activity

At June 30, 2010, the State reported \$8,369 million in capital assets net of accumulated depreciation for governmental activities and \$2,195 million in capital assets net of accumulated depreciation for business-type activities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a decrease of 0.1 percent for governmental activities and an increase of 7.2 percent for business-type activities.

At June 30, 2010, the State had \$283 million in commitments for building projects in the state universities. Funding for these commitments will come from existing resources or from bond proceeds.

As provided by GASB standards, the State elected to use the depreciation method to account for infrastructure assets (roads and bridges). This method requires the State to allocate the cost of infrastructure assets over their estimated 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.

Refer to Note 1.D.7 and 2.D of the financial statements for additional information on capital assets and construction commitments.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Long-term Debt Activity

The State Constitution and Law authorizes the State to issue general obligation bonds, severance tax bonds, and revenue 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 legally restricted revenues. During the past year, the State continued to maintain a high bond rating from Moody's Investors Services (Moody's) and Standard & Poor's Corporation (S&P) on all State bonds.

The State had the following bond ratings at June 30, 2010:

State of New Mexico Bond Ratings at June 30, 2010

<u>Bonds</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
General Obligation Bonds	Aaa	AA+
Severance Tax Bonds	Aa1	AA
Supplemental Severance Tax Bonds	Aa2	AA-
State Transportation Revenue Bonds Senior Lien	Aa1	AA+
State Transportation Revenue Bonds Subordinate Lien	Aa2	AA
Adjustable Rate Subordinate Lien	Aaa	AA-
Approved State Lease Appropriation Bonds	Aa1	AA-

The governmental activities did not issue any General Obligation bonds during 2010. The governmental activities issued severance tax bonds during fiscal year 2010 for \$551 million.

State of New Mexico Net Outstanding Bonded Debt as of June 30, (Expressed in Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009 to 2010</u>
General Obligation Bonds, Net \$	423,854	\$ 481,812	\$ -	\$ -	\$ 423,854	\$ 481,812	(12.0) %
Severance Tax Bonds, Net	1,020,550	626,715	-	-	1,020,550	626,715	62.8 %
Revenue Bonds, Net	1,647,617	1,729,205	866,692	809,215	2,514,309	2,538,420	(0.9) %
Total Bonds Payable	\$ 3,092,021	\$ 2,837,732	\$ 866,692	\$ 809,215	\$ 3,958,713	\$ 3,646,947	8.5 %

Refer to Notes 1.D.11, 2.E, 2.F, and 2.G to the financial statements for additional information on the State's long-term debt and other liabilities.

❖ ECONOMIC CONDITIONS AND OUTLOOK

Original general revenue estimates for fiscal year 2010 were lower than actual general revenue for fiscal year 2010 revenues. The Legislature was able to balance the 2010 budget by using one-time fund balances transfers, budget reductions, moratorium of capital projects, and federal funding provided by the ARRA. Currently, the fiscal year 2011 budget has been balanced with budget reductions and a hiring freeze.

New Mexico employment has also fallen by about 6.0 percent since the beginning of the recession, and although the rate of decline is slowing, no clear signs of improvement are evident. According to the latest University of New

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Mexico Bureau of Business and Economic Research forecast for New Mexico, the previous peak level of employment in 2008 will not be reached again until 2013.

This severe boom-bust cycle with the projected slow recovery in the New Mexico economy has had and will continue to have severe implications for New Mexico's budget. The state's recurring revenues are very sensitive to the performance of the U.S. and New Mexico economies in general and the petroleum sector in particular. With the concurrent expansion of the U.S. economy and increase in oil and gas prices, recurring general fund revenue increased by about \$2 billion, or 25.0 percent, between 2005 and 2008, and the state ran large recurring revenue surpluses for fiscal years 2005 through 2008. Recurring general fund revenue peaked at just over \$6 billion in fiscal year 2008, and the surpluses in those years went to shore up general fund reserves and to fund capital outlay and other nonrecurring expenditures.

In just two years, the previous four years of revenue gains were wiped out, with a \$1 billion, or 20.0 percent, decline in revenues from fiscal year 2008 to fiscal year 2010. This precipitous decline in revenue and an increase in demand for government services due to the economic downturn contributed to large recurring revenue shortfalls in those years, with the gap in the budget filled from balances in the general fund and other state funds, as well as the use of federal stimulus funds to supplant what would have been recurring general fund revenue.

The continued slow growth projected for the New Mexico economy translates into slow recurring revenue growth. Total recurring general fund revenue is not projected to hit fiscal year 2008 levels until fiscal year 2015. As a result, the budget includes recurring revenue shortfalls in fiscal year 2011 and fiscal year 2012, in spite of budget cuts and tax increases. Although the budget gap is once again filled in fiscal year 2011 with fund balances, nonrecurring general fund spending reductions and temporary federal stimulus funds, the federal funds are not expected to be available in fiscal year 2012. Budget shortfall estimates for fiscal year 2012 range from \$215 million to \$410 million, assuming a flat general fund budget and depending on assumptions regarding the cost of maintaining the Medicaid program and the passage of legislation to shift the cost of certain programs away from the general fund.

Regardless of the exact amount of the fiscal year 2012 shortfall, the historic speed and depth of the plunge in the New Mexico economy and state revenues, the slow pace of the recovery and the expected reduction in federal funds create a very difficult starting point for upcoming budget deliberations.

❖ CONTACT THE STATE'S FINANCIAL MANAGEMENT

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

Department of Finance and Administration

Financial Control Division

407 Galisteo

Bataan Memorial Building Room 166

Santa Fe, New Mexico 87501

STATE OF NEW MEXICO

BASIC FINANCIAL STATEMENTS



Source: New Mexico Tourism Department, Dan Monaghan

Sandia Tram: The Sandia Peak Tramway is an engineering marvel. However, it is the view from the western slope of the Sandias that has drawn more than 6-million visitors since the Tram first opened in 1967. The car climbs 4000 feet in about 18 minutes, depositing riders at the top of Sandia Peak. On the Turquoise Trail National Scenic Byway.

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS

June 30, 2010
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 10,460	\$ 717,389	\$ 727,849	\$ 166,254
Investment in State General Fund Investment Pool	1,957,405	101,434	2,058,839	-
Investment in Local Government Investment Pool	-	78,223	78,223	130,155
Deferred Charges and Other Assets	34,904	33,054	67,958	6,781
Internal Balances	(1,472)	1,472	-	-
Due From Primary Government	-	-	-	147,842
Due From External Parties	1,103,360	-	1,103,360	-
Receivables, Net	836,292	379,543	1,215,835	1,275,116
Investments	188,775	347,823	536,598	-
Inventories	33,531	23,344	56,875	-
Total Current Assets	4,163,255	1,682,282	5,845,537	1,726,148
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	388,886	63,542	452,428	397,989
Restricted Investments	3,911,835	-	3,911,835	1,114,801
Loans Receivable, Net	-	204,173	204,173	233,145
Investments	-	1,362,199	1,362,199	20,855
Other Noncurrent Assets	7,553	15,267	22,820	32,310
Nondepreciable Capital Assets	926,636	253,477	1,180,113	512
Capital Assets, Net	7,442,105	1,941,112	9,383,217	1,337
Total Noncurrent Assets	12,677,015	3,839,770	16,516,785	1,800,949
Total Assets	16,840,270	5,522,052	22,362,322	3,527,097

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2010
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 412,279	\$ 160,211	\$ 572,490	\$ 16,269
Accrued Liabilities	292,631	100,785	393,416	89,187
Claims Payable	177,720	-	177,720	-
Unearned Revenue	117,376	120,569	237,945	-
Due to External Parties	225,745	-	225,745	-
Due to Component Unit	147,842	-	147,842	-
Securities Lending	167,582	-	167,582	-
Intergovernmental Payables	109,310	663	109,973	-
Other Obligations	29,963	-	29,963	-
Funds Held for Others	3,454	13,251	16,705	116,283
Bonds Payable	284,102	28,614	312,716	84,458
Other Liabilities	198,165	76,313	274,478	432
Total Current Liabilities	2,166,169	500,406	2,666,575	306,629
Noncurrent Liabilities:				
Bonds Payable	2,807,919	838,078	3,645,997	2,592,761
Other Liabilities	309,134	127,564	436,698	1,837
Total Noncurrent Liabilities	3,117,053	965,642	4,082,695	2,594,598
Total Liabilities	5,283,222	1,466,048	6,749,270	2,901,227
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,905,275	1,453,705	8,358,980	1,080
Restricted for:				
Highway Construction and Maintenance	96,134	-	96,134	-
Education	76,495	-	76,495	-
Capital Projects	131,286	89,448	220,734	-
Construction Warranty New Mexico 44	32,882	-	32,882	-
Debt Service	271,143	44,461	315,604	110,041
Health and Human Services	89,472	-	89,472	-
Financial Aid	26,285	-	26,285	-
Unemployment and Insurance	177,720	317,708	495,428	-
Loan Programs	-	308,082	308,082	-
Program Funds	-	-	-	256,256
Other Purposes	13,316	53,405	66,721	19,807
Funds Held in Permanent Investments:				
Nonexpendable	3,984,270	1,032,264	5,016,534	-
Unrestricted Net Assets (Deficit)	(247,230)	756,931	509,701	238,686
Total Net Assets	\$ 11,557,048	\$ 4,056,004	\$ 15,613,052	\$ 625,870

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

(In Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Control	\$ 1,197,734	\$ 196,030	\$ 544,692	\$ -
Culture, Recreation, and Natural Resources	227,367	151,080	105,590	-
Highway and Transportation	1,007,714	78,887	-	376,259
Judicial	244,824	172,084	113,697	-
Legislative	25,474	-	11,830	-
Public Safety	456,583	328,297	212,038	-
Regulation and Licensing	117,728	90,715	54,673	-
Health and Human Services	5,995,540	361,077	3,832,153	-
Education	3,325,810	279	445,269	-
Unemployment Benefits	11,537	-	11,537	-
Interest on Long-term Debt	130,997	-	-	-
Total Governmental Activities	12,741,308	1,378,449	5,331,479	376,259
Business-type Activities:				
Educational Institutions	2,678,999	1,116,796	780,533	19,845
Public Schools Insurance	298,852	322,741	-	-
Lottery	99,997	143,539	-	-
Miners' Colfax Medical Center	24,896	20,588	322	-
Unemployment Insurance	781,494	-	400,426	-
State Fair	18,916	13,859	-	7,121
Other Business-type Activities	16,307	11,883	7,606	-
Total Business-type Activities	3,919,461	1,629,406	1,188,887	26,966
Total Primary Government	\$ 16,660,769	\$ 3,007,855	\$ 6,520,366	\$ 403,225
Discretely Presented Component Units				
New Mexico Finance Authority	\$ 128,017	\$ 65,286	\$ 42,185	\$ -
New Mexico Mortgage Finance Authority	167,532	78,001	89,379	-
New Mexico Computing Application Center	4,644	795	1,553	-
Total Component Unit Activities	\$ 300,193	\$ 144,082	\$ 133,117	\$ -
General Revenues:				
Taxes:				
Individual Income				
Corporate Income				
Sales and Use				
Business Privilege				
Other				
Payment From State of New Mexico				
Payment To State of New Mexico				
Investment Income				
Miscellaneous				
Transfers, Net				
Total Net General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning, as Restated -				
See Note 2.H.				
Net Assets - Ending				

See accountant's report

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (457,012)	\$ -	\$ (457,012)	\$ -
29,303	-	29,303	-
(552,568)	-	(552,568)	-
40,957	-	40,957	-
(13,644)	-	(13,644)	-
83,752	-	83,752	-
27,660	-	27,660	-
(1,802,310)	-	(1,802,310)	-
(2,880,262)	-	(2,880,262)	-
-	-	-	-
(130,997)	-	(130,997)	-
<u>(5,655,121)</u>	<u>-</u>	<u>(5,655,121)</u>	<u>-</u>
-	(761,825)	(761,825)	-
-	23,889	23,889	-
-	43,542	43,542	-
-	(3,986)	(3,986)	-
-	(381,068)	(381,068)	-
-	2,064	2,064	-
-	3,182	3,182	-
-	<u>(1,074,202)</u>	<u>(1,074,202)</u>	<u>-</u>
<u>(5,655,121)</u>	<u>(1,074,202)</u>	<u>(6,729,323)</u>	<u>-</u>
-	-	-	(20,546)
-	-	-	(152)
-	-	-	(2,296)
-	-	-	<u>(22,994)</u>
956,560	-	956,560	-
125,101	-	125,101	-
737,996	-	737,996	-
2,071,687	-	2,071,687	-
475,961	188,465	664,426	-
-	-	-	15,439
-	-	-	(8,070)
1,252,935	220,917	1,473,852	41,902
183,159	103,066	286,225	-
(723,795)	723,795	-	-
<u>5,079,604</u>	<u>1,236,243</u>	<u>6,315,847</u>	<u>49,271</u>
(575,517)	162,041	(413,476)	26,277
12,132,565	3,893,963	16,026,528	599,593
<u>\$ 11,557,048</u>	<u>\$ 4,056,004</u>	<u>\$ 15,613,052</u>	<u>\$ 625,870</u>

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STATE OF NEW MEXICO

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

This fund is the principal operating fund of the State. It accounts for financial resources of the general government except those required to be accounted for in another fund.

Education Fund

This fund accounts for all resources used to operate K-12 public education programs and some adult basic education programs in the State.

Health and Human Services Fund

This fund accounts for resources used to operate the various health programs and the family service and assistance programs throughout the State.

Highway and Transportation Fund

This fund accounts for the resources used to develop, operate, and maintain the State road and highway system as well as assist with other transportation programs.

Appropriated Bond Proceeds Capital Outlay Fund

This fund accounts for the severance tax and general obligation bond proceeds appropriated by the Legislature for various capital projects to state agencies and local governments.

Severance Tax Permanent Fund

This fund accounts for the annual portion of severance taxes generated from the production of minerals and other natural resources and distributes the monies to the State General Fund.

Nonmajor Funds

Nonmajor governmental funds are presented by fund type beginning on page 187.

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2010
(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
ASSETS				
Cash and Cash Equivalents	\$ 2,406	\$ 2,840	\$ 1,033	\$ 156,823
Investment in the State General Fund Investment Pool	-	84,186	154,415	95,683
Deferred Charges and Other Assets	1,102	335	255	32,887
Due From Other Funds	918,284	14,304	55,155	106,635
Receivables, Net	61,657	132,841	344,044	120,230
Investments	138,947	-	2,216	-
Inventories	7,562	-	3,529	22,043
Total Assets	<u>\$ 1,129,958</u>	<u>\$ 234,506</u>	<u>\$ 560,647</u>	<u>\$ 534,301</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 52,664	\$ 89,879	\$ 96,387	\$ 55,992
Accrued Liabilities	34,256	5,188	217,246	9,456
Due To Other Funds	557,357	20,455	117,798	102,324
Due to Brokers	-	-	-	-
Intergovernmental Payables	18,186	3,233	69,686	1,502
Funds Held For Others	3,426	-	5	-
Other Obligations	29,963	-	-	-
Deferred Revenue	46,267	11,490	46,830	47,855
Total Liabilities	<u>742,119</u>	<u>130,245</u>	<u>547,952</u>	<u>217,129</u>
Fund Balances:				
Reserved for:				
Capital Projects	10	1,146	-	-
Construction Warranty New Mexico 44	-	-	-	32,882
Environment	-	-	44,736	-
Financial Aid	-	26,285	-	-
Inventories	7,562	-	3,529	22,043
Multiple Year Appropriations and Encumbrances	23,898	-	12,841	22,044
Pool Participants	-	-	-	-
Social Services	-	-	44,736	-
Other	1,102	335	255	-
Unreserved Designated, Reported in Nonmajor:				
Debt Service Funds	-	-	-	-
Unreserved Undesignated (Deficit)	355,267	76,495	(93,402)	240,203
Unreserved Undesignated, Reported in Nonmajor:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds (Deficit)	-	-	-	-
Total Fund Balances	<u>387,839</u>	<u>104,261</u>	<u>12,695</u>	<u>317,172</u>
Total Liabilities and Fund Balances	<u>\$ 1,129,958</u>	<u>\$ 234,506</u>	<u>\$ 560,647</u>	<u>\$ 534,301</u>

See accountant's report

<u>Special Revenue</u>			
<u>Appropriated</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Bonds Proceeds</u>	<u>Severance</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Capital Outlay</u>	<u>Tax Permanent</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ 190,778	\$ 45,466	\$ 399,346
949,889	11	496,272	1,780,456
-	-	324	34,903
544,422	4,677	107,996	1,751,473
-	17,662	149,215	825,649
-	3,315,828	643,619	4,100,610
-	-	42	33,176
<u>\$ 1,494,311</u>	<u>\$ 3,528,956</u>	<u>\$ 1,442,934</u>	<u>\$ 8,925,613</u>
\$ -	\$ -	\$ 96,637	\$ 391,559
-	-	20,189	286,335
62,587	15,599	147,035	1,023,155
-	133,584	33,998	167,582
16,329	-	374	109,310
-	-	23	3,454
-	-	-	29,963
-	-	22,761	175,203
<u>78,916</u>	<u>149,183</u>	<u>321,017</u>	<u>2,186,561</u>
-	-	29,529	30,685
-	-	-	32,882
-	-	-	44,736
-	-	-	26,285
-	-	42	33,176
1,415,395	-	42,406	1,516,584
-	3,379,773	604,497	3,984,270
-	-	-	44,736
-	-	-	1,692
-	-	274,611	274,611
-	-	-	578,563
-	-	171,420	171,420
-	-	(588)	(588)
<u>1,415,395</u>	<u>3,379,773</u>	<u>1,121,917</u>	<u>6,739,052</u>
<u>\$ 1,494,311</u>	<u>\$ 3,528,956</u>	<u>\$ 1,442,934</u>	<u>\$ 8,925,613</u>

STATE OF NEW MEXICO

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2010
(In Thousands)

Total Fund Balances - Governmental Funds \$ 6,739,052

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: (See Note 2.D.)

Land and Related Nondepreciable Assets	\$ 88,222	
Infrastructure, Nondepreciable	463,769	
Construction-In-Progress	298,681	
Other Nondepreciable Assets	75,964	
Buildings, Equipment, Infrastructure and Other Depreciable Assets	17,357,467	
Accumulated Depreciation	<u>(9,976,900)</u>	8,307,203

Assets (receivables) not available to provide current resources are offset with deferred revenues (liabilities) in the fund statements. The reduction of the liability and recognition of revenue increases net assets in the Statement of Net Assets. 57,827

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, telecommunications, building maintenance and management of capitol complex, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 48,201

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds; however, these costs are deferred in the Statement of Net Assets. 7,553

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds: (See Note 2. E.)

General Obligation, Severance Tax and Revenues Bonds Payable	(3,092,021)	
Accrued Interest Payable	(3,468)	
Notes Payable	(124,205)	
Claims and Judgments	(222,821)	
Compensated Absences	(73,483)	
Pollution Remediation Obligation	(86,289)	
Other	<u>(501)</u>	<u>(3,602,788)</u>

Total Net Assets - Governmental Activities \$ 11,557,048

See accountant's report

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STATE OF NEW MEXICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
REVENUES				
Taxes:				
General and Selective Taxes	\$ 2,453,107	\$ -	\$ 3,271	\$ 376,607
Income Taxes	1,081,661	-	-	-
Total Taxes	3,534,768	-	3,271	376,607
Other Revenues:				
Federal Revenue	87,248	445,269	3,832,153	376,259
Investment Income	719,807	205	3,015	6,200
Rentals and Royalties	439,043	-	179	-
Charges for Services	23,307	-	195,962	5,185
Licenses, Fees, and Permits	131,267	182	38,568	18,620
Assessments	71,363	-	13,116	-
Miscellaneous and Other	8,963	10,174	5,639	32,845
Total Revenues	5,015,766	455,830	4,091,903	815,716
EXPENDITURES				
Current:				
Culture, Recreation, and Natural Resources	152,791	-	-	-
Education	-	3,034,116	-	-
General Control	228,197	-	-	-
Health and Human Services	-	-	5,465,951	-
Highway and Transportation	-	-	-	405,813
Judicial	175,584	-	-	-
Land Grant	-	-	-	-
Legislative	24,128	-	-	-
Public Safety	402,003	-	-	-
Regulation and Licensing	76,519	-	-	-
Severance Tax	-	-	-	-
Unemployment Benefits	-	-	-	-
Capital Outlay	71,474	586	9,555	370,030
Debt Service:				
Interest and Other Charges	-	-	-	87,211
Principal	-	-	-	191,405
Bond Costs	-	-	-	899
Total Expenditures	1,130,696	3,034,702	5,475,506	1,055,358
Excess Revenues Over (Under)				
Expenditures	3,885,070	(2,578,872)	(1,383,603)	(239,642)

See accountant's report

<u>Special Revenue</u>			
<u>Appropriated</u>		Nonmajor	Total
<u>Bonds Proceeds</u>	Severance	Governmental	Governmental
<u>Capital Outlay</u>	Tax Permanent	Funds	Funds
\$ -	\$ -	\$ 492,590	\$ 3,325,575
-	-	-	1,081,661
-	-	492,590	4,407,236
-	-	966,809	5,707,738
-	401,688	121,794	1,252,709
-	-	6,325	445,547
-	-	16,957	241,411
-	-	23,691	212,328
-	-	17,067	101,546
-	-	20,739	78,360
-	401,688	1,665,972	12,446,875
-	-	57,761	210,552
-	-	291,067	3,325,183
-	-	193,613	421,810
-	-	441,635	5,907,586
-	-	23,709	429,522
-	-	63,024	238,608
-	-	1,673	1,673
-	-	-	24,128
-	-	40,774	442,777
-	-	33,892	110,411
-	2,772	-	2,772
-	-	11,537	11,537
-	-	224,333	675,978
-	-	52,455	139,666
-	-	141,042	332,447
-	-	1,059	1,958
-	2,772	1,577,574	12,276,608
-	398,916	88,398	170,267

STATE OF NEW MEXICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
OTHER FINANCING SOURCES (USES)				
Bonds Issued	\$ -	\$ -	\$ -	\$ 9,925
Bond Premium	-	-	-	-
Note Proceeds	-	-	-	80,534
Refunding Bond Issue	-	-	-	102,420
Payment to Refunded Bond Escrow Agent	-	-	-	-
Proceeds from the Sale of Capital Assets	432	-	-	-
Transfers In	1,516,089	2,680,834	1,507,668	45,101
Transfers Out	(5,491,490)	(141,789)	(287,512)	(14,841)
Total Other Financing Sources (Uses)	(3,974,969)	2,539,045	1,220,156	223,139
Net Change in Fund Balances	(89,899)	(39,827)	(163,447)	(16,503)
Fund Balances - Beginning, as Restated - See Note 2.H.	477,738	144,088	176,142	333,675
Fund Balances - Ending	\$ 387,839	\$ 104,261	\$ 12,695	\$ 317,172

See accountant's report

<u>Special Revenue</u>			
<u>Appropriated</u>		Nonmajor	Total
<u>Bonds Proceeds</u>	Severance	Governmental	Governmental
<u>Capital Outlay</u>	Tax Permanent	Funds	Funds
\$ -	\$ -	\$ 422,768	\$ 432,693
-	-	56,025	56,025
-	-	-	80,534
-	-	72,570	174,990
-	-	(72,570)	(72,570)
-	-	722	1,154
711,797	3,488	890,146	7,355,123
<u>(616,059)</u>	<u>(196,080)</u>	<u>(1,589,189)</u>	<u>(8,336,960)</u>
<u>95,738</u>	<u>(192,592)</u>	<u>(219,528)</u>	<u>(309,011)</u>
95,738	206,324	(131,130)	(138,744)
1,319,657	3,173,449	1,253,047	6,877,796
<u>\$ 1,415,395</u>	<u>\$ 3,379,773</u>	<u>\$ 1,121,917</u>	<u>\$ 6,739,052</u>

STATE OF NEW MEXICO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

(In Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ (138,744)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 675,978	
Depreciation expense	(650,017)	
Deletions	(36,342)	
Excess of capital outlay over depreciation expense		(10,381)

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. (39,931)

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, telecommunications, building maintenance, and management of capitol complex, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 31,792

Bond proceeds and capital leases provide current financial resources to governmental activities by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of the bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets: (See Note 2.E.)

Payment of Bond Principal	409,419	
Bond Proceeds, Net	(663,708)	(254,289)

Expenditures are recognized in the governmental funds when paid or due for items not normally paid with available financial resources, interest on long-term debt unless certain conditions are met, and bond issue costs; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net change of the following balances:

Compensated Absences Expense	290	
Notes Payable	(80,424)	
Claims and Judgments	(5,395)	
Pollution Remediation Obligation	(78,297)	
Accrued Interest on Bonds Payable	4,267	
Change in Bond Issuance Costs	(2,387)	
Other	(2,018)	
		(163,964)

Change in Net Assets of Governmental Activities \$ (575,517)

See accountant's report

STATE OF NEW MEXICO

PROPRIETARY FUND FINANCIAL STATEMENTS

Educational Institutions Fund

This fund accounts for the resources used to operate the seven institutions of higher education and three other schools, which were created by the *Constitution of the State of New Mexico*. These institutions are the University of New Mexico, New Mexico State University, New Mexico Highlands University, New Mexico Institute of Mining and Technology, Western New Mexico University, Eastern New Mexico University, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Visually Handicapped, and the New Mexico School for the Deaf.

Nonmajor Enterprise Funds

Nonmajor enterprise funds are presented beginning on page 213.

Internal Service Fund

This fund accounts for the operation of services provided by state agencies to other state agencies on a cost-reimbursement basis.

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2010
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 392,094	\$ 325,295	\$ 717,389	\$ -
Investment in the State General Fund Investment Pool	3,238	98,196	101,434	176,949
Investment in the Local Government Investment Pool	28,575	49,648	78,223	-
Deferred Charges and Other Assets	29,984	3,070	33,054	1
Due From Other Funds	9,382	4,676	14,058	9,948
Receivables, Net	304,723	74,820	379,543	10,643
Investments	347,823	-	347,823	-
Inventories	21,387	1,957	23,344	355
Total Current Assets	<u>1,137,206</u>	<u>557,662</u>	<u>1,694,868</u>	<u>197,896</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	61,639	1,903	63,542	-
Loans Receivable, Net	32,214	171,959	204,173	-
Investments	1,330,628	31,571	1,362,199	-
Other Noncurrent Assets	15,260	7	15,267	-
Nondepreciable Capital Assets	251,789	1,688	253,477	-
Capital Assets, Net	<u>1,856,592</u>	<u>84,520</u>	<u>1,941,112</u>	<u>61,538</u>
Total Noncurrent Assets	<u>3,548,122</u>	<u>291,648</u>	<u>3,839,770</u>	<u>61,538</u>
Total Assets	<u>4,685,328</u>	<u>849,310</u>	<u>5,534,638</u>	<u>259,434</u>

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS (CONTINUED)

PROPRIETARY FUNDS

June 30, 2010

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 153,192	\$ 7,019	\$ 160,211	\$ 20,720
Accrued Liabilities	90,026	10,759	100,785	1,227
Claims Payable	-	-	-	177,720
Unearned Revenue	69,530	51,039	120,569	-
Due to Other Funds	71	12,515	12,586	9,965
Intergovernmental Payables	-	663	663	-
Funds Held for Others	13,109	142	13,251	-
Bonds Payable	27,310	1,304	28,614	-
Other Liabilities	53,497	22,816	76,313	705
Total Current Liabilities	<u>406,735</u>	<u>106,257</u>	<u>512,992</u>	<u>210,337</u>
Noncurrent Liabilities:				
Bonds Payable	822,205	15,873	838,078	-
Other Liabilities	84,493	43,071	127,564	896
Total Noncurrent Liabilities	<u>906,698</u>	<u>58,944</u>	<u>965,642</u>	<u>896</u>
Total Liabilities	<u>1,313,433</u>	<u>165,201</u>	<u>1,478,634</u>	<u>211,233</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,384,673	69,032	1,453,705	61,538
Restricted for:				
Nonexpendable, Scholarships and Student Loans	105,895	-	105,895	-
Nonexpendable, Endowment	39,584	-	39,584	-
Nonexpendable, Land Grant				
Permanent Fund	886,785	-	886,785	-
Debt Service	43,284	1,177	44,461	-
Capital Projects	87,596	1,852	89,448	-
Federal Student Loans	21,328	-	21,328	-
Scholarships	28,706	-	28,706	-
General Activities	1,081	-	1,081	-
Unemployment and Insurance	-	317,708	317,708	177,720
Loans	-	286,754	286,754	-
Other Purposes	21,661	1,957	23,618	13,316
Unrestricted (Deficit)	751,302	5,629	756,931	(204,373)
Total Net Assets	<u>\$ 3,371,895</u>	<u>\$ 684,109</u>	<u>\$ 4,056,004</u>	<u>\$ 48,201</u>

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Charges for Services	\$ 149,668	\$ 508,167	\$ 657,835	\$ 479,163
Unemployment Insurance	-	188,465	188,465	-
Federal Revenue	547,242	408,354	955,596	-
State, Local, and Private Grants and Contracts	186,401	-	186,401	-
Loans and Other Income	-	4,443	4,443	-
Student Tuition and Fees, Net	203,697	-	203,697	-
Patient Services/Clinical Operations	680,067	-	680,067	-
Other Operating Revenues	82,675	375	83,050	3,022
Total Operating Revenues	<u>1,849,750</u>	<u>1,109,804</u>	<u>2,959,554</u>	<u>482,185</u>
OPERATING EXPENSES				
Benefits, Claims, and Premiums	-	817,126	817,126	-
Game Expense	-	94,986	94,986	-
General and Administrative Expenses	1,516,378	49,293	1,565,671	24,886
Insurance Losses	-	242,752	242,752	-
Depreciation Expense	151,429	5,094	156,523	12,343
Other Operating Expenses	985,265	30,493	1,015,758	447,678
Total Operating Expenses	<u>2,653,072</u>	<u>1,239,744</u>	<u>3,892,816</u>	<u>484,907</u>
Operating Income (Loss)	<u>(803,322)</u>	<u>(129,940)</u>	<u>(933,262)</u>	<u>(2,722)</u>
NONOPERATING REVENUES (EXPENSES)				
Clinical Operations	83,364	-	83,364	-
Private Grants and Gifts	39,579	-	39,579	-
Government Grants and Contracts	7,311	-	7,311	-
Interest and Investment Income	98,662	20,866	119,528	226
Interest and Other Expenses on Capital Asset-related Debt	(25,927)	(718)	(26,645)	(3)
Gain (Loss) on Sale of Capital Assets	(2,369)	4	(2,365)	152
Other Revenue	22,281	100	22,381	79
Total Nonoperating Revenues (Expenses)	<u>222,901</u>	<u>20,252</u>	<u>243,153</u>	<u>454</u>
Income (Loss) Before Transfers and Other Revenues (Expenses)	<u>(580,421)</u>	<u>(109,688)</u>	<u>(690,109)</u>	<u>(2,268)</u>
CAPITAL CONTRIBUTIONS AND ENDOWMENTS				
Capital Grants and Gifts	19,845	7,121	26,966	-
Permanent Fund/Endowment Contributions	101,389	-	101,389	-
Total Capital Contributions and Endowments	<u>121,234</u>	<u>7,121</u>	<u>128,355</u>	<u>-</u>
TRANSFERS				
Transfers In	767,317	112	767,429	34,954
Transfers Out	-	(43,634)	(43,634)	(894)
Total Transfers	<u>767,317</u>	<u>(43,522)</u>	<u>723,795</u>	<u>34,060</u>
Change in Net Assets	308,130	(146,089)	162,041	31,792
Net Assets - Beginning, as Restated - See Note 2.H.	<u>3,063,765</u>	<u>830,198</u>	<u>3,893,963</u>	<u>16,409</u>
Net Assets - Ending	<u>\$ 3,371,895</u>	<u>\$ 684,109</u>	<u>\$ 4,056,004</u>	<u>\$ 48,201</u>

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STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2010
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from:				
Fees for Service	\$ 903,277	\$ 358,912	\$ 1,262,189	\$ 483,303
Sale of Products	159,464	143,722	303,186	-
Gifts, Grants, and Contracts	698,860	-	698,860	-
Loan and Note Repayments	1,844	18,050	19,894	-
Unemployment Insurance	-	174,762	174,762	-
Other Sources	48,568	423,473	472,041	389
Cash Payments to or for:				
Suppliers	(717,465)	(96,919)	(814,384)	(111,838)
Employees	(1,601,672)	(27,195)	(1,628,867)	(357,266)
Unemployment Benefits	-	(754,010)	(754,010)	-
Scholarships	(108,631)	-	(108,631)	-
Student Loans and Loan Losses	(12,983)	(256,519)	(269,502)	-
Lottery Prizes	-	(82,392)	(82,392)	-
Other Payments	(1,201)	(46,777)	(47,978)	-
Net Cash Provided (Used) by Operating Activities	(629,939)	(144,893)	(774,832)	14,588
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	673,373	112	673,485	-
Transfers Out	-	(40,548)	(40,548)	-
Gifts for Other Than Capital Purposes	38,983	-	38,983	-
Intergovernmental Receipts	78,013	118,054	196,067	-
Private Gifts for Endowment	7,344	(6,198)	1,146	-
Noncapital Nonoperating Income (Expenses)	21,852	-	21,852	(2,275)
Net Cash Provided (Used) by Noncapital Financing Activities	819,565	71,420	890,985	(2,275)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(292,518)	(6,410)	(298,928)	(1,821)
Capital Gifts, Grants, and Contracts	52,905	-	52,905	-
Capital Debt Service Payments	(65,066)	(1,369)	(66,435)	(3,665)
Capital Contributions and Debt Proceeds	185,770	7,121	192,891	-
Proceeds from Sale of Capital Assets	2,925	-	2,925	-
Net Cash Used by Capital and Related Financing Activities	(115,984)	(658)	(116,642)	(5,486)

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2010
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest and Dividends of Investments	\$ 23,767	\$ 4,460	\$ 28,227	\$ 3
Purchase of Investments	(1,303,744)	(2)	(1,303,746)	-
Proceeds from Sale and Maturity of Investments	1,320,852	-	1,320,852	-
Net Cash Provided by Investing Activities	<u>40,875</u>	<u>4,458</u>	<u>45,333</u>	<u>3</u>
Net Increase (Decrease) in Cash	114,517	(69,673)	44,844	6,830
Cash and Cash Equivalents at Beginning of Year, as Restated	371,029	544,715	915,744	170,119
Cash and Cash Equivalents at End of Year	<u>\$ 485,546</u>	<u>\$ 475,042</u>	<u>\$ 960,588</u>	<u>\$ 176,949</u>
Cash and Cash Equivalents				
Unrestricted	\$ 392,094	\$ 325,295	\$ 717,389	\$ -
Restricted	61,639	1,903	63,542	-
Investment in the State General Fund Investment Pool	3,238	98,196	101,434	176,949
Investment in the Local Government Investment Pool	28,575	49,648	78,223	-
Total Cash and Cash Equivalents	<u>\$ 485,546</u>	<u>\$ 475,042</u>	<u>\$ 960,588</u>	<u>\$ 176,949</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (803,322)	\$ (129,940)	\$ (933,262)	\$ (2,722)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	150,716	5,094	155,810	12,343
Bad Debt Expense	130,782	5,086	135,868	-
Reserve for Losses	-	(6,452)	(6,452)	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Receivables/Due From Other Funds	(89,509)	(41,637)	(131,146)	1,806
Notes/Loans	1,487	1,116	2,603	-
Inventories	(1,851)	346	(1,505)	7
Prepaid Items/Deferred Charges	271	(137)	134	7
Accounts Payable/Accrued Liabilities/Due To Other Funds	4,501	21,556	26,057	3,147
Unearned Revenue	(23,014)	75	(22,939)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (629,939)</u>	<u>\$ (144,893)</u>	<u>\$ (774,832)</u>	<u>\$ 14,588</u>

See accountant's report

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STATE OF NEW MEXICO

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension Trust Fund

This fund accounts for the resources accumulated and held for the payment of retirement and other benefits under plans operated by the Public Employees Retirement Association, the Educational Retirement Board, and the Retiree Health Care Authority. Pension trust funds are presented beginning on page 225.

External Investment Trust Fund

This fund accounts for assets held by the State in a trustee capacity. The funds are held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds. External trust funds are presented beginning on page 237.

Private Purpose Trust Funds

These funds account for resources held under trust arrangements and which benefit individuals, organizations, the State of New Mexico, and other governmental units. These funds include the Scholarship Fund, the Land Grant Permanent Fund, the Education Trust Fund, and Water Trust Fund. Private purpose trust funds are presented beginning on page 241.

Agency Funds

These funds are used to report resources held by various State agencies in a purely custodial capacity for distribution to other parties. Agency funds are presented beginning on page 245.

STATE OF NEW MEXICO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

June 30, 2010
(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,048,937	\$ 431,483	\$ 483,822	\$ 465,322
Investment in State General Fund Investment Pool	33,875	-	30,857	819,314
Investment in Local Government Investment Pool	-	-	-	5,159
Investments	18,547,725	327,824	8,996,009	20,965
Due From Other Funds	289	-	2,308	223,148
Receivables, Net	539,135	1,074	63,098	787,218
Other Assets	2,129	-	-	-
Capital Assets	24,254	-	-	-
Total Assets	<u>20,196,344</u>	<u>760,381</u>	<u>9,576,094</u>	<u>2,321,126</u>
LIABILITIES				
Accounts Payable	21,704	-	3,560	38,140
Security Lending Liability	615,553	-	-	-
Accrued Liabilities	2,169	-	568	-
Due to Other Funds	312	29	17	1,103,002
Due to Beneficiaries	-	-	36,444	-
Due to Brokers	655,492	5,483	49,145	-
Due to Taxpayers	-	-	-	197,217
Intergovernmental Payables	-	122,713	-	272,981
Deposits Held in Trust	849	-	-	511,251
Other Liabilities	8,905	-	370,089	198,535
Total Liabilities	<u>1,304,984</u>	<u>128,225</u>	<u>459,823</u>	<u>2,321,126</u>
NET ASSETS				
Held in Trust for:				
Pension Benefits	18,383,205	-	-	-
Other Postemployment Benefits	329,401	-	-	-
Defined Contribution	178,754	-	-	-
External Investment Pool Participants	-	632,156	-	-
Other Purposes	-	-	9,116,271	-
Net Assets	<u>\$ 18,891,360</u>	<u>\$ 632,156</u>	<u>\$ 9,116,271</u>	<u>\$ -</u>

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employee Contributions	\$ 635,703	\$ -	\$ -
Employer Contributions	664,097	-	-
Member Contributions	-	-	614,015
Transfers In	760	-	289,853
Total Contributions	<u>1,300,560</u>	<u>-</u>	<u>903,868</u>
Pool Participant Deposits	-	1,154	-
Investment Income:			
Net Increase in Fair Value of Investments	2,318,687	8,319	976,676
Interest and Dividends	445,139	3,710	178,394
	<u>2,763,826</u>	<u>12,029</u>	<u>1,155,070</u>
Less Investment Expense	(51,992)	(301)	(12,392)
Net Investment Income	<u>2,711,834</u>	<u>11,728</u>	<u>1,142,678</u>
Other Additions			
Other Operating Revenues	40,802	-	-
Total Other Additions	<u>40,802</u>	<u>-</u>	<u>-</u>
Total Additions	<u>4,053,196</u>	<u>12,882</u>	<u>2,046,546</u>
DEDUCTIONS			
Benefits and Claims	1,343,150	-	-
Retiree Healthcare Payments	201,290	-	-
Distributions	-	-	1,038,969
Pool Participant Withdrawals	-	144,585	-
Refunds	61,517	-	-
General and Administrative Expenses	26,232	150	-
Other Operating Expenses	148	-	20,463
Transfers Out	-	-	74,000
Total Deductions	<u>1,632,337</u>	<u>144,735</u>	<u>1,133,432</u>
Change in Net Assets	2,420,859	(131,853)	913,114
Net Assets - Beginning, as Restated - See Note 2.H.	16,470,501	764,009	8,203,157
Net Assets - Ending	<u>\$ 18,891,360</u>	<u>\$ 632,156</u>	<u>\$ 9,116,271</u>

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STATE OF NEW MEXICO

COMPONENT UNIT FINANCIAL STATEMENTS

New Mexico Finance Authority

The New Mexico Finance Authority coordinates the planning and financing of state and local public projects, provides for long-term planning and assessment of state and local capital needs, and improves cooperation among the executive and legislative branches of state government and local governments in financing public projects.

New Mexico Mortgage Finance Authority

The New Mexico Mortgage Finance Authority assists in the financing of housing for persons of low and moderate income in the State.

New Mexico Computing Applications Center, Inc.

The New Mexico Computing Applications Center, Inc. promotes, develops, and manages research parks or technological innovations for scientific, educational, and economic development opportunities.

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET ASSETS

COMPONENT UNITS

June 30, 2010

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Computing Applications Center	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 118,705	\$ 46,202	\$ 1,347	\$ 166,254
Investment in Local Government				
Investment Pool	111,293	18,862	-	130,155
Deferred Charges and Other Assets	880	5,897	4	6,781
Due From Primary Government	147,842	-	-	147,842
Receivables, Net	1,268,533	6,428	155	1,275,116
Total Current Assets	<u>1,647,253</u>	<u>77,389</u>	<u>1,506</u>	<u>1,726,148</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	156,992	240,997	-	397,989
Restricted Investments	-	1,114,801	-	1,114,801
Loans Receivable, Net	-	233,145	-	233,145
Investments	-	20,855	-	20,855
Other Noncurrent Assets	10,919	21,391	-	32,310
Nondepreciable Capital Assets	-	512	-	512
Capital Assets, Net	273	982	82	1,337
Total Noncurrent Assets	<u>168,184</u>	<u>1,632,683</u>	<u>82</u>	<u>1,800,949</u>
Total Assets	<u>1,815,437</u>	<u>1,710,072</u>	<u>1,588</u>	<u>3,527,097</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,788	12,841	640	16,269
Accrued Liabilities	77,086	12,101	-	89,187
Funds Held for Others	116,283	-	-	116,283
Bonds Payable	65,371	19,087	-	84,458
Other Liabilities	210	222	-	432
Total Current Liabilities	<u>261,738</u>	<u>44,251</u>	<u>640</u>	<u>306,629</u>
Noncurrent Liabilities:				
Bonds Payable	1,168,349	1,424,412	-	2,592,761
Other Liabilities	-	1,837	-	1,837
Total Noncurrent Liabilities	<u>1,168,349</u>	<u>1,426,249</u>	<u>-</u>	<u>2,594,598</u>
Total Liabilities	<u>1,430,087</u>	<u>1,470,500</u>	<u>640</u>	<u>2,901,227</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	273	726	81	1,080
Restricted for:				
Debt Service	8,997	101,044	-	110,041
Program Funds	256,256	-	-	256,256
Other Purposes	-	19,807	-	19,807
Unrestricted Net Assets	119,824	117,995	867	238,686
Total Net Assets	<u>\$ 385,350</u>	<u>\$ 239,572</u>	<u>\$ 948</u>	<u>\$ 625,870</u>

See accountant's report

STATE OF NEW MEXICO

COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS

For the Year Ended June 30, 2010
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Computing Applications Center	Total
Expenses	\$ 128,017	\$ 167,532	\$ 4,644	\$ 300,193
Program Revenues:				
Charges for Services	65,286	78,001	795	144,082
Operating Grants and Contributions	42,185	89,379	1,553	133,117
Total Program Revenues	107,471	167,380	2,348	277,199
Net (Expenses) Revenues	(20,546)	(152)	(2,296)	(22,994)
General Revenues:				
Payment from State of New Mexico	11,722	750	2,967	15,439
Payment to State of New Mexico	(8,070)	-	-	(8,070)
Investment Income	8,101	33,801	-	41,902
Total General Revenues	11,753	34,551	2,967	49,271
Change in Net Assets	(8,793)	34,399	671	26,277
Net Assets - Beginning	394,143	205,173	277	599,593
Net Assets - Ending	\$ 385,350	\$ 239,572	\$ 948	\$ 625,870

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of New Mexico have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The State's significant 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 *Constitution of the State of New Mexico*, Article XII, Section 11), and its component units. The annual financial report does not include the financial statements of the community colleges or public schools.

The GASB has set forth criteria to be considered in determining financial accountability as defined in GASB Statement No. 14, *The Financial Reporting Entity*. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the State to impose its will on that organization or 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Where a State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the reporting entity if an organization is fiscally dependent on the State, its resources are held for the direct benefit of the State or can be accessed by the State, or the relationship is such that it would be misleading to exclude it.

See accountant's report

Blended Component Units

Blended component units provide services entirely or almost entirely to the primary government. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds. These component units are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State.

▪ New Mexico Lottery Authority

With the enactment of the New Mexico Lottery Act (Lottery Act) on July 1, 1995, the New Mexico Lottery Authority (Lottery Authority) was created as a public body, politic and corporate, separate from the State. The Lottery Authority was created and organized for establishing and conducting the lottery to provide revenues for the public purposes designated in the Lottery Act, which benefits the educational institutions created by the State Constitution.

Discrete Component Units

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. These component units are entities that are legally separate from the State, but are financially accountable to the State.

▪ New Mexico Finance Authority

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (NMFA). The purpose of the New Mexico Authority 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

The NMFA is considered a component unit of the State because the Governor appoints a majority of its Board, who serve at the pleasure of the Governor. In addition, NMFA provides benefits to other entities besides the State.

▪ **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, NMFA is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State. NMMFA has a September 30 fiscal year-end, which differs from all other state entities, which have a fiscal June 30 year-end.

The NMMFA is considered a component unit of the State because the Governor appoints a majority of its Board, who serve at the pleasure of the Governor. In addition, NMMFA provides benefits to other entities besides the State.

▪ **New Mexico Computing Applications Center, Inc.**

The New Mexico Computing Applications Center, Inc. (NMCAC) is a not-for-profit corporation formed on July 3, 2009 under the New Mexico Nonprofit Act (Chapters 53-8-1 through 53-8-99, New Mexico Statutes Annotated 1978) to promote, develop, and manage research parks or technological innovations for scientific, educational, and economic development opportunities in accordance with bylaws adopted by NMCAC.

The NMCAC is considered a component unit of the State because the Governor appoints a majority of its Board, who serve at the pleasure of the Governor. In addition, NMCAC is fiscally dependent on the State and provides benefits to other entities besides the State.

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

New Mexico Finance Authority

207 Shelby Street
Santa Fe, New Mexico 87505

New Mexico Mortgage Finance Authority

344 4th Street, SW
Albuquerque, New Mexico 87102

New Mexico Computing Applications Center, Inc.

5700 W. University Boulevard SE
Suite 320
Albuquerque, New Mexico 87106

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between *governmental and business-type activities*. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entity's financial position. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported as restricted.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

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. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The internal service fund is reported in a separate column on the proprietary funds 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.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement
See accountant's report

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.

Governmental Fund Financial Statements

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 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 available if they are collected within 60 days of the end of the current fiscal period. The State General Fund considers reversion revenues to be available 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 December 15 following the end of the fiscal year. All other revenues are recognized when they are received if they are not susceptible to accrual.

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.

The accounts of the State are organized based on 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 and Transportation Fund** – The Highway and Transportation Fund accounts for the maintenance and development of the State’s highway system and other transportation related projects.
- **Appropriated Bond Proceeds Capital Outlay Fund** – The Appropriated Bond Proceeds Capital Outlay Fund accounts for severance tax and general obligation bond proceeds that are appropriated by the Legislature on each bond issue.
- **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. On November 5, 1996, New Mexico voters approved Constitutional Amendment No. 1 which, among other things, provides that annual distributions from the Severance Tax Permanent

See accountant’s report

Fund shall be 102.0 percent of the amount distributed in the immediately preceding fiscal year until the annual distributions equal 4.7 percent 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 4.7 percent of the average of the year-end market values of the fund for the immediately preceding five years. Any amounts not distributed as approved by the Constitution remain as non-expendable.

Nonmajor Governmental Funds – The State’s nonmajor governmental funds include other special revenue funds, debt service funds and capital projects funds. The nonmajor special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. Examples include bond proceeds, land grant permanent monies, and other activities combined into specific functional areas. The debt service funds are used to account for the accumulation of resources for the payment of principal and interest on general long-term obligations and severance tax bonds or other contractual obligations 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. The 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). The State has many individual Capital Projects Funds; for presentation in this report, the funds have been combined into specific functional areas.

Proprietary Fund Financial Statements

The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods and services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public.

Proprietary funds distinguish operating revenues and expenses from 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 proprietary funds are student tuition and fees, net of scholarship discounts and allowances, patient services, sales and services, interest on loans, and most federal, state, and local contracts and grants. Operating expenses for proprietary 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the business-type activities and enterprise funds to the extent that those standards do not conflict with, or contradict guidance of the GASB. The State also has the option of following private-sector guidance issued after November 30, 1989 for its business-type activities, enterprise funds, and component units. As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, 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.

See accountant's report

Major Enterprise Funds

- **Educational Institutions Fund** – The Educational Institutions Fund accounts for the activities of the State's ten educational institutions created by the *Constitution of the State of New Mexico* in Article XII, Section 11: University of New Mexico, New Mexico State University, Eastern New Mexico University, New Mexico Institute of Mining and Technology, Western New Mexico University, New Mexico Highlands University, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Visually Handicapped, and New Mexico School for the Deaf.

Nonmajor Enterprise Funds – The State's nonmajor enterprise funds include unemployment insurance, public schools insurance, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries, and industries for the blind.

Internal Service Funds – The State also reports the internal service fund type in the proprietary funds statements. The activities accounted for in the internal service funds include technology services, telephone services, fleet operations, risk management, printing, and property management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Fund Financial Statements

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. The fiduciary fund financial statements are reported using the economic resources

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measurement focus and the accrual basis of accounting.

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, the Retiree Health Care System, and the Deferred Compensation Plan.

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 pools and the State Investment Council Investment pools.

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, the Land Grant Permanent Fund, the Water Trust Fund, and the Higher Educational Savings Trust.

Agency Funds – used to report resources held by the State in a purely custodial capacity. Agency funds account for receipt of various taxes, refundable deposits, and other monies collected or recovered to be held until the State has the right or obligation to distribute them to state operating funds or to various entities or individuals; and for deposit to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

Component Unit Financial Statements

The component units’ financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The See accountant’s report

information is presented in order to be consistent with the government-wide statements, and is less detailed than the presentation in each component unit’s separately issued financial statements. The component units follow all current GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash on deposit with banks, investment in the State General Fund Investment Pool, Local Government Investment Pool, and cash invested in short-term securities. Cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less. See Note 1.D.4 for more information on the State General Fund Investment Pool and the Local Government Investment Pool.

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

The Public Employees Retirement Association, Educational Trust Board, and the State Investment Council invest in the overnight repurchase agreements in the Short-term Investment Funds (STIF) at Northern Trust Company. Each internal and external investment manager has a component in the STIF. The STIF is used to facilitate more efficient trade procedures with the State’s external money managers. Net cash balances in each internal and external investment manager’s portfolios are reported as cash equivalents in the Statement of Fiduciary Net Assets.

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2. Restricted Cash and Cash Equivalents and Investments

Restricted assets include monies or other resources restricted by legal or contractual requirements.

3. Deferred Charges and Other Assets

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

The governmental funds use the purchases method and the consumption method of accounting for prepaids. Each state agency determines which method is more appropriate for their circumstance. Under the purchases method, prepaids are recorded as expenditures when purchased and residual balances, if any, are not accounted for as an asset. For the consumption method, costs are recorded as expenditures when consumed rather than when purchased, any remaining balances are reported as an asset until consumed.

The proprietary funds use the consumption method for prepaids.

Other assets consist of items specific to the state agency holding the asset as of June 30, 2010. The Department of Transportation (reported under Highway and Transportation Fund) had \$90,591 as an offsetting asset titled “deferred outflow” for the cash flow hedge interest rate swaps liability at June 30, 2010. See Note 2.F. The New Mexico Institute of Mining and Technology (reported under the Educational Institutions Fund) had \$2,260 of student loans outstanding under the federal Perkins loan program. The University of New Mexico (reported under the Educational Institutions Fund) had \$11,121 in deferred bond issuance costs and \$9,683 as an offsetting asset titled “deferred cash outflow” for the cash flow hedge interest rate swaps liability at June 30, 2010. See accountant’s report

30, 2010. See Note 2.F. The Lottery Authority had \$2,698 of reserves on deposits for the Lottery Authority’s portion of the POWERBALL® and Hot Lotto® prize reserves held by the Multi-State Lottery Association. The Deferred Compensation Fund had \$2,129 in policyholder account value of life insurance. The NMMFA had \$10,372 in deferred bond issuance costs and a \$9,000 a note receivable that is a security relating to the issuance of Series 1987 A and B Multi-Family Housing Revenue Bonds. The note receivable is due in 2011.

4. Investments

Investments are under the control of the State Treasurer and other administrative bodies as determined by law. In certain instances, investments are restricted by law or other legal instruments. Investments are valued at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates as available. For investments where no readily ascertainable fair value exists, management in consultation with their investment advisors, have determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment’s degree of risk. The change in fair value is recognized as a component of investment income in the current year.

The Education Trust Board calculates the net asset value of its units as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the investments are determined as of the close of the Exchange on each day the Exchange is open for trading. Short-term “money market type” debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

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Investment Pools

State Treasurer - The State is required by statute to deposit any money received with the State Treasurer. Balances maintained at the end of the day are pooled and invested by the State Treasurer in overnight repurchase agreements. All repurchase agreements are collateralized by U.S. Treasury Securities held by the State Treasurer's custodian bank. These pooled balances are collectively called the State General Fund Investment Pool (SGFIP), which also includes the deposits in the Tax-Exempt Bonds Proceeds Investment Pool and Taxable Bond Proceeds Investment Pool. The State General Fund is the State of New Mexico's main operating account. All State revenues are credited to the General Fund. Income taxes, sales taxes, rents and royalties, and other recurring revenues are deposited into the fund. The fund also comprises numerous State agency accounts whose assets, by statute, must be held at the State Treasury. Expenditures are disbursed only in accordance with appropriations authorized by the State Legislature. The Bond Proceeds Pools comprise of pooled assets received through the issuance of taxable and tax-exempt bonds. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the SGFIP are reported as a cash equivalent.

All interest revenue is allocated to the General Fund unless state statute or trust agreements require allocations of interest to other funds. Interest is allocated based on the average daily balance and average monthly interest rates.

In addition to the SGFIP pooled cash account, there is the Local Government Investment Pool (LGIP). The LGIP also includes the deposits in the Reserve Contingency Fund. Cities, counties, other non-state agencies, and state agencies invest monies with the State Treasurer in the LGIP. Because these pooled funds are invested in short-term, highly liquid

investments, the individual fund investments in the LGIP are reported as a cash equivalent.

The LGIP, an external investment pool, is not registered with the Security and Exchange Commission (SEC) as an investment company. The investments are recorded at fair value based on quoted market price; however, individual participant balances remain at their carrying cost. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, New Mexico Statutes Annotated (NMSA) 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. At June 30, 2010, the LGIP carrying cost approximated the fair value. Participation in the LGIP is voluntary.

The external portion of LGIP is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

A copy of the New Mexico State Treasurer's audited financial statements can be obtained by writing the New Mexico State Treasurer, P.O. Box 608, Santa Fe, NM 87504.

Public Employees Retirement Association - The Public Employees Retirement Association created a short-term investment pool (Pool) to maximize the benefits of the investment diversification and investment earnings. The Judicial, Magistrate, Volunteer Firefighters, and Public Employees Retirement Systems (Systems) participate in the Pool. The fair value of the investments in the Pool is the same as the value of the pool shares. All investments in the Pool are either SEC registered or are exempt from SEC registration under exemption 3(a)(3) or 4(2) of SEC regulations. Each System's equity percentage in the Pool is based on that System's

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investment in the pool and will only increase or decrease by additional deposits or withdrawals.

State Investment Council - The State Investment Council (Council) is responsible for the investment activities of certain state trust funds. The Council's investments are reported in the following categories: governmental activities, business-type activities, private-purpose trust funds, and external investment trust funds. Each of the fund types are participants in the Council's pools. Each pool is composed of units of participation of unlimited quantity. Each unit of participation represents an equal beneficial interest in the respective pool and no unit has priority over any other. Each purchase or sale of units requires written authorization as defined in the joint powers agreements executed between the Council and each participant. All units are purchased by cash payment. Each unit of participation is recorded in book entry form by the Council.

The Council's pools are as follows:

The **Large Capitalization Active Pool** is managed internally and externally using fundamental research techniques. This pool seeks to exceed the performance of the S&P 500 Index emphasizing stock selection and by overweighting or underweighting 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

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high total returns for the risk assumed. The Core Bonds Pool uses the BC Aggregate Index as its benchmark.

The **Structured Credit Pool** is managed internally investing in various classes of securities of collateralized debt obligations, collateralized loan obligations and other structured finance instruments.

The **Mid/Small Capitalization Pool** is managed internally and externally. Overall, the manager mix is intended to capture the returns of the appropriate small or mid cap index.

The **Non-U.S. Developed Markets Pool** is an international equity fund managed by external managers including one active manager and one index manager. The benchmark is the Morgan Stanley Capital International Europe Australia and Far East Index (MSCI EAFE). The third-party managers of the described investments trade in foreign exchange contracts in the normal course of investing activities in order to manage exposure to currency risks. Such contracts, which are generally for a period less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at fair value using foreign currency forward exchange rates.

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, 2010, the fund had one active external manager.

The **Absolute Return Pool** is managed externally and consists of 16 actual funds of investments. The objective of the pool is to increase the diversification, decrease the volatility of the Land Grant, Severance Tax, Tobacco, and Water Trust fund assets and to add

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incremental value. The Absolute Return pool uses 90-day treasury bills plus 200 basis points as its benchmark.

The external portion of the Council's investment pools are reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

A copy of the Council's report can be obtained by writing the New Mexico State Investment Council, 41 Plaza la Prensa, Santa Fe, NM 87507.

5. Inventories

The governmental funds use the purchases method and the consumption method of accounting for inventories. Each state agency determines which method is more appropriate for their circumstance. Under these methods, inventories are recorded as expenditures when purchased for the purchases method or costs are recorded as expenditures when consumed rather than when purchased under the consumption method.

Inventories at year-end are reported as assets of the governmental funds 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.

Inventories of the proprietary funds are valued at cost using the average cost, retail inventory, and first-in-first-out (FIFO).

6. Receivables and Loan Receivables

Receivables are stated net of estimated allowance for uncollectible amounts, which are determined, based upon past collection experience and current economic conditions. The State has not forgiven any amounts deemed uncollectible. Each state agency is See accountant's report

responsible for keeping a permanent list of receivable amounts deemed uncollectible, in addition to periodically attempting to recover balances deemed uncollectible. Article IV Section 32 of the New Mexico Constitution [Remission of debts due state or municipalities] provides:

No obligation or liability of any person, association or corporation held or owned by or **owing to the state**, or any municipal corporation therein, shall ever be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury, or by proper proceeding in court.

Receivables in the governmental, business-type activities and fiduciary activities consist mainly of amounts due from the federal government, local governments, customers, patients and applicable insurance companies, taxpayers, students, and others.

Various reimbursement procedures are used for federal awards received by the State. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

Student tuition and fees receivables are recorded at rates established at the time a student registers for classes. Provisions for uncollectible student accounts

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are recorded to maintain an adequate allowance for anticipated losses.

Tax assessments represent issued and uncollected assessments at fiscal year-end. As collections of tax assessments and citations cannot be assured, these assessments are not expected to be collected within one year, and a provision for uncollectible accounts has been established for all of the tax assessments and citations.

Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. Certain loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements.

Under the State's educational loan for service programs, i.e. Medical, Osteopathic, Nursing, Allied Health Services, Minority Doctoral, Teachers, Dentistry, and WICHE, payments for principal and interest are deferred while the individual is enrolled in a qualified educational curriculum. Both principal and interest obligations can be relieved if the recipient performs service in a designated shortage area or accepts a teaching position at a sponsoring university (for Minority Doctoral program). The balances of loans and interest receivable are recorded at net of allowances for doubtful accounts. Allowance for doubtful accounts has been established for individual principal and interest balances that are not expected to be collected.

Construction and mortgage loans represent interest-bearing funds advanced to various municipalities and water control districts within the State to construct or modify wastewater or water supply facilities. Construction loans represent those projects still under construction. Interest is accrued on loans in the construction phase. Upon completion, accrued interest is either paid or added to the principal. See accountant's report

balance of the mortgage loan. The mortgage loans represent completed projects and the State is receiving payments of principal and interest.

The allowance for uncollectible accounts is based on estimated collectible balances using an analysis of an aging of outstanding accounts and historical collection experience.

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

NMFA's allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. As of June 30, 2010, the allowance for loan loss was \$2,133. The State has not experienced any losses on its loan portfolio.

New Mexico Mortgage Finance Authority - Mortgage loans receivable for NMMFA are carried at the unpaid principal balance outstanding less an allowance for estimated loan losses. Mortgage loans are secured by first liens on the related properties, with the exception of down payment and closing assistance (DPA) loans. Mortgage loans purchased by the State are required to be insured by the Federal Housing Administration (FHA) or private mortgage insurance, or guaranteed by the Veterans' Administration (VA). Conventional loans with a loan-to-value ratio of 80.0 percent or less do not

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require insurance. These policies insure, subject to certain conditions, mortgage loans against losses not otherwise insured, generally for specific percentages of the principal balance due plus accrued interest and other expenses sustained in preservation of the property. Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses. Mortgage loans continue to accrue interest during foreclosure since loans are insured, and interest is collected through insurance proceeds.

For NMMFA, losses incurred on mortgage loans are charged to the allowance for mortgage loan losses. The provision for loan losses is charged to expense when, in management's opinion, the realization of all or a portion of the loans or properties owned is doubtful. In evaluating the provision for loan losses, management considered the age of the various loan portfolios, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims, and economic conditions. Management believes that the allowance for mortgage loan losses is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

7. 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. The State defines capital assets as costing at least \$5 thousand or more when acquired and having an estimated useful life greater than one year.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases. 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.

Buildings, equipment, and other depreciable assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	10-40
Land Improvements	15-30
Furniture and Equipment	3-25
Vehicles	3-12
Buildings and Improvements	5-75

As provided by GASB standards, the State elected to use the depreciation method to account for infrastructure assets (roads and bridges). This method requires the State to allocate the cost of infrastructure assets over their estimated useful lives as depreciation expense.

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.

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8. Accrued Liabilities

Accrued liabilities include accrued current payroll and fringe benefits. These benefits consist of the employee and employer portions of taxes, insurance, retirement, and other compensation related withholdings.

In addition to payroll, the State has accrued healthcare services expenditures for the period during which services are provided and are based, in part, on estimates of accrued services provided but not reported by the providers to the State. Healthcare services payable in the accompanying financial statements are estimates of payments to be made to providers for reported claims and for claims not yet reported to the State. The State develops these estimates using actuarial methods based upon historical data for payment patterns, cost trends, utilization of healthcare services, and other relevant factors. When estimates change, the State records the adjustment in healthcare services expense in the period the change in estimate occurs. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts recorded. While the ultimate amount of claims and the related payments are dependent on future developments, the State believes that the reserves for claims are adequate to cover such claims and expenditures.

9. Compensated Absences

Qualified employees are entitled to accumulate sick leave at the rate of 3.7 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 50.0 percent of the excess over 600 hours, up to a maximum of 120 hours.

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Upon retirement or other termination, employees are paid 50.0 percent of the excess over 600 hours, up to 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 up to 240 hours. A maximum of thirty days of annual leave (240 hours) may be carried forward into the beginning of the calendar year, with any excess forfeited.

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 and the pension and other postemployment benefit 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.

10. Deferred Revenue – Unearned and Unavailable

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, unearned revenue is recorded when cash or other assets are

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received prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable. The State recognizes funds received in advance from federal agencies as deferred revenue and recognizes revenue when funds have been expended based on individual grant requirements.

11. Securities Lending

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, liabilities resulting from these transactions have been recorded as obligations under securities lending transactions.

12. Other Obligations

Other obligations include amounts due to taxpayers for tax refunds and tax credits.

13. Long-term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities.

Bonds Payables

Bond premiums and discounts, deferred amounts on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method or straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges (assets).

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The See accountant's report

face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserve for Losses

Public Schools Insurance Authority – The New Mexico Public Schools Insurance Authority (PSIA) insurance losses and related adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of PSIA's experience and benefits, property, casualty, and workers' compensation insurance industry data, which supplements PSIA's historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogation, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations as made.

During 2003, PSIA changed its methodology for accounting for its risk fund reserve for losses and loss adjustment expenses from an undiscounted basis to a discounted basis. The change was made to adjust the reserves to present value and to better reflect income.

In the opinion of PSIA's management and PSIA's independent actuary, the reserves for losses and loss adjustment expenses are reasonably stated to cover

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the present value of the ultimate net cost of loss adjustment expenses.

As discussed above, PSIA's management has discounted the losses and loss adjustment expenses for property, casualty, and workers' compensation to present values. Estimated outstanding losses were determined by PSIA's actuary to be \$63,900 at June 30, 2010. The indicated discounted losses and loss adjustment expenses are \$42,711 at June 30, 2010. Discounting is based on estimated payment dates and an appropriate assumed rate of return. The estimated unpaid losses as of June 30, 2010 were discounted using an interest rate of 2.5 percent.

Retiree Health Care Authority - The amount shown for the Retiree Health Care Authority as reserve for losses and loss adjustment expenses is an actuarially calculated estimate of the ultimate costs of settling all incurred but not reported claims as of June 30, 2010; while the amount shown on the accompanying fiduciary statement of changes in fiduciary net assets as losses and loss adjustment expenses represents the change in this estimate during the year ended June 30, 2010. These reserves represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. There exists a range of variability around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount reflected in the accompanying financial statements may not ultimately be the actual cost of settling all unpaid claims and the difference may be significant.

14. Interfund Transactions

Government-wide Financial Statements

Interfund Activity – In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity. However, interfund services, provided and used between different functional categories, have See accountant's report

not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount.

Interfund Balances – Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Governmental Fund Financial Statements

Interfund Activity – Interfund transactions for goods sold or services rendered for a price approximate their external exchange value, and employee benefit contributions are accounted for as revenues and expenditures/expenses in the funds involved.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. The State's transfers are based on legislative appropriations or other legal authority. Transfers are presented in Note 2.C.

15. Net Assets and Fund Equity

Invested in Capital Assets, Net of Related Debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets. Significant unspent related debt proceeds are not included in the calculation of invested in capital assets, net of related debt. The unspent portion of the debt is included in restricted for capital projects. The State issues General Obligation bonds and Severance Tax bonds to finance projects for the State and local governments. The Legislature appropriates the bond

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proceeds from each bond issue to projects throughout the State. Only bonds issued for projects appropriated to State agencies and recognized as a State asset are included in the calculation of the amount for Invested in Capital Assets, Net of Related Debt.

The State reports net assets as restricted when constraints placed on net assets are a) externally imposed by creditors, grantors, contributors or laws, or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Restricted Net Assets are designated as either expendable or nonexpendable. Expendable restricted net assets are those funds that may be expended either for a stated purpose or for a general purpose subject to externally imposed stipulations. Nonexpendable restricted net assets are those funds that are required to be retained in perpetuity. Restricted net assets include the state's permanent endowment funds subject to externally imposed restrictions governing their use.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net assets.

When both restricted and unrestricted net assets are available for use, it is the State's policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund balances in the governmental funds are classified to reserved, unreserved/designated, or unreserved/undesignated. Reserved fund balances are a) funds legally segregated for a specific use or b) See accountant's report

assets that, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes. Designated fund balances represent tentative plans for future use of available current financial resources.

Specific reservations and designations of fund balance accounts as summarized:

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 Construction Warranty New Mexico 44. This reserve was created to restrict the use of resources for the expenditures on the construction of New Mexico 44 (now highway U.S. 550). The New Mexico Department of Transportation filed a notice of deficiency regarding New Mexico 44 under the design and construction warranty provided by the contractor. Payment was made to the contractor and is being treated as a prepaid. The corresponding amount is included under the Deferred Charges and Other Assets line.

Reserved for Environment. This reserve was created to restrict the use of all resources collected for expenditures on preserving, protecting, and perpetuating the State's water, air, and land.

Reserved for Financial Aid. This reserve was created to restrict the use of all resources collected for expenditures on financial aid for students obtaining higher education.

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Reserved for Multiple Year Appropriations and 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 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 in the combined balance sheets as reservation of fund balance. Current year payments on these encumbrances represent reconciling differences between the modified accrual basis of accounting and the budgetary basis for the current fiscal year. Due to the change in budgetary accounting as discussed in the General Appropriations Act of 2005 (laws of 2005, Chapter 114, Section 3.D, E and M) and in subsequent General Appropriations Acts, encumbrances will no longer remain past appropriation periods. Funds remaining will be reverted and no differences between measurement focus should remain. Encumbrances will remain for those appropriation periods that span fiscal years.

Reserved for Pool Participants. Fund balances reserved for pool participants represent the respective net assets of those entities participating in the Severance Tax Permanent Fund and the Land Grant Permanent Fund.

Reserved for Social Services. This reserve was created to restrict the use of resources collected for expenditures on social welfare services, protection of the health of the citizens of the State, safety and well-being of the State's

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children, youths, and families, and regulating, monitoring, and inspecting the State's public facilities.

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.

16. Revenues and Expenditures/Expenses

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities (e.g. general control, education, health and human services, etc.).

Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g. federal grants), available only for specific purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

In the governmental fund financial statements, expenditures are reported by character: “Current,” “Capital Outlay,” or “Debt Service.” Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. depreciation, benefits, claims and premiums, and game expense). Operating revenues consist of sales of goods or services, interfund services provided/used, grant revenues for specific activities that are considered operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. For certain loan and investment programs, revenue that would normally be classified as nonoperating should be classified as operating. An example of this would include interest income on loans. All other revenues that do not meet the above criteria should be classified as nonoperating.

Grants

Federal grants and assistance awards made based on entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met.

Investment Income

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income, rental income, and investment expenses, which include investment management and custodial fees, securities lending expense, and all other significant investment related costs. Negative investment income is reported where the decrease in fair value of investments due to

market conditions exceeded the other components of investment income.

Endowments

Net appreciation on the Educational Institutions’ investments of donor-restricted endowments of \$16 million are available for authorization for expenditure by the governing boards of the universities with endowments, which are reported in net assets as restricted for purposes for which the endowments were established. Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act, Chapters 46-9-1 to 46-9-12, NMSA 1978, except where a donor has specified otherwise. Distributions shall not exceed 6.0 percent nor be less than 4.0 percent of the average market value of the endowment. The universities use the total-return policy for authorizing and spending investment income. The universities review the investment earnings designed to support distributions from the pool and to protect the purchasing power of the endowment principal.

Retirement and Employee Benefit Costs

Most state employees participate in a defined benefit pension plan administered by the New Mexico Public Employees’ Retirement Association and the New Mexico Educational Employees’ Retirement Board. Contributions collected for the pension plans and the retirement benefits paid are accounted for in the Pension and Other Employees’ Benefit Trust Funds. All costs for pension, health, and federal social security contributions are reported as expenditures in the appropriate function in governmental fund types or as expenses in applicable proprietary fund types. Pension and other benefits costs are recognized in the fiscal year in which the underlying payroll costs are incurred.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

17. 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.

18. New Accounting Standards

For the fiscal year ended June 30, 2010, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*.
- GASB Statement 53, *Accounting and Financial Reporting for Derivatives Instruments*.
- GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

GASB 51 requires that identifiable intangible assets be classified and reported as capital assets. This statement also provides guidance on recognizing internally generated computer software as an intangible asset. Retroactive reporting is required except for intangible assets with indefinite useful lives and internally generated assets (i.e. software). The State began capitalizing external software costs over \$5,000 and other intangible assets several years ago and, as a result, restatement of beginning net assets or accumulated amortization related to intangible assets was not necessary.

GASB 53 addresses the recognition, measurement and disclosure of information regarding derivative
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instruments entered into by state and local governments. See Notes 2.A and 2.G for additional disclosures regarding the State's derivative instruments at June 30, 2010.

GASB 55 was implemented upon issuance. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

All provisions of these new statements have been incorporated into the financial statements and notes.

19. Future Accounting Standards

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is due to be adopted by the State for the fiscal year ending June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The State has not determined the effect on the financial statements, if any, that implementation of this standard will entail.

GASB Statement No. 59, *Financial Instruments Omnibus* is due to be adopted by the State for the fiscal year ending June 30, 2011. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

GASB 59 provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.

- GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

- GASB 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.

- GASB 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools-such as bond mutual funds and external bond investment pools-that do not meet the requirements to be reported as a 2a7-like pool.

- GASB 53 is amended to:

- Clarify that the net settlement characteristic of Statement 53 that defines a derivative

instrument is not met by a contract provision for a penalty payment for nonperformance.

- Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit.
- Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
- Provide that one of the "leveraged yield" criteria of Statement 53 are met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

Although early implementation is encouraged, the State has decided to implement these new pronouncements for fiscal year ending June 30, 2011. The State has not determined the effect on the financial statements, if any, that implementation of this standard will entail.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The following schedule reconciles cash and cash equivalents and investments to the financial statements for the primary government including fiduciary funds (in thousands):

	Balance at June 30, 2010
Cash and Cash Equivalents:	
State Treasurer [^]	\$ 462,218
State Investment Council	966,006
Public Employees Retirement Association and Educational Retirement Board	1,037,607
Higher Education Trust Board	3,089
Cash in Bank	1,231,124
Investments:	
State Treasurer	3,385,216
State Investment Council	12,637,383
Public Employees Retirement Association and Educational Retirement Board	18,391,387
Higher Education Trust Board	1,646,280
Educational Institutions	725,424
Other Agencies	12,429
	<u>\$ 40,498,163</u>
Total	\$ 40,498,163
Financial Statement Amounts	
Primary Government:	
Cash and Cash Equivalents	\$ 727,849
Investment in State General Fund Investment Pool	2,058,839
Investment in Local Government Investment Pool	78,223
Investments	536,598
Restricted Cash and Cash Equivalents	452,428
Restricted Investments	3,911,835
Noncurrent Investments	1,362,199
Fiduciary Funds:	
Cash and Cash Equivalents	2,429,564
Investment in State General Fund Investment Pool	884,046
Investment in Local Government Investment Pool	5,159
Investments	27,892,523
Component Units:	
Investment in Local Government Investment Pool	130,155
State Investment Council Investment Pools *	28,745
	<u>\$ 40,498,163</u>
Total	\$ 40,498,163

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*\$1,942 is combined and reported with other amounts of cash and cash equivalents for the New Mexico Mortgage Finance Authority that are held in authorized banks. See the cash and cash equivalents note for the New Mexico Mortgage Finance Authority. \$26,803 is combined and reported with other investments. See the investment note for New Mexico Mortgage Finance Authority.

[^]Cash and cash equivalents for the State Treasurer is combined with the investments held by the State Treasurer for presentation of required risk disclosures in the next section.

Primary Government

New Mexico State Treasurer

By law, all deposits and investments are under the control of the New Mexico State Treasurer (State Treasurer), except for those with specific authority, which are under the control of other component units.

Cash

Cash on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased and disposed of during the fiscal year. The State Treasurer invests all public monies, with the exception of the university funds which are entirely under the control of the universities, held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance (BOF). Beginning in 2010, the Federal Depository Insurance Corporation (FDIC) instituted the "Transaction Account Guarantee Program", which, if a bank chooses to participate, insures all transaction deposit accounts paying no more than 0.5 percent interest. Bank of America, where the State Treasurer has its fiscal agency account, was participating in the program on June 30, 2010 and elected to have the account covered under the program. As a result, the entire fiscal agent account balance was covered by FDIC insurance at June 30, 2010. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund Appropriations Account.

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50.0 percent to 102.0 percent of the par value of the investment dependent on the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50.0 percent of the average investment balance.

As of June 30, 2010, the funds held by the State Treasurer were exposed to custodial credit risk as follows:

**Office of the State Treasurer
Custodial Credit Risk
(Expressed in Thousands)**

	Balance at June 30, 2010
Cash in Bank	\$ 197,128
Less: FDIC Insurance Coverage	(2,344)
Total Unsecured Public Funds	<u>\$ 194,784</u>

As of June 30, 2010, cash and cash equivalents not held by the State Treasurer and controlled by various State officials were exposed to custodial credit risk as follows:

	Balance at June 30, 2010
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	\$ 148,898
Collateral Pledged:	
U.S. Government Securities	(231,636)
Surety Bond	<u>(2,000)</u>
Collateral Pledged	<u>(233,636)</u>
Subject to Custodial Credit Risk	<u>\$ -</u>

Investments

The following are reconciliations of the investments being reported by the State Treasurer and the presentation in the financial statements:

**Office of the State Treasurer
Schedule of Investments
(Expressed in Thousands)**

	Balance at June 30, 2010
Cash in Bank	\$ 407,918
Certificates of Deposit	<u>54,300</u>
Total Cash and Cash Equivalents	462,218
Securities	<u>3,385,216</u>
Total Investments	<u>\$ 3,847,434</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**Office of the State Treasurer
Reconciliation of Amounts Reported
(Expressed in Thousands)**

	Balance at June 30, 2010
Financial Statement Amounts	
Primary Government:	
Investment in State General Fund Investment Pool	\$ 2,058,839
Investment in Local Government Investment Pool	78,223
Fiduciary Activities:	
Investment in State General Fund Investment Pool	884,046
Investment in Local Government Investment Pool	5,159
State Treasurer External Trust Fund	
Cash and Cash Equivalents	426,868
Investments	264,144
Component Units:	
Investment in Local Government Investment Pool	<u>130,155</u>
Total Investments	<u>\$ 3,847,434</u>

Cities, counties, and other non-state agencies invest monies in the State Treasurer external Local Government Investment Pool (LGIP). The LGIP is not SEC registered. Chapter 6-10-10.1, 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 LGIP investments are monitored by the same investment committee and adhere to the same policies and procedures that apply to all other state investments. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, 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.

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The Reserve Contingency Fund was created to hold what was formerly a LGIP investment in the Primary Fund, a money market mutual fund established and managed by the Reserve Fund. On September 16, 2008, the Primary Fund wrote down the value of its debt securities issued by Lehman Brothers Holdings, Inc., to zero, driving the net asset value of the fund below \$1.00 to \$0.97 (not in thousands). The loss recognized was \$11,451. At that date, the LGIP had \$382 million invested in the Primary Fund, roughly 23.0 percent of the LGIP's total assets. On September 29, 2008, the Primary Fund announced that it intended to liquidate its assets and distribute the proceeds on a pro rata basis to investors. As of June 30, 2010, slightly less than 90.0 percent of the Primary Fund's balances have been returned to investors, including the LGIP.

In order to preserve the "AAAm" rating assigned by Standard & Poor's to the LGIP, the State Treasurer effected an agreement on behalf of the LGIP and the General Fund CORE portfolio on September 22, 2008. The Agreement provided for the General Fund CORE to purchase all 382 million shares of the Primary Fund held by the LGIP at the par value of \$1.00 (not in thousands) per share. The LGIP granted the General Fund CORE a "put" option for those shares at par, plus interest at a stated rate.

On February 27, 2009, the State Treasurer informed LGIP participants that it intended to segregate each participant's remaining balance attributable to LGIP holdings in the Primary Fund into a separate fund created by the State Treasurer, the Reserve Contingency Fund. Balances transferred to the Reserve Contingency Fund would be based on each participant's share of the LGIP as of September 15, 2008. Any future distributions from the Primary Fund would flow into the Reserve Contingency Fund and be distributed to LGIP participants on a pro rata basis.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Based on analysis of the Reserve Primary Fund's schedule of investments as of June 30, 2010, and on review of an order issued by the U.S. District Court, it was determined that approximately 74.6 percent of the remaining value of the LGIP's investment in the Reserved Primary Fund as of June 30, 2010 would ultimately be recoverable. The U.S. District Court order established an "Expense Fund", which is not to be distributed unless ordered by the Court, and which will be used to satisfy anticipated costs and expenses of Reserve Primary Fund, including legal and accounting fees, claims for management fees and expenses, claims for indemnification, and potential claims by shareholders. At June 30, 2010, the "Expense Fund" represented approximately 25.5 percent of the total remaining fund assets. Management does not expect to be able to recover the portion of its investment in Reserve Primary Fund that was segregated into the Court established "Expense Fund." For purposes of valuing the LGIP's investment in Reserve Primary Fund at June 30, 2010, this amount was deemed unrecoverable, yielding the net realizable value of 74.6 percent as shown above. Since the investment in the Reserve Primary Fund was being carried at 100.0 percent of face value (\$1.00 per share, not in thousands), the fair market value has been adjusted downward by approximately 25.5 percent.

At June 30, 2010, investments in the Reserve Primary Fund were also held in the SGFIP and in both the Taxable and Tax-Exempt Bond Proceeds Investment Pools. Those investments' fair market values were also marked down by approximately 25.5 percent.

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the LGIP, bond proceeds, See accountant's report

bond debt service funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

The investment policy and the public finance investment decisions of the State Treasurer must serve and satisfy several fiduciary, fiscal, and financial obligations. In making these decisions and in resolving any conflict or competing considerations that may arise from time to time among these obligations, the State Treasurer will observe the following priority:

- Preservation of Principal
- Maintenance of Liquidity
- Maximum Return

The scope of investment authority of the State Treasurer is defined by law. The applicable investment statutes, principally Chapters 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44, and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the State Constitution, specify particular types of investments that may be made by the State Treasurer, and they establish certain prerequisites, limitations, and other requirements relating to such investments. The following investment types are statutorily authorized:

- U.S. Government/Agency Obligations
- Commercial Paper
- Corporate Bonds
- Asset-Backed Obligations
- Repurchase Agreements
- Bank, Savings and Loan Association, or Credit Union Deposits
- Variable Rate Notes
- Tax Exempt Securities
- Securities Issued by the State or a Political Subdivision of the State, or Any Agency, Institution or Instrumentality of the State or a Political Subdivision

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

- Money Market Mutual Funds
- Local Government Investment Pool

Custodial Credit Risk. Custodial credit risk is the risk that the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State Treasurer, and are held by either the counterparty or the counterparty's trust department or agent but not in the State Treasurer's name.

The State Treasurer's investment policy for safekeeping and custody states that all investment securities purchased by the State, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for the State account will be held free and clear of any lien and all transactions will be conducted in compliance with Chapter 6-10-100, NMSA 1978, which requires contemporaneous transfer and same day settlement.

On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month, and all securities held for the State at month-end, including the book and market value of holdings. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping, and custody process of the State shall be bonded in such a fashion as to protect from losses from malfeasance and misfeasance.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. obligations or investments guaranteed by the U.S. Government are excluded from this requirement. The State Treasurer's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub-assets and/or as outlined in each portfolio manager contract.

The quality rating of investments in fixed income securities as described by a nationally recognized statistical rating organization (Standard & Poor's) at June 30, 2010, are as follows:

**Office of the State Treasurer
Quality Rating of Investments
(Expressed in Thousands)**

Issuer	Rating	Fair Value	Percentage of Portfolio
Investments Subject to Credit Risk - Standard & Poor's Ratings:			
U.S. Treasuries	AAA	\$ 725,847	18.9 %
U.S. Government Agency Corporate Bonds	AAA	366,377	9.5 %
Corporate Bonds	AAA	581,693	15.1 %
Corporate Bonds	AA+	10,176	0.3 %
Corporate Bonds	AA	33,236	0.9 %
Corporate Bonds	A+	15,434	0.4 %
Corporate Bonds	A	66,100	1.7 %
Municipal Bonds	A	4,210	0.1 %
Corporate Bonds	B	4,975	0.1 %
Investments Subject to Credit Risk - S&P Ratings		1,808,048	47.0 %

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Office of the State Treasurer
Quality Rating of Investments (Continued)
(Expressed in Thousands)

<u>Issuer</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Not Rated:			
Overnight Repurchase Pool		\$ 1,068,000	27.8 %
Institutional Money Markets		11,658	0.3 %
Mortgage-backed Securities		223,701	5.8 %
Certificates of Deposit		54,300	1.4 %
Cash in Bank		407,918	10.6 %
Municipal Bonds		94,940	2.5 %
Commercial Paper		<u>178,869</u>	<u>4.6 %</u>
Investments Subject to Credit Risk - Not Rated		<u>2,039,386</u>	<u>53.0 %</u>
Total Investments		<u>\$ 3,847,434</u>	<u>100.0 %</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investments portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The following diversification limitations shall be imposed on the portfolio:

1. Investment maturities will be staggered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements.
2. Investments in callable instruments are permitted for the State General Fund, but the amount invested in callable instruments should not exceed 25.0 percent of the total amount invested from the State General Fund. Investment in callable investments may be allowed in the local government investment pool, bond proceeds, bond debt service funds and such pension and permanent fund monies for which the State Treasurer is the investing authority. Investment in callable investments is prohibited for tax and revenue anticipation note proceeds (and any other liquidity vehicle).

3. The maximum level of certificate deposits for the entire portfolio shall be \$350 million with not more than \$30 million in any single financial institution. The State Board of Finance urges banks to loan this money out to their respective local communities to spur economic development.
4. Investments in commercial paper, corporate bonds, and asset-backed obligations shall not exceed 40.0 percent of assets of a fund. Commercial paper and corporate bonds shall be limited, per issuer, to 5.0 percent of each portfolio.
5. Investments in U.S. Agency securities issued by a single agency shall be limited to 35.0 percent of the combined portfolios.
6. Investment in repurchase agreements from any single provider shall be limited to 25.0 percent of the combined portfolios.
7. Investment in commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government, with a final maturity not to exceed the expiration date of any such guarantee, shall not exceed 40.0 percent of

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

the assets of each portfolio. Commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government shall be limited, per issuer, to 20.0 percent of each portfolio.

Investments with a signal issuer of 5.0 percent or greater at June 30, 2010:

Office of the State Treasurer
Concentration of Credit Risk
Single Issuer Investments - Five Percent or Greater of Total Investments
(Expressed in Thousands)

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Investments Subject to Concentration Risk:		
U.S. Government Agency Obligations:		
FHLB	\$ 298,296	7.7 %
FHLMC	241,557	6.3 %
Overnight Repurchase Pool*	1,068,000	27.8 %
Cash in Bank*	407,918	10.6 %
	<u>2,015,771</u>	<u>52.4 %</u>
Investments Subject to Concentration Risk		
Securities comprising less than five percent of the total and exceptions to disclosure rule	<u>1,831,663</u>	<u>47.6 %</u>
Total Investments	<u><u>\$ 3,847,434</u></u>	<u><u>100.0 %</u></u>

*Individual issuers not available.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The State Treasurer recognizes that any portfolio of marketable investment securities is subject to interest rate risk. The State Treasurer, in an attempt to limit the possibility of loss due to interest rate fluctuations, will attempt to match investments with anticipated cash requirements. The State Treasurer or designee shall give particular emphasis to the following factors when selecting a specific security for inclusion in the portfolio:

1. Relative Yield to Maturity: Comparison of return available from alternative investment media for comparable maturity dates.

2. Marketability: Analysis of relative marketability of alternative investments in case of forced sale and/or possibility of future trades.

3. Intermarket Yield Analysis: Analysis of the spread relationship between sectors of the market (e.g. Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.

4. Yield Curve Analysis: Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.

5. General Economic and Interest Rate Outlook: Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Maturities on investment at June 30, 2010:

Office of the State Treasurer
Maturities on Investments
(Expressed in Thousands)

<u>Issuer</u>	<u>Fair Value</u>	<u>Total</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Investments Subject to Interest Rate Risk:			
U.S. Treasuries	\$ 725,848	\$ 624,504	\$ 101,344
U.S. Government Agencies	366,377	209,139	157,238
Corporate Bonds	820,886	225,925	594,961
Municipal Bonds (City and State)	99,150	99,150	-
Mortgage-backed Securities	53,087	-	53,087
Asset-backed Securities	2,000	2,000	-
Money Market	7,761	7,761	-
Commercial Paper	240,210	69,596	170,614
Overnight Repurchase Pool	1,068,000	1,068,000	-
	<u>3,383,319</u>	<u>\$ 2,306,075</u>	<u>\$ 1,077,244</u>
Investments Subject to Interest Rate Risk	3,383,319	\$ 2,306,075	\$ 1,077,244
Investments Not Subject to Interest Rate Risk	460,218		
Investments in The Reserve Primary Fund *	<u>3,897</u>		
Total Investments	<u>\$ 3,847,434</u>		

*The Reserve Contingency Fund's investment in the Reserve Primary Fund has been frozen for redemptions. Currently, as the underlying holdings of the Reserve Primary Fund are maturing, the fund is refunding investors' money.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The State Treasurer's investment policy does not have a specific policy on foreign currency risk. However, the listing of permissible investments includes descriptions on the limitations related to each investment type.

All holdings at June 30, 2010, were denominated in United States dollars.

Securities Collateral

The State's Investment Policy states that no repurchase agreement shall be invested in unless the contract is fully secured by deliverable obligations of See accountant's report

the United States or other securities backed by the United States having a market value of at least 102.0 percent of the amount of the contract. The State's collateral requirements follow:

1. The market value of the collateral including accrued interest must be equal to 102.0 percent of the amount of cash transferred by the State to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of securities held as collateral slips below 102.0 percent of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency; and

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

2. For repurchase agreements with terms to maturity of greater than one (1) day, the State will value the collateral securities continuously and require that, if additional collateral is required, then that collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated; and,

3. The collateral on all repurchase agreements will have a maturity date that exceeds the term of the repurchase agreement. If the duration of the collateral is longer than 10 years than the term of the repurchase agreement, then the collateral margin must be 103.0 percent to compensate for market risk.

Credit ratings, concentration of risk, and maturities on collateral securities at June 30, 2010:

Office of the State Treasurer
Credit Ratings and Concentration Risk
Collateral Securities with Single Issuer of Five Percent or Greater of Portfolio
Maturities on Collateralized Securities
(Expressed in Thousands)

Quality Rating	Issuer	Fair Value	Total			
			Less Than 1 Year	1-5 Years	6-10 Years	Over Ten Years
Investments Subject to Interest Rate Risk:						
AAA	U.S. Government					
	Mortgage-backed Securities	\$ 1,089,375	\$ -	\$ -	\$ 277,627	\$ 811,748

State Investment Council (Council)

In accordance with Chapter 6-8, NMSA 1978, the Council is authorized to invest in domestic and international stocks, debt obligations of the U.S. government, its agencies, or instrumentalities, debt obligations of any U.S. or foreign corporation, partnerships, or trusts with an investment-grade rating from a national rating service, real estate investments, national private equity investments, repurchase agreements secured by U.S. obligations or other securities backed by the U.S., and hedge funds.

Cash

The following schedule is a reconciliation of the Council's cash and cash equivalents as they are being reported in the financial statements:

State Investment Council
Reconciliation of Cash and Cash
Equivalents Amounts Reported
(Expressed in Thousands)

Fund	Balance at June 30, 2010
Governmental Activities [^]	\$ 285,545
Business-type Activities:	
Educational Institutions [^]	178,951
Nonmajor Enterprise Funds [^]	2,281
Fiduciary Activities:	
Retiree Health Care Authority [^]	11,330
State Investment Council	
External Trust Fund	4,615
Scholarship Trust [^]	1,427
Land Grant Permanent Fund Private	
Purpose Trust Fund [#]	467,927
Water Trust Fund [^]	11,359
Other Agency [^]	629
Component Unit:	
New Mexico Mortgage Finance Authority [^]	1,942
Total Reported by the State Investment Council	\$ 966,006

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STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

^Amount is combined and reported with other amounts of cash and cash equivalents for the fund that are held in authorized banks.

#Amount is the sum of the Cash and Cash Equivalents and Investment in State General Fund Investment Pool lines.

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2010, the Council's cash and cash equivalent deposits were not exposed to custodial credit risk.

Investments

The following schedule is a reconciliation of the Council's investments as they are being reported in the financial statements:

**State Investment Council
Reconciliation of Investment Amounts Reported
(Expressed in Thousands)**

<u>Fund</u>	<u>Balance at June 30, 2010</u>
Governmental Activities:	
Current Investments	\$ 135,864
Noncurrent Investments	3,911,835
Business-type Activities:	
Educational Institutions*	953,027
Nonmajor Enterprise Funds	31,481
Fiduciary Activities:	
Retiree Health Care Authority	156,338
State Investment Council External Trust Fund	63,680
Land Grant Permanent Fund Private Purpose Trust Fund	7,291,745
Water Trust Fund	38,288
Scholarship Fund	19,696
Other Agency	8,626
Component Units**	26,803
Total Reported by the State Investment Council	<u>\$ 12,637,383</u>

*Amount is combined and reported with other investments in the Noncurrent Investment line. See investment reconciliation for the Educational Institutions.

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**Amount is combined and reported with other investments under the line item restricted investments. See investment reconciliation for New Mexico Mortgage Finance Authority.

Custodial Credit Risk. As of June 30, 2010, the Council's investments were not exposed to custodial credit risk.

Credit Risk – Debt Investments. Currently, the Council does not have a policy for the Core Bond Pool stating that securities must be rated investment grade by one or more national rating agencies at the time of purchase. The High-Yield Pool policy requires that the securities be rated at least CCC- or equivalent by one or more of the national rating agencies at the time of purchase. Securities that fall below investment grade after purchase may be held at the discretion of the staff.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The Council's investments and their exposure to credit risk at June 30, 2010 are as follows:

State Investment Council		
Quality Rating of Investments		
<i>(Expressed in Thousands)</i>		
Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings:		
Commercial Mortgage-backed	AAA	\$ 15,800
Nongovernment-backed C.M.O.s	AAA	35,359
Asset-backed Securities	A	4,142
Corporate Bonds	A	4,981
Corporate Convertible Bonds	CCC	29,549
		<hr/>
Investments Subject to Credit Risk - S&P Ratings		89,831
Investments Subject to Credit Risk - Moody Ratings:		
Asset-backed Securities	Aaa	21,887
Commercial Mortgage-backed	Aaa	75,693
Government Agencies	Aaa	116,182
Government Bonds	Aaa	436,061
Guaranteed Fixed Income	Aaa	37,958
Nongovernment-backed C.M.O.s	Aaa	7,392
Asset-backed Securities	Aa	63,075
Commercial Mortgage-backed	Aa	14,077
Corporate Bonds	Aa	73,803
Asset-backed Securities	A	9,076
Corporate Bonds	A	271,445
Asset-backed Securities	Baa	4,830
Corporate Bonds	Baa	173,994
Nongovernment-backed C.M.O.s	Baa	9,651
Asset-backed Securities	Ba	72,840
Corporate Bonds	Ba	5,881
Asset-backed Securities	B	32,781
Corporate Convertible Bonds	Caa	255
Asset-backed Securities	Caa	24,965
Nongovernment-backed C.M.O.s	Caa	32,475
Asset-backed Securities	Ca	24,146
Corporate Bonds	Ca	71
Nongovernment-backed C.M.O.s	Ca	11,294
Nongovernment-backed C.M.O.s	C	1
		<hr/>
Investments Subject to Credit Risk - Moody Ratings		1,519,833
Investments Subject to Credit Risk - Not Rated:		
Asset-backed Securities	Not Rated	49,676
Corporate Bonds	Not Rated	23,944
Government Bonds	Not Rated	5,000
Municipal/Provincial Bonds	Not Rated	2,750
Nongovernment-backed C.M.O.s	Not Rated	2
		<hr/>
Investments Subject to Credit Risk - Not Rated		81,372

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For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

State Investment Council
Quality Rating of Investments (Continued)
(Expressed in Thousands)

Investment	Rating	Fair Value
Investments Not Subject to Credit Risk:		
Private Equity, Equity Securities, and Real Estate	N/A	\$ 10,805,349
NM Film Investments	N/A	97,037
Government Agencies	N/A	43,961
Investments Not Subject to Credit Risk		<u>10,946,347</u>
Total Investments		<u>\$ 12,637,383</u>

Concentration of Credit Risk. As of June 30, 2010, the Council's investments were not exposed to concentration of credit risk as no single issuer represented 5.0 percent of total investments.

Interest Rate Risk. The Council does not have a policy for interest rate risk management, but its practice is to address interest rate risk through the management of debt investment duration. At June 30, 2010, exposure to interest rate risk is as follows:

State Investment Council
Maturities on Investments
(Expressed in Thousands)

Investment	Fair Value	Total			
		Less than 1 year	1-5 years	6-10 Years	Greater than 10 years
Investments Subject to Interest Rate Risk:					
Corporate Convertible Bonds	\$ 255	\$ 255	\$ -	\$ -	\$ -
Asset-backed Securities	307,410	-	110,094	11,497	185,819
Commercial Mortgage-backed	105,570	-	-	38,278	67,292
Corporate Bonds	549,134	50,003	233,765	137,259	128,107
Government Agencies	116,647	465	47,447	52,433	16,302
Government Bonds	441,061	-	165,753	211,617	63,691
Government Mortgage-backed Securities	332,843	10	4,089	2,646	326,098
Guaranteed Fixed Income	37,958	-	37,958	-	-
Municipal/Provincial Bonds	2,750	-	-	-	2,750
Nongovernment-backed C.M.O.s	125,722	-	-	37,661	88,061
Investments Subject to Interest Rate Risk	<u>2,019,350</u>	<u>\$ 50,733</u>	<u>\$ 599,106</u>	<u>\$ 491,391</u>	<u>\$ 878,120</u>
Investments Not Subject to Interest Rate Risk:					
Securities, Equity, Real Estate, and NM Film Investments	<u>10,618,033</u>				
Total Investments	<u>\$ 12,637,383</u>				

Foreign Currency Risk. This risk is eliminated in the Core Bond and High-Yield Bond pools by adhering to the Council's policy that all securities be

denominated in U.S. dollars, and is managed in the equity pools by limiting the size of the internationally invested funds.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

A summary of the investments at June 30, 2010 and their exposure to foreign currency risk are as follows:

State Investment Council
Foreign Currency Risk
International Investment Securities at Fair Value
(Expressed in Thousands)

<u>Foreign Currency</u>	<u>Common Stock</u>	<u>Partnerships, Preferred Stock, and Rights/ Warrants</u>	<u>Total Equity</u>	<u>Cash and Cash Equivalents</u>
Argentine Peso	\$ -	\$ -	\$ -	\$ 6
Australian Dollar	37,318	-	37,318	71
Brazilian Real	41,745	22,893	64,638	-
British Pound Sterling	107,971	-	107,971	466
Danish Krone	4,639	-	4,639	59
Egyptian Pound	8,450	-	8,450	506
Euro	134,855	154,099	288,954	373
Hong Kong Dollar	95,449	2	95,451	1,874
Hungarian Forint	2,181	-	2,181	252
Indian Rupee	48,940	-	48,940	158
Indonesian Rupiah	11,176	-	11,176	-
Japanese Yen	107,086	-	107,086	974
Malaysian Ringgit	2,942	-	2,942	-
Mexican Peso	29	-	29	1
New Israeli Shekel	3,980	-	3,980	73
New Taiwan Dollar	50,435	-	50,435	1,603
New Zealand Dollar	481	-	481	14
Norwegian Krone	3,297	5	3,302	10
Polish Zloty	8,235	-	8,235	119
Singapore Dollar	11,909	-	11,909	75
South African Rand	29,686	-	29,686	223
South Korean Won	76,332	11,540	87,872	68
Swedish Krona	13,514	-	13,514	49
Swiss Franc	37,033	-	37,033	164
Thai Baht	18,251	-	18,251	-
Turkish Lira	18,381	-	18,381	677
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	<u>\$ 874,315</u>	<u>\$ 188,539</u>	1,062,854	<u>\$ 7,815</u>
Investments Not Subject to Foreign Currency Risk			<u>11,574,529</u>	
Total Investments			<u>\$ 12,637,383</u>	

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Educational Institutions

The following is a reconciliation of the investments being reported by the Educational Institutions in the financial statements:

Educational Institutions	
Reconciliation of Reported Investment Balances	
<i>(Expressed in Thousands)</i>	
<u>Fund</u>	<u>Balance at June 30, 2010</u>
Investments:	
Current	\$ 347,823
Noncurrent	1,330,628
	<hr/>
Total Investments	1,678,451
	<hr/>
Less:	
Investments Held by State Investment Council:	
Land Grant	874,329
State Investment Council Investment Pools	78,698
	<hr/>
Total - Separately Held Investments	<u>\$ 725,424</u>

Custodial Credit Risk. As of June 30, 2010, the Educational Institutions' investments were not exposed to custodial credit risk.

Credit Risk. The Educational Institutions' investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers, or recognized financial institutions to those rated in the highest Rating Category by a nationally recognized statistical rating organization (NRSRO) or which are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Ratings Category by a NRSRO. This includes without limitation, securities of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. Seq., which invest only in obligations of the government of the United States of America or securities that are secured by obligations of the government of the United States of America.

The Educational Institutions' investments exposure to credit risk at June 30, 2010 is as follows:

Educational Institutions		
Quality Ratings of Investments		
<i>(Expressed in Thousands)</i>		
<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings:		
Municipal Bonds	AAA	\$ 2,056
Municipal Bonds	AA+	2,160
Corporate Bonds	AA	2,502
Municipal Bonds	A1	2,383
Municipal Bonds	A2	1,015
		<hr/>
Investments Subject to Credit Risk - S&P Ratings		10,116
		<hr/>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Educational Institutions
Quality Ratings of Investments (Continued)
(Expressed in Thousands)

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - Moody's Ratings:		
U.S. Government Agencies	Aaa	\$ 176,187
Corporate Bonds	AA3	203
Corporate Bonds	AA2	51
Corporate Bonds	Aa1	1,261
Municipal Bonds	Aa1	448
Municipal Bonds	Aa2	2,387
Repurchase Agreements	Aa3	13,439
Municipal Bonds	Aa3	550
Corporate Bonds	A3	6,595
Corporate Bonds	A2	11,933
Corporate Bonds	A1	7,018
Corporate Bonds	Baa1	1,065
Corporate Bonds	Baa2	106
		<u>221,243</u>
Investments Subject to Credit Risk - Moody's Ratings		
Investments Subject to Credit Risk - Fitch Ratings:		
U.S. Government Agencies	AAA	11,782
Equity Trust	AAA	51
Corporate Stocks	AAA	54
U.S. Government Agencies	AAA	252
Corporate Bonds	BAA1	202
Corporate Securities	BAA2/BBB	11
Corporate Securities	B3/B	10
		<u>12,362</u>
Investments Subject to Credit Risk - Fitch Ratings		
Investments Subject to Credit Risk - Not Rated:		
U.S. Government Agencies	Not rated	44,259
Corporate Securities	Not rated	242
Commercial Paper	Not rated	10,366
Pooled Cash and Investments Held by Others	Not rated	33,462
Money Market	Not rated	27,535
Alternative Investments	Not rated	66,185
Other Investments	Not rated	904
		<u>182,953</u>
Investments Subject to Credit Risk - Not Rated		
Total Investments Subject to Credit Risk		426,674
Investments Not Subject to Credit Risk		<u>298,750</u>
Total - Separately Held Investments		<u><u>\$ 725,424</u></u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Concentration of Credit Risk. As of June 30, 2010, the Educational Institutions had investments with a single issuer of 5.0 percent or greater at June 30, 2010:

**Educational Institutions
Concentration of Credit Risk
Single Issuer Investments - Five Percent or Greater of Total Investments
(Expressed in Thousands)**

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Investments Subject to Concentration Risk:		
U.S. Government Agency Obligations *	\$ 234,229	32.3 %
Morgan Stanley Money Fund	66,549	9.2 %
Investments Subject to Concentration Risk	<u>300,778</u>	<u>41.5 %</u>
Securities comprising less than five percent of the total and exceptions to disclosure rule	<u>424,646</u>	<u>58.5 %</u>
Total - Separately Held Investments	<u>\$ 725,424</u>	<u>100.0 %</u>

*Individual issuers not available.

Interest Rate Risk. In accordance with the Educational Institutions' investments policies, investment maturities are scheduled to coincide with the Educational Institutions' projected cash requirements. The Educational Institutions do not commit any discretionary funds to financial instruments with maturities longer than 10 years from the date of purchase. Funds are only committed to maturities longer than five years from date of purchase if directly related to a specific capital or other long-term project. The maturity dates on non-discretionary fund investments do not exceed the final maturity dates established within the funds' restrictive purposes.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments and their maturities at June 30, 2010 and their exposure to interest rate risk are as follows:

Investment	Fair Value	Educational Institutions Maturities on Investments (Expressed in Thousands)			
		Less than 1 year	1-5 years	6-10 years	Greater Than 10 Years
Investments Subject to Interest Rate Risk:					
Corporate Bonds	\$ 31,305	\$ 17,090	\$ 14,215	\$ -	\$ -
Corporate and International Bonds	-	-	-	-	-
Certificates of Deposit	25,601	17,668	7,933	-	-
Repurchase Agreements	13,438	13,438	-	-	-
International Bonds	-	-	-	-	-
U.S. Government and Agency Securities	341,804	82,505	258,352	407	540
Money Funds	66,855	60,274	6,581	-	-
Mutual Funds	751	751	-	-	-
Commercial Paper	10,366	10,366	-	-	-
Pooled Investments Held by Others	33,462	-	33,462	-	-
Municipal Bonds	10,999	3,733	7,266	-	-
Investments Subject to Interest Rate Risk	534,581	\$ 205,825	\$ 327,809	\$ 407	\$ 540
Investments Not Subject to Interest Rate Risk:					
Securities, Equity, Real Estate, and NM Film Investments	190,843				
Total - Separately Held Investments	\$ 725,424				

Foreign Currency Risk. As of June 30, 2010, the Educational Institutions' investments were not exposed to foreign currency risk, as all holdings were denominated in United States dollars.

Pension Benefits Fiduciary Funds

As stated in Note 1, Public Employees Retirement Association's (PERA) and Educational Retirement Board's (ERB) cash and cash equivalents as of June 30, 2010 consists of \$1,307,607 that is held by the investment custodian, Northern Trust.

Cash

Custodial Credit Risk. PERA and ERB do not have a deposit policy for custodial credit risk. As of June 30, 2010, there were no cash balances exposed to custodial credit risk. All of PERA's cash is invested in commercial paper, government agencies, and asset backed securities with Standard and Poor's ratings of at least AA. All of ERB's cash is invested in a mutual fund consisting of 100.0 percent U.S. Treasury securities.

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For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments

The following is a reconciliation of the investments being reported by the pension plans in the financial statements:

**Public Employees Retirement Association and
Educational Retirement Board
Reconciliation of Reported Investment Balances
(Expressed in Thousands)**

Fund	Balance at June 30, 2010
Public Employees Retirement	\$ 9,815,741
Judicial Retirement	63,261
Magistrate Retirement	27,420
Volunteer Firefighters Retirement	38,245
Educational Employees' Retirement System	8,125,245
Deferred Compensation (IRC 457) Plan	321,475
Total Investments	\$ 18,391,387

Custodial Credit Risk. All of the PERA's and ERB's securities are held by the third party custodian,

independent of any counterparty; therefore, there is minimal risk that PERA and ERB will not be able to recover the value of its investments or collateral securities held by a counterparty.

PERA's investment policy specifically defines the custodian's duties as it pertains to holding of the assets, collection of income generated from the assets, and assisting PERA for the accounting of said assets.

ERB's investment policy limits holding of securities by counterparties to those involved with securities lending. In the event of the failure of the counterparty to deliver back the borrowed securities, ERB will sell the collateral securities and offset any gains or losses with the counterparty.

Investments exposed to custodial credit risk at June 30, 2010 are as follows:

**Public Employees Retirement Association and Educational Retirement Board
Custodial Credit Risk
(Expressed in Thousands)**

Asset Type	Held in the Name of the Fund by the Fund's Custodial Bank	Custody Arrangements Contracted By Fund Manager	Held by Broker Dealers Under Securities Loaned With Cash Collateral	Total
Fixed Income Investments:				
U.S. Government Bonds and Agency Securities	\$ 1,516,410	\$ -	\$ 9,621	\$ 1,526,031
International Government Bonds and Agency Securities	56,175	-	-	56,175
U.S. Municipal Bonds	21,905	-	-	21,905
International Municipal Bonds	5,941	-	-	5,941
Corporate Bonds	1,954,181	-	837	1,955,018
International Corporate Bonds	7,075	-	-	7,075
U.S. Government Mortgage-backed Securities	660,305	-	-	660,305
Commercial Mortgage-backed Securities	122,953	-	-	122,953
Government-Issued Commercial Mortgage-backed Securities	3,382	-	-	3,382
Asset-backed Securities	150,563	-	-	150,563
Asset and Mortgage-backed Securities	242,938	-	-	242,938
Nongovernment-backed C.M.O.s	82,225	-	-	82,225
Domestic Corporate Convertible Bonds	21,621	-	-	21,621
Guaranteed Fixed Income	1,424	-	-	1,424
Distressed Senior Credit	412,387	-	-	412,387
Fixed Income Derivatives Options	65	-	-	65
Index-Linked Government Bonds	2,431	-	-	2,431
Total Fixed Income Investments	5,261,981	-	10,458	5,272,439

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Public Employees Retirement Association and Educational Retirement Board
Custodial Credit Risk (Continued)
(Expressed in Thousands)

Asset Type	Held in the Name of the Fund by the Fund's Custodial Bank	Custody Arrangements Contracted By Fund Manager	Held by Broker Dealers Under Securities Loaned With Cash Collateral	Total
Equities:				
International Common Stock	\$ 3,439,211	\$ -	\$ -	\$ 3,439,211
Domestic Common Stock	5,534,578	-	181,421	5,715,999
U.S. Venture Capital & Partnerships	939,736	-	-	939,736
International Venture Capital and Partnership	14,769	-	-	14,769
Alternative Investments	727,190	-	-	727,190
Hedge Fund of Funds	499,102	-	-	499,102
Private Equity	241,337	-	-	241,337
Private Real Estate	80,872	-	-	80,872
Infrastructure	49,561	-	-	49,561
Timber	11,793	-	-	11,793
Other Investments	440,722	-	-	440,722
International Preferred Stock	29,160	-	-	29,160
Domestic Preferred Stock	14,356	-	-	14,356
Domestic Convertible Equity	1,717	-	-	1,717
Domestic Unit Trust	991	-	-	991
International Unit Trust	1,282	-	-	1,282
International Equities	-	-	1,369	1,369
Domestic Rights/Warrants	22,747	-	-	22,747
International Rights/Warrants	1,630	-	-	1,630
Total Equities	12,050,754	-	182,790	12,233,544
Securities Lending Collateral Investments	-	372,302	191,627	563,929
Total Investments	\$ 17,312,735	\$ 372,302	\$ 384,875	18,069,912
IRC 457 Fund Investments Directed by Participants				321,475
Total Investments				\$ 18,391,387

Credit Risk. PERA's investment policy restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations.

ERB requires that noncash, interest-paying securities in the high-yield bond portfolios may not exceed 5.0

percent of the market value of the portfolio and that investments in cash may represent no more than 5.0 percent of each individual fund. Credit risk is managed through diversification and by operating within defined parameters versus a benchmark index.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments exposed to credit risk as described by Standard and Poor's (S&P) at June 30, 2010 are as follows:

Public Employees Retirement Association and Educational Retirement Board
Quality Ratings of Investments
(Expressed in Thousands)

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings:		
Government Bonds	AAA	\$ 592,013
Government Agencies	AAA	111,078
Municipal/Provincial Bonds	AAA	12,586
Corporate Bonds	AAA	4,052
Government Mortgage-backed Securities	AAA	353,390
Commercial Mortgage-backed Securities	AAA	140,360
Asset-backed Securities	AAA	83,149
Index Linked Government Bonds	AAA	25,631
Nongovernment-backed C.M.O.s	AAA	43,879
Guaranteed Fixed Income	AAA	7,248
Commercial Mortgage-backed Securities	AA+	257
Nongovernment-backed C.M.O.s	AA+	98
Corporate Bonds	AA+	18,438
Corporate Bonds	AA	70,680
Government Agencies	AA	11,926
Municipal/Provincial Bonds	AA	5,500
Commercial Mortgage-backed Securities	AA	33,160
Asset-backed Securities	AA	27,026
Nongovernment-backed C.M.O.s	AA	5,247
Collateralized Debt/Loan Obligations	AA	2,144
Asset-backed Securities	AA-	1,162
Commercial Mortgage-backed Securities	AA-	6,593
Corporate Bonds	AA-	18,885
Collateralized Debt/Loan Obligations	AA-	3,437
Corporate Bonds	A+	23,751
Commercial Mortgage-backed Securities	A+	7,943
Nongovernment-backed C.M.O.s	A+	433
Municipal/Provincial Bonds	A+	1,010
Collateralized Debt/Loan Obligations	A+	3,106
Government Bonds	A	35,094
Government Agencies	A	3,615
Municipal/Provincial Bonds	A	11,038
Corporate Bonds	A	346,102
Commercial Mortgage-backed Securities	A	15,380
Corporate Convertible Bonds	A	5,021
Asset-backed Securities	A	16,131
Nongovernment-backed C.M.O.s	A	2,900
Short-term Investment Funds	A	4,753
Collateralized Debt/Loan Obligations	A	2,093
Asset-backed Securities	A-	69
Commercial Mortgage-backed Securities	A-	8,304
Nongovernment-backed C.M.O.s	A-	339
Municipal/Provincial Bonds	A-	3,013
Corporate Bonds	A-	53,249
Collateralized Debt/Loan Obligations	A-	5,056

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Public Employees Retirement Association and Educational Retirement Board
Quality Ratings of Investments (Continued)
(Expressed in Thousands)

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Asset-backed Securities	BBB+	\$ 2,814
Commercial Mortgage-backed Securities	BBB+	4,165
Nongovernment-backed C.M.O.s	BBB+	3,672
Corporate Bonds	BBB+	77,093
Collateralized Debt/Loan Obligations	BBB+	8,434
Collateralized Bonds	BBB+	791
Government Bonds	BBB	23,068
Government Agencies	BBB	7,380
Corporate Bonds	BBB	373,174
Asset-backed Securities	BBB	26,915
Commercial Mortgage-backed Securities	BBB	5,969
Nongovernment-backed C.M.O.s	BBB	403
Collateralized Debt/Loan Obligations	BBB	875
Asset-backed Securities	BBB-	594
Commercial Mortgage-backed Securities	BBB-	2,635
Corporate Bonds	BBB-	68,066
Collateralized Debt/Loan Obligations	BBB-	6,833
Bank Loans	BBB-	5,876
Corporate Bonds	BB+	10,244
Collateralized Debt/Loan Obligations	BB+	9,815
Bank Loans	BB+	914
Commercial Mortgage-backed Securities	BB	6,290
Corporate Bonds	BB	150,322
Asset-backed Securities	BB	1,518
Nongovernment-backed C.M.O.s	BB	3,896
Corporate Convertible Bonds	BB	2,669
Collateralized Debt/Loan Obligations	BB	1,506
Bank Loans	BB	307
Asset-backed Securities	BB-	885
Commercial Mortgage-backed Securities	BB-	1,062
Corporate Bonds	BB-	28,310
Collateralized Debt/Loan Obligations	BB-	227
Preferred Stock	BB-	798
Asset-backed Securities	B+	415
Commercial Mortgage-Backed Securities	B+	143
Corporate Bonds	B+	55,728
Collateralized Debt/Loan Obligations	B+	613
Bank Loans	B+	37,828
Common Stock	B+	3,305
Corporate Bonds	B	179,083
Asset-backed Securities	B	716
Corporate Convertible Bonds	B	13,696
Nongovernment-backed C.M.O.s	B	3,557
Bank Loans	B	58,628
Corporate Bonds	Ba3	1,660
Asset-backed Securities	B-	663
Commercial Mortgage-backed Securities	B-	453
Nongovernment-backed C.M.O.s	B-	1,667
Corporate Bonds	B-	30,898
Collateralized Debt/Loan Obligations	B-	577
Bank Loans	B-	21,575

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Public Employees Retirement Association and Educational Retirement Board
Quality Ratings of Investments (Continued)
(Expressed in Thousands)

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Asset-backed Securities	CCC+	\$ 117
Corporate Bonds	CCC+	32,258
Bank Loans	CCC+	19,752
Corporate Bonds	CCC	33,237
Asset-backed Securities	CCC	5,016
Nongovernment-backed C.M.O.s	CCC	33,004
Collateralized Debt/Loan Obligations	CCC-	225
Asset-backed Securities	CC	2,266
Nongovernment-backed C.M.O.s	CC	8,947
Corporate Bonds	CC	186
Corporate Bonds	C	6,701
Bank Loans	C	5,526
Preferred Stock	C	40
Corporate Bonds	Caa1	581
Corporate Bonds	C2	65
Corporate Bonds	D	11,238
Asset-backed Securities	D	88
Commercial Mortgage-backed Securities	D	1,538
Nongovernment-backed C.M.O.s	D	538
Collateralized Debt/Loan Obligations	D	246
Bank Loans	D	11,469
		<u>3,548,102</u>
Investments Subject to Credit Risk - S&P Ratings		
Not Rated:		
Government Bonds		16,686
Municipal/Provincial Bonds		3,803
Corporate Bonds		35,930
Government Mortgage-backed Securities		11,120
Commercial Mortgage-backed Securities		20,781
Asset-backed Securities		6,056
Government Issued Commercial Mortgage-backed Securities		3,382
Corporate Convertible Bonds		4,404
Nongovernment-backed C.M.O.s		14,273
Short-term Investment Funds		156,471
Bank Loans		20,628
Other Fixed Income		60
Other Investments		183,043
		<u>476,637</u>
Investments Subject to Credit Risk - Not Rated		
Total Investments Subject to Credit Risk		4,024,739
Other Investments not Subject to Credit Risk		14,045,173
IRC 457 Fund Investments Directed by Participants		321,475
		<u>18,391,387</u>
Total Investments		\$ 18,391,387

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Concentration of Credit Risk. PERA's policy over concentration of credit risk is contained in each investment manager's Investment Guidelines. As of June 30, 2010, PERA was not exposed to any concentration risk greater than 5.0 percent.

ERB's investment policies stipulate that investments in the securities of any one corporation may not exceed 2.0 percent of the market value of the total fund. As of June 30, 2010, ERB was not exposed to any concentration risk greater than 2.0 percent.

Interest Rate Risk. PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income

manager. Duration is loosely defined as the dollar weighted average time to recover all of principal and fixed-income investment. PERA's fixed-income managers are typically limited to duration of plus or minus one year or 20.0 percent of the duration of the applicable portfolio benchmark.

ERB does not have a policy for interest rate risk management. However, interest rate risk is managed through duration by operating within defined risk parameters versus a benchmark index.

Investments and their maturities at June 30, 2010 and their exposure to interest rate risk are as follows:

Public Employees Retirement Association and Educational Retirement Board
Maturities on Investments
(Expressed in Thousands)

Investment	Fair Value	Total			
		Less than 1 year	1-5 years	6-10 years	Greater Than 10 Years
Investments Subject to Interest Rate Risk:					
Short-term Investments	\$ 344,561	\$ 344,561	\$ -	\$ -	\$ -
Government-Issued Commercial Mortgage-back Securities	3,382	-	3,382	-	-
Guaranteed Fixed Income	7,248	-	7,248	-	-
Asset and Mortgage-backed	224,248	-	224,248	-	-
U.S. Government and Agency Obligations	402,736	-	402,736	-	-
Corporate Bonds	1,686,172	-	823,420	-	862,752
Government Agencies	190,263	-	-	190,263	-
U.S. Treasury Securities	457,392	-	-	457,392	-
Municipal Bonds	27,846	-	-	-	27,846
Government Bonds	326,708	-	-	-	326,708
Index-Linked Government Bonds	2,431	-	-	-	2,431
Asset-backed Securities	150,563	-	-	-	150,563
Corporate Convertible Bonds	21,621	-	-	-	21,621
Government Mortgage-backed Securities	660,305	-	-	-	660,305
Commercial Mortgage-backed Securities	122,953	-	-	-	122,953
Nongovernment-backed C.M.O.s	82,225	-	-	-	82,225
Investments Subject to Interest Rate Risk	4,710,654	\$ 344,561	\$ 1,461,034	\$ 647,655	\$ 2,257,404
Investments Not Subject to Interest Rate Risk:					
Securities, Equity, Real Estate, and NM Film Investments	13,680,733				
Total - Separately Held Investments	\$ 18,391,387				

PERA also had Fixed Income Derivative Options with a fair market value of \$65 and short-term bills and notes reported as cash equivalents with a fair market value of \$ 33,099 at June 30, 2010.

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Foreign Currency Risk. PERA's investment managers responsible for investing in non-U.S. equities are benchmarked to an index that is half-

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

hedged. The benchmark is contained in each investment manager's Investment Guidelines.

Foreign currency risk is present in ERB's investment in foreign equity securities. Managers of these assets

are given discretion to hedge this risk. The maximum exposure to foreign currency risk as of June 30, 2010 was approximately \$1,431 million.

Investments exposed to foreign currency risk by currency and their respective values at June 30, 2010:

Public Employees Retirement Association and Educational Retirement Board
Foreign Currency Risk
International Investment Securities at Fair Value
(Expressed in Thousands)

<u>Foreign Currency</u>	<u>Equity and Partnerships</u>	<u>Fixed Income</u>	<u>Total Equity</u>	<u>Cash and Cash Equivalents (Overdraft)</u>
Australian Dollar	\$ 156,802	\$ 7,848	\$ 164,650	\$ 1,530
Botswana Pula	1,093	-	1,093	4
Brazilian Real	113,974	-	113,974	(184)
British Pound Sterling	501,990	-	501,990	1,417
Bulgarian New Lev	52	-	52	-
Canadian Dollar	33,151	-	33,151	894
Chilean Peso	7,088	-	7,088	3
Colombian Peso	2,678	-	2,678	3
Croatian Kuna	960	-	960	4
Czech Koruna	2,546	-	2,546	97
Danish Krone	34,318	-	34,318	343
Egyptian Pound	10,719	-	10,719	(297)
Euro	689,109	3,157	692,266	6,713
Ghanian Cedi	683	-	683	20
Hong Kong Dollar	277,888	-	277,888	680
Hungarian Forint	3,984	-	3,984	28
Indian Rupee	39,465	-	39,465	254
Indonesian Rupiah	35,860	1,274	37,134	(230)
Japanese Yen	526,148	-	526,148	4,700
Kenyan Shilling	1,688	-	1,688	14
Latvian Lat	378	-	378	-
Lithuanian Lita	569	-	569	-
Malaysian Ringgit	22,543	12,731	35,274	37
Mauritanian Rupee	1,340	-	1,340	-
Mexican Peso	24,429	17,235	41,664	1,381
Moroccan Dirham	2,264	-	2,264	5
New Israeli Shekel	15,337	-	15,337	6,609
New Taiwan Dollar	81,939	-	81,939	92
New Zealand Dollar	1,303	-	1,303	91
Nigerian Naira	1,233	-	1,233	3
Norwegian Krone	21,731	2,728	24,459	341
Pakistan Rupee	1,200	-	1,200	1
Peruvian Nuevo Sol	1,383	-	1,383	-
Philippine Peso	3,415	-	3,415	5

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Public Employees Retirement Association and Educational Retirement Board
Foreign Currency Risk (Continued)
International Investment Securities at Fair Value
(Expressed in Thousands)

<u>Foreign Currency</u>	<u>Equity and Partnerships</u>	<u>Fixed Income</u>	<u>Total Equity</u>	<u>Cash and Cash Equivalents</u>
Polish Zloty	\$ 12,414	\$ 10,680	\$ 23,094	\$ 115
Romanian Leu	1,157	-	1,157	-
Singapore Dollar	40,059	580	40,639	243
South African Rand	80,537	-	80,537	(622)
South Korean Won	181,915	12,958	194,873	517
Swedish Krona	56,674	-	56,674	820
Swiss Franc	185,171	-	185,171	2,048
Thai Baht	21,220	-	21,220	16
Turkish Lira	34,632	-	34,632	961
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	<u>\$ 3,233,039</u>	<u>\$ 69,191</u>	3,302,230	<u>\$ 28,656</u>
Investments Not Subject to Foreign Currency Risk			<u>15,089,157</u>	
Total Investments			<u>\$ 18,391,387</u>	

Securities Lending

The State Investment Council, as well as the State Public Employee Retirement Association and the State Educational Retirement Board, participate in securities lending programs as authorized by State statute and their respective Board policies. The types of securities lent are U.S. Treasury Notes and Bonds, U.S. and international equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker-dealer or other lending agent in exchange for collateral in the form of cash, government securities, and/or irrevocable bank letters of credit, with a simultaneous agreement to return the collateral for the same securities in the future. The collateral must equal at least 102.0 percent of the market value of the securities. Each entity's Board has developed a policy regarding the restrictions on amounts, which may be loaned.

At June 30, 2010, none of the State entities had credit risk exposure because the amounts the entities owed the borrowers exceeded the amounts the borrowers owed the entities. Each of the entities may invest the cash collateral in eligible securities or other investments as defined in the governing securities lending agreement. The duration of investments so made does not generally match the maturities of securities loaned. Securities received as collateral may not be pledged or sold without borrower default.

Total securities on loan at June 30, 2010 had a carrying amount and fair value of \$1,040 million. Under the agreements, the lending agents are required to indemnify the entity if the borrower fails to return the securities, if collateral is inadequate to replace the securities lent, or if the counterparty fails to pay the entity for income distributions by the securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2010 due to borrower default.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Derivatives

The State has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of derivative instruments. This note describes the State's investments in derivative instruments measured at fair value in the financial statements. Derivatives are generally defined as contracts whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. The State's investment policies allow certain portfolio managers to trade in certain derivatives for hedging purposes. The amounts held in hedging derivatives were not material during the year and at year-end.

The notional or contractual amounts of derivatives indicate the extent of the State's involvement in the various types and uses of derivative financial instruments, do not measure the State's exposure to credit or market risks, and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and other terms of the derivatives.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

Public Employees Retirement Association and Educational Retirement Board
Derivative Financial Instruments
(Expressed in Thousands)

Derivative Type	Change in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Equity Futures	Investment Income	\$ 43,745	Investments	\$ 579,405	\$ -
Fixed Income Futures	Investment Income	(168,082)	Investments	95,857	-
Commodity Futures	Investment Income	130,049	Investments	130,049	-
Fixed Income Options	Investment Income	49	Investments	65	16
Futures-Equity and Fixed Income	Investment Income	(1,512,994)	Investments	(1,512,994)	(12,248)
Total Return-Type Swaps	Investment Income	575,542	Investments	575,542	-
Swaps-Credit Default Swap Index	Investment Income	57,667	Investments	57,667	8,514
Swaps-Loan Default Swap Index	Investment Income	(10,133)	Investments	(10,133)	19,285
Options	Investment Income	67,226	Investments	67,226	15
Foreign Exchange Contracts	Investment Income	(214,722)	Investments	(214,722)	(17,738)
Foreign Exchange Contracts	Investment Income	225	Investments	225	-

Risk – There are certain risks inherent in investments in derivatives. Counterparties to financial instruments expose the State to credit risk in the event of nonperformance. The fund managers that are authorized to invest in derivatives are given specific parameters as to the types of derivatives invested in and ratings of the counterparties they are allowed to enter into contracts with to ensure transactions are entered into with only high quality institutions. The State is exposed to market risk; the risk that changes in market conditions may make an See accountant's report

investment less valuable. Exposure to market risk is managed within risk limits set by management through buying and selling of specific instruments or by entering into offsetting positions. Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. Managers of these assets are given discretion to hedge this risk.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Types of Derivatives Instruments

Foreign Currency Exchange Contracts. The State may enter into forward contracts to purchase and sell foreign currencies in the normal course of its investing activities to manage the currency exposure associated with the State's foreign equity and fixed income investments. The terms of these contracts generally do not exceed one year. The credit risk associated with these contracts is minimal as they are entered into with a limited number of highly rated counterparties.

Currency	Buys	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)
British Pound Sterling	\$ 2,923	\$ 1	\$ (4,355)	\$ (31)
Euro	32,854	(18)	(49,159)	(166)
Total	\$ 35,777	\$ (17)	\$ (53,514)	\$ (197)

Futures Contracts. The State enters into futures contracts in the normal course of its investing activities including equity futures, fixed income futures, and commodities futures. They are utilized in order to manage market risk associated with the equity and fixed income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of net assets available for benefits. The credit risk associated with these contracts is minimal as they are traded on organized exchanges and settled daily.

During 2010, the State was a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90-day Euro dollar fixed income futures. Upon entering into a futures contract, the State is required to deposit, either in cash or in securities an amount ("initial margin") equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by the State, depending on the daily fluctuation in the value of the underlying contracts. U.S. Treasury Securities owned and included in the investments of

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Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. Gains and losses on foreign currency may occur to the extent that the fair value of the contracts varies from the actual contract amount, and they are recorded as incurred in the financial statements.

The following table summarizes the foreign exchange contracts by currency as of June 30, 2010:

The State, with a value of approximately \$564 as of June 30, 2010 were held by the State's broker as performance security on futures contracts. FNMA Discount Notes for \$1,399 were owned by the State at June 30, 2010 for the same purpose.

Summary of Outstanding Futures Contracts

	No. of Contracts	Notional Amount (In Thousands)	Fair Value (In Thousands)
Futures Contracts - Long	129	\$ 129,000	
Futures Contracts - Short	358	44,287	
Margin Deposit		\$ 564	

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from ("call option"), or sell to ("put option"), the writer a designated instrument at a specified price within a specified period of time. Both written and purchased options were used by the State during 2010. When the State purchases or

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

writes an option, an amount equal to the premium paid or received by the State is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract expires or is closed. As of June 30, 2010, the value of open written and purchased options was approximately \$172 and \$187, respectively.

Swap Contracts. Swap contracts are executed on a number of different bases. The two types employed by the State on June 30, 2010 were interest rate swap contracts and credit default swap contracts. An interest rate swap contract is an agreement between two parties to exchange periodic interest payments. One party agrees to make payments to the other based on a fixed rate of interest in exchange for payments based on a variable rate. The State employs interest rate swap contracts to adjust fixed income portfolio durations. A credit default swap contract is similar to an insurance policy; with the credit risk of an individual issuer or a basket of issuers (the "reference asset") the insured factor. Under such a contract, two parties enter into an agreement whereby the first party pays the second party a fixed periodic payment for the specified life of the contract (analogous to an insurance premium). The other party makes no payment unless a credit event related to the reference asset occurs. If such an event takes place, the second party is obligated to make a payment to the first party. The size of the payment is linked to the decline in the reference asset's market value following determination of the occurrence of a credit event.

Hedge Fund. In addition, the use of other derivatives is allowed under the State's investment policy. The amounts held in hedge derivatives were not material during the year.

Asset-backed Securities. The State invests in various forms of asset-backed securities. These securities are held for investment purposes. The credit risk, See accountant's report

interest rate risk, and foreign currency risk for these instruments have been disclosed elsewhere in these Notes.

At June 30, 2010, the State held the following types of asset-backed securities:

	<u>Amount</u>
Asset-backed Securities	\$ 175,602
Collateralized Mortgage Obligations	129,126
Commerical Mortgage-backed Securities	255,033
Collateralized Debt/Loan Obligations	<u>45,978</u>
Total Asset-backed Securities	<u>\$ 605,739</u>

Education Trust Board (ETB)

The Education Trust Board (ETB) is responsible for the management of the Higher Education Savings Plan (Plan).

Investment Risk. All of the Plan's investments are uninsured and unregistered and are held by a counterparty in ETB's name. The Plan's description and participation agreement provides greater detail about the investment policies and practices of ETB. ETB does not have formal policies for limiting its exposure to the risks noted below.

Custodial Credit Risk. ETB's investments are generally in mutual funds, thus this risk is significantly mitigated.

Credit Risk. ETB invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940. Form N-IA discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

Credit ratings for the underlying fixed income funds at June 30, 2010 are as follows:

New Mexico Education Trust Board Quality Rating of Investments	
<u>Investment/Rating</u>	<u>Percentage of Portfolio</u>
Investments Subject to Credit Risk - NRSRO	
Oppenheimer Global Strategic Income Fund:	
Treasury	0.3 %
Agency	7.2 %
AAA	18.5 %
AA	2.6 %
A	6.4 %
BBB	9.5 %
BB	10.5 %
B	12.2 %
CCC	9.5 %
CC	0.5 %
C	0.2 %
D	0.2 %
Not Rated	22.4 %
Total Oppenheimer Global Strategic Income Fund	100.0 %
Oppenheimer Limited-Term Governmental Fund:	
Treasury	2.4 %
Agency	77.7 %
AAA	17.6 %
AA	0.3 %
BBB	- %
BB	0.2 %
CCC	0.8 %
CC	0.2 %
D	0.2 %
Not Rated	0.6 %
Total Oppenheimer Limited-Term Governmental Fund	100.0 %
Oppenheimer International Bond Fund:	
Treasury	0.3 %
AAA	15.1 %
AA	21.9 %
A	21.1 %
BBB	14.4 %
BB	14.7 %

New Mexico Education Trust Board Quality Rating of Investments (Continued)

<u>Investment/Rating</u>	<u>Percentage of Portfolio</u>
Investments Subject to Credit Risk - NRSRO	
Oppenheimer International Bond Fund (Continued):	
B	2.7 %
CCC	0.2 %
Not Rated	9.6 %
Total Oppenheimer International Bond Fund	100.0 %
American Century Diversified Bond Fund*:	
AAA	63.9 %
AA	6.2 %
A	9.9 %
BBB	14.2 %
BB	3.3 %
B & Below	2.1 %
Not Rated	0.4 %
Total American Century Diversified Bond Fund	100.0 %
Dreyfus Bond Market Index Fund*:	
Treasury	69.4 %
AAA	9.9 %
AAA	5.1 %
AAA	9.1 %
BBB	6.5 %
Total Dreyfus Bond Market Index Fund	100.0 %

*As of September 30, 2010.

Interest Rate Risk. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect ETB's net asset values. As of June 30, 2010, the Portfolios held investments in bond fixed income mutual funds totaling \$540 million.

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Duration of years for the underlying fixed income funds at June 30, 2010 are as follows:

<u>Holding</u>	<u>Duration (Years)</u>
Oppenheimer Global Strategic Income	5.4
Oppenheimer Limited-Term Government Fund	1.9
Oppenheimer International Bond Fund	
American Century Diversified Bond Fund	6.7
Mainstay High Yield Corporate Bond Fund	3.3
Dreyfus Bond Market Index Fund	4.7

Foreign Currency Risk. ETB does not have a formal policy for limiting its exposure to changes in exchange rates. ETB does invest in various foreign currencies in pooled vehicles. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940. Form N-IA discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

Guaranteed Investment Contract. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, at June 30, 2010, traditional guaranteed investments contracts were valued at \$42,095; fair value was confirmed by New York Life.

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Discrete Component Units

New Mexico Finance Authority (NMFA). The following is a reconciliation of cash and cash equivalents to the financial statements.

	<u>Carrying Balance</u>
Cash with State Treasurer	\$ 111,293
Bank Accounts	275,697
Total	\$ 386,990

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for 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 that invest in U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Custodial Credit Risk. NMFA's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in NMFA's name.

Credit Risk. NMFA shall be in accordance with Chapters 6-10-10 and 6-10-10.1, NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and U.S. Government.

Concentration of Credit Risk. As of June 30, 2010, NMFA's cash and cash equivalents were not exposed to concentration of credit risk as no single issuer represented 5.0 percent of total investments.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Interest Rate Risk. NMFA's investments are not susceptible to interest rate risk as they are all fully collateralized.

New Mexico Mortgage Finance Authority (NMMFA).

The following schedule reconciles cash and cash equivalents and investments to the financial statements for NMMFA:

New Mexico Mortgage Finance Authority Cash and Cash Equivalents (Expressed in Thousands)

	Carrying Balance
Cash	\$ 18,348
Cash Equivalents not Considered Deposits	266,909
Cash Held by State Investment Council	1,942
Total	\$ 287,199

Cash and Cash Equivalents

As of September 30, 2010, the carrying value of cash and cash equivalents include the following:

New Mexico Mortgage Finance Authority Reconciliation of Cash and Cash Equivalents and Investments Amounts Reported (Expressed in Thousands)

	Carrying Balance
Cash and Cash Equivalents	\$ 46,202
Restricted Cash and Cash Equivalents	240,997
Investment in Local Governmental Investment Pool	18,862
Restricted Investments	1,114,801
Investments	20,855
Total	\$ 1,441,717

Custodial Credit Risk. At September 30, 2010, NMMFA's bank balance was \$2,783. Of this amount, \$264 was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts

subject to custodial credit risk as of September 30, 2010 are \$2,519, which consists of \$2,519 collateralized by collateral held by the bank but not in NMMFA's name, and there were no amounts that were uninsured and uncollateralized.

All of NMMFA's investments are insured, registered, or are held by NMMFA or its agent in the name of NMMFA.

NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, NMMFA obtains from each bank that is a depository for public funds of which are in repurchase agreements, pledged collateral in an aggregate amount at least equal to 102.0 percent of the public money in each account. No security is required for deposit of public money that is insured by the FDIC. As of September 30, 2010, NMMFA had \$1,919 of public funds on deposit, which are fully collateralized by collateral held by the bank in NMMFA's name.

Investments

Interest Risk. The NMMFA investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations, and 4) diversification to avoid overweighing in any one type of security.

NMMFA has securitized mortgage loans that are primarily mortgage loans originated under various bond resolutions, which have been pooled and securitized by a servicer under contract to NMMFA. Upon securitization, these primarily Governmental National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities are then purchased by the bonds issue trustee utilizing the proceeds of the respective bonds

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

proceeds. The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of the underlying mortgages.

Concentration of Credit Risk. The following issuers and their respective percentage of total investments represent greater than 5.0 percent of the NMMFA total investments reported on the balance sheet as of September

30, 2010: GNMA 67.0 percent, FNMA 30.0 percent, and Federal Home Loan Bank 1.0 percent.

Credit Risk. The following table provides information on the credit ratings associated with the NMMFA's investments in debt securities, excluding obligations of the United States government or obligations explicitly guaranteed by the United States government at September 30, 2010.

NMMFA has the following investments and ratings at September 30, 2010:

New Mexico Mortgage Finance Authority Investments
Quality Rating of Investments
(Expressed in Thousands)

Investment Type	Fair Value	Quality Rating			U.S. Government		Not Available
		AAA	AA	A	Guaranteed	Note Rated	
Money Market Funds	\$ 198,825	\$ 198,825	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Accounts	14	-	-	-	-	14	-
Repurchase Agreements	6,811	-	-	-	-	6,811	-
Guaranteed Investment Contracts	63,832	492	59,278	3,107	-	955	-
Internal State Investment Pools:							
State Treasurer	18,862	18,862	-	-	-	-	-
State Investment Council	26,803	-	-	-	-	-	26,803
U.S. Agencies	8,025	8,025	-	-	-	-	-
Securitized Mortgage Loans	1,116,603	348,759	-	-	767,844	-	-
Investments Subject to Credit Risk	<u>1,439,775</u>	<u>\$ 574,963</u>	<u>\$ 59,278</u>	<u>\$ 3,107</u>	<u>\$ 767,844</u>	<u>\$ 7,780</u>	<u>\$ 26,803</u>
Investments Not Subject to Credit Risk:							
State Investment Council - Cash and Cash Equivalents	<u>1,942</u>						
Total Investments Not Subject to Credit Risk	<u>1,942</u>						
Total Investments	<u>\$ 1,441,717</u>						

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

NMMFA has the following investments subject to interest rate risk at September 30, 2010:

New Mexico Mortgage Finance Authority Investments
Maturities on Investments
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in Years)					Not Available
		Less than 1 year	1-5 years	6-10 years	Greater Than 10 Years		
Money Market Funds	\$ 198,825	\$ 198,825	\$ -	\$ -	\$ -	\$ -	-
Money Market Accounts	14	14	-	-	-	-	-
Repurchase Agreements	6,811	6,811	-	-	-	-	-
Guaranteed Investment Contracts	63,832	60,282	944	-	2,606	-	-
Internal State Investment Pools:							
State Treasurer	18,862	18,862	-	-	-	-	-
State Investment Council	26,803	-	-	-	-	-	26,803
U.S. Agencies	8,025	2,008	6,017	-	-	-	-
Securitized Mortgage Loans	1,116,603	-	-	3,706	1,112,897	-	-
Investments Subject to Interest							
Rate Risk	1,439,775	<u>\$ 286,802</u>	<u>\$ 6,961</u>	<u>\$ 3,706</u>	<u>\$ 1,115,503</u>	<u>\$ 26,803</u>	
Investments Not Subject to Interest							
Rate Risk:							
State Investment Council - Cash and Cash Equivalents	1,942						
Total Investments Not Subject to Interest Rate Risk	1,942						
Total Investments	\$ 1,441,717						

New Mexico Computing Applications Center, Inc. (NMCAC)

Cash

Custodial Credit Risk. The NMCAC deposits cash with the University of New Mexico (UNM) and New Mexico Department of Information Technology (DoIT) and the First Community Bank. Public funds are deposited and held by the DoIT until draw requests are approved for state funds. Once the draw down request has been approved, funds are then transferred to UNM where they are held for NMCAC's use. Public funds are deposited and disbursed through a UNM bank account who acts as a receiving agent for NMCAC pursuant to a memorandum of understanding. NMCAC has no control over the bank account and no authority to

require collateral for monies deposited into UNM bank accounts.

NMCAC has a private bank account to utilize the protection of Federal Deposit Insurance Corporation (FDIC) insurance coverage that contains no public money. The bank is not a designated depository of public money as defined by Chapter 6-10-17, NMSA 1978. Management does not believe the bank balance was exposed to significant custodial credit risk as of June 30, 2010.

At June 30, 2010, NMCAC's bank balance was \$1,347. Of this amount, \$250 was insured by the FDIC.

Credit quality risk, securities custodial credit risk, and interest rate risk disclosures do not apply.

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B. Receivables

Receivables at June 30, 2010, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	<u>Federal</u>	<u>Local Governments</u>	<u>Accounts</u>	<u>Brokers</u>	<u>Interest</u>	<u>Taxes</u>	<u>Loans</u>	<u>Allowance</u>	<u>Receivables Total</u>	<u>Noncurrent Loans</u>	<u>Allowance</u>	<u>Noncurrent Loans Total</u>
Governmental Activities	\$ 683,395	\$ 21,922	\$ 125,254	\$ 16,663	\$ 6,943	\$ 67,721	\$ 41,813	\$ (127,419)	\$ 836,292	\$ -	\$ -	\$ -
Business-Type Activities	131,747	1,481	477,451	-	3,974	-	22,307	(257,417)	379,543	204,173	-	204,173
Component Units	4,372	-	2,396	-	16,226	-	1,254,255	(2,133)	1,275,116	235,090	(1,945)	233,145
Governmental Activities:												
General	17,272	618	43,297	774	1	-	2,545	(2,850)	61,657	-	-	-
Education	112,384	632	534	-	-	-	21,796	(2,505)	132,841	-	-	-
Health and Human Services	376,340	20,461	47,853	-	-	-	-	(100,610)	344,044	-	-	-
Highway and Transportation	42,303	-	12,277	-	298	67,721	11,014	(13,383)	120,230	-	-	-
Severance Tax Permanent	-	-	-	12,416	5,246	-	-	-	17,662	-	-	-
Nonmajor Governmental	135,096	211	2,877	3,473	1,377	-	6,458	(277)	149,215	-	-	-
Internal Service	-	-	18,416	-	21	-	-	(7,794)	10,643	-	-	-
Business-type Activities:												
Educational Institutions	127,810	1,481	413,301	-	-	-	5,524	(243,393)	304,723	32,214	-	32,214
Nonmajor Enterprise	3,937	-	64,150	-	3,974	-	16,783	(14,024)	74,820	171,959	-	171,959
Fiduciary Funds:												
Pension Trust	-	2,943	105,394	358,753	66,248	-	5,797	-	539,135	-	-	-
External Trust	-	-	123	624	327	-	-	-	1,074	-	-	-
Private Purpose Trust	-	-	2,987	42,851	17,260	-	-	-	63,098	-	-	-
Agency	-	-	841,275	-	5,475	840,375	-	(899,907)	787,218	-	-	-
Discrete Component Units:												
Finance Authority	4,372	-	2,241	-	9,798	-	1,254,255	(2,133)	1,268,533	-	-	-
Mortgage Finance Authority	-	-	-	-	6,428	-	-	-	6,428	235,090	(1,945)	233,145
Computer Applications Center, Inc.	-	-	155	-	-	-	-	-	155	-	-	-

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Accounts receivable balances are an aggregation of amounts due from the federal government, customers, and others. Receivables from customers include charges for services to local governments, fees and fines issued by the courts and corrections, employer contributions for unemployment benefits, amounts from investment brokers, interest earnings, general and selective and income taxes, and receivables because of overpayments to individuals receiving state assistance.

Discrete Component Units

New Mexico Finance Authority – The following is an analysis of the allowance for loan losses as of June 30, 2010 (in thousands):

Beginning Balance	\$	1,687
Provision for Loan Losses		446
Loans Written Off Net of Recoveries		-
Ending Balance	\$	<u>2,133</u>

Loans have repayment terms ranging from one to 30 years. The stated interest rates are between 0.0 – 6.4 percent.

New Mexico Mortgage Finance Authority – The following is an analysis of the allowance for mortgage loan and real estate owned loan losses as of September 3, 2010 (in thousands):

Beginning Balance	\$	1,823
Provision for Loan Losses		573
Loans Written Off Net of Recoveries		(451)
Ending Balance	\$	<u>1,945</u>

Mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

Rental Housing Programs	1.0 - 8.8 %
Other Mortgage Loans	0.0 - 13.9 %
Second Mortgage Down Payment Assistance Loans	0.0 - 7.5 %

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010 is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:				
General	\$ 918,284	\$ 557,357	\$ 1,516,089	\$ 5,491,490
Education	14,304	20,455	2,680,834	141,789
Health and Human Services	55,155	117,798	1,507,668	287,512
Highway and Transportation	106,635	102,324	45,101	14,841
Appropriated Bond Proceeds Capital Outlay	544,422	62,587	711,797	616,059
Severance Tax Permanent	4,677	15,599	3,488	196,080
Nonmajor Governmental:				
Special Revenue:				
American Recovery and Reinvestment Act	20,840	105,026	177,898	194,669
Bond Proceeds	-	-	275,492	824,965
Culture, Recreation, and Natural Resources	5,897	6,743	24,065	17,468
General Control	19,068	20,449	119,125	175,127
Judicial	1,246	1,260	44,996	1,640
Public Safety	1,917	4,748	7,191	9,174
Regulation and Licensing	169	179	8,911	15,422
Debt Service:				
Culture, Recreation, and Natural Resources	-	-	2,578	500
General Obligation Bonds	-	-	66	-
Severance Tax Bonds	46,838	3,488	122,792	275,492
Capital Projects:				
Culture, Recreation, and Natural Resources	5,941	1,169	18,364	21,513
General Control	4,250	4	59,483	10,712
Judicial	172	39	594	200
Public Safety	1,369	653	2,843	1,629
Regulation and Licensing	100	298	3,282	4,932
Permanent Funds:				
Land Grant	189	2,979	22,466	35,746
Internal Service	9,948	9,965	34,954	894
Total Governmental Activities	<u>1,761,421</u>	<u>1,033,120</u>	<u>7,390,077</u>	<u>8,337,854</u>
Business-type Activities:				
Educational Institutions	9,382	71	767,317	-
Nonmajor Enterprise:				
Industries for the Blind	-	84	112	-
Corrections Industries Revolving Fund	1,143	-	-	-
Environment Department	12	330	-	-
New Mexico Magazine	-	10	-	25
New Mexico Lottery Authority	-	3,401	-	43,609
State Infrastructure Bank	2,620	435	-	-
Miners' Colfax Medical Center	536	-	-	-
Unemployment Insurance Fund	365	8,255	-	-
Total Business-type Activities	<u>14,058</u>	<u>12,586</u>	<u>767,429</u>	<u>43,634</u>

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	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Fiduciary Funds:				
Pension Trust:				
Magistrate Retirement	\$ -	\$ 64	\$ -	\$ -
Public Employees Retirement	287	-	-	-
Judicial Retirement	-	144	-	-
Volunteer Firefighters Retirement	-	75	750	-
New Mexico Retiree Health Care Authority	2	29	10	-
External Trust:				
State Investment Council	-	29	-	-
Private Purpose Trust:				
Scholarship	-	-	15,000	70,000
Land Grant	2,308	-	274,853	-
Water Trust	-	17	-	4,000
Agency:				
Other Agency	17,617	220,245	-	-
Receipts Pending Distribution	1,214	4,018	-	-
Suspense Related	204,317	878,739	-	-
Total Fiduciary Funds	<u>225,745</u>	<u>1,103,360</u>	<u>290,613</u>	<u>74,000</u>
Component Units:				
New Mexico Finance Authority	147,842	-	11,722	8,070
New Mexico Mortgage Finance Authority	-	-	750	-
New Mexico Computing Applications Center	-	-	2,967	-
Total Component Units	<u>147,842</u>	<u>-</u>	<u>15,439</u>	<u>8,070</u>
Totals	<u>\$ 2,149,066</u>	<u>\$ 2,149,066</u>	<u>\$ 8,463,558</u>	<u>\$ 8,463,558</u>

The interfund receivables and payables balances resulted from the time lags between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides

working capital for another fund. All transfers must be legally authorized by the Legislature through statute or an Appropriation Act. Transfers during the year were made to finance the operations of the individual departments as authorized by the Legislature and to revert (transfers out) any unspent or unencumbered balance of the authorized appropriations.

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D. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands):

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 79,848	\$ 9,060	\$ (686)	\$ 88,222
Construction in Progress	261,527	572,376	(535,222)	298,681
Infrastructure	463,753	16	-	463,769
Mineral Rights	74,838	-	-	74,838
Art and Other	1,056	73	(3)	1,126
Total Capital Assets not being Depreciated	<u>881,022</u>	<u>581,525</u>	<u>(535,911)</u>	<u>926,636</u>
Capital Assets being Depreciated:				
Land Improvements	29,284	4,366	-	33,650
Equipment and Machinery	227,696	27,259	(17,173)	237,782
Building and Improvements	1,249,661	108,063	(18,827)	1,338,897
Furniture and Fixtures	19,102	1,505	(932)	19,675
Data Processing Equipment and Software	153,312	14,034	(8,012)	159,334
Library Books and Other	4,465	4,391	(384)	8,472
Vehicles	285,760	25,436	(12,343)	298,853
Infrastructure	15,350,580	460,676	(488,914)	15,322,342
Total Capital Assets being Depreciated	<u>17,319,860</u>	<u>645,730</u>	<u>(546,585)</u>	<u>17,419,005</u>
Less Accumulated Depreciation for:				
Land Improvements	(18,898)	(1,016)	-	(19,914)
Equipment and Machinery	(177,961)	(19,192)	16,521	(180,632)
Building and Improvements	(633,196)	(36,411)	13,030	(656,577)
Furniture and Fixtures	(13,682)	(1,237)	875	(14,044)
Data Processing Equipment and Software	(91,401)	(15,960)	5,496	(101,865)
Library Books and Other	(3,551)	(2,027)	384	(5,194)
Vehicles	(199,987)	(14,281)	9,942	(204,326)
Infrastructure	(8,686,107)	(572,236)	463,995	(8,794,348)
Total Accumulated Depreciation	<u>(9,824,783)</u>	<u>(662,360)</u>	<u>510,243</u>	<u>(9,976,900)</u>
Total Capital Assets being Depreciated, Net	7,495,077	(16,630)	(36,342)	7,442,105
Capital Assets, Net	<u>\$ 8,376,099</u>	<u>\$ 564,895</u>	<u>\$ (572,253)</u>	<u>\$ 8,368,741</u>

During fiscal year 2010, the State transferred \$535,222 from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands):

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance
Business-type Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 73,872	\$ 2,348	\$ (450)	\$ 75,770
Construction in Progress	171,735	198,707	(194,924)	175,518
Art and Other	2,679	89	(579)	2,189
Total Capital Assets not being Depreciated	<u>248,286</u>	<u>201,144</u>	<u>(195,953)</u>	<u>253,477</u>
Capital Assets being Depreciated:				
Land Improvements	61,926	10,346	-	72,272
Equipment and Machinery	416,419	40,800	(10,832)	446,387
Building and Improvements	1,990,530	203,915	(26,548)	2,167,897
Furniture and Fixtures	637,123	23,732	(16,739)	644,116
Data Processing Equipment and Software	25,754	822	(2,837)	23,739
Library Books and Other	240,459	14,070	(272)	254,257
Vehicles	4,519	1,105	(551)	5,073
Infrastructure	209,420	23,196	(5,003)	227,613
Total Capital Assets being Depreciated	<u>3,586,150</u>	<u>317,986</u>	<u>(62,782)</u>	<u>3,841,354</u>
Less Accumulated Depreciation for:				
Land Improvements	(37,971)	(3,632)	-	(41,603)
Equipment and Machinery	(310,013)	(46,173)	10,183	(346,003)
Building and Improvements	(810,340)	(52,792)	1,975	(861,157)
Furniture and Fixtures	(309,200)	(29,095)	15,418	(322,877)
Data Processing Equipment and Software	(15,652)	(1,680)	2,513	(14,819)
Library Books and Other	(198,905)	(12,147)	136	(210,916)
Vehicles	(3,194)	(812)	506	(3,500)
Infrastructure	(89,175)	(10,192)	-	(99,367)
Total Accumulated Depreciation	<u>(1,774,450)</u>	<u>(156,523)</u>	<u>30,731</u>	<u>(1,900,242)</u>
Total Capital Assets being Depreciated, Net	<u>1,811,700</u>	<u>161,463</u>	<u>(32,051)</u>	<u>1,941,112</u>
Capital Assets, Net	<u>\$ 2,059,986</u>	<u>\$ 362,607</u>	<u>\$ (228,004)</u>	<u>\$ 2,194,589</u>

During fiscal year 2010, the State transferred \$194,923 from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

For the year ended June 30, 2010, capitalized interest expense was \$3,019.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands):

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance
Fiduciary Funds:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 1,727	\$ 70	\$ -	\$ 1,797
Total Capital Assets not being Depreciated	<u>1,727</u>	<u>70</u>	<u>-</u>	<u>1,797</u>
Capital Assets being Depreciated:				
Land Improvements	19	-	-	19
Equipment and Machinery	-	601	(509)	92
Building and Improvements	15,462	550	-	16,012
Furniture and Fixtures	1,780	86	(571)	1,295
Data Processing Equipment and Software	24,095	22	-	24,117
Vehicles	-	92	-	92
Total Capital Assets being Depreciated	<u>41,356</u>	<u>1,351</u>	<u>(1,080)</u>	<u>41,627</u>
Less Accumulated Depreciation for:				
Land Improvements	(3)	(1)	-	(4)
Equipment and Machinery	-	(4)	-	(4)
Building and Improvements	(1,254)	(172)	-	(1,426)
Furniture and Fixtures	(1,425)	(48)	478	(995)
Data Processing Equipment and Software	(12,623)	(4,115)	-	(16,738)
Vehicles	-	(3)	-	(3)
Total Accumulated Depreciation	<u>(15,305)</u>	<u>(4,343)</u>	<u>478</u>	<u>(19,170)</u>
Capital Assets, Net	<u>\$ 27,778</u>	<u>\$ (2,922)</u>	<u>\$ (602)</u>	<u>\$ 24,254</u>

Depreciation expense charged to functions/programs of governmental activities was as follows (in thousands):

General Control	\$ 39,719
Education	633
Health and Human Services	9,780
Highways and Transportation	570,325
Culture, Recreation, and Natural Resources	16,760
Judicial	6,248
Legislative	1,347
Public Safety	13,844
Regulation and Licensing	3,704
Total	<u>\$ 662,360</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Discrete Component Units

Capital asset activity for the New Mexico Finance Authority for the year ended June 30, 2010, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets being Depreciated:				
Land Improvements	\$ 48	\$ -	\$ -	\$ 48
Equipment and Machinery	49	-	-	49
Furniture and Fixtures	199	5	-	204
Data Processing Equipment and Software	567	268	-	835
Total Capital Assets being Depreciated	<u>863</u>	<u>273</u>	<u>-</u>	<u>1,136</u>
Less Accumulated Depreciation for:				
Land Improvements	(39)	(10)	-	(49)
Equipment and Machinery	(40)	(10)	-	(50)
Furniture and Fixtures	(159)	(39)	-	(198)
Data Processing Equipment and Software	(427)	(139)	-	(566)
Total Accumulated Depreciation	<u>(665)</u>	<u>(198)</u>	<u>-</u>	<u>(863)</u>
Capital Assets, Net	<u>\$ 198</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 273</u>

Capital asset activity for the New Mexico Mortgage Finance Authority for the year ended September 30, 2010, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 512	\$ -	\$ -	\$ 512
Total Capital Assets not being Depreciated	<u>512</u>	<u>-</u>	<u>-</u>	<u>512</u>
Capital Assets being Depreciated:				
Building and Improvements	3,041	-	-	3,041
Furniture and Fixtures	1,439	46	(2)	1,483
Total Capital Assets being Depreciated	<u>4,480</u>	<u>46</u>	<u>(2)</u>	<u>4,524</u>
Less Accumulated Depreciation for:				
Building and Improvements	(2,097)	(110)	-	(2,207)
Furniture and Fixtures	(1,244)	(93)	2	(1,335)
Total Accumulated Depreciation	<u>(3,341)</u>	<u>(203)</u>	<u>2</u>	<u>(3,542)</u>
Total Capital Assets being Depreciation, Net	<u>1,139</u>	<u>(157)</u>	<u>-</u>	<u>982</u>
Capital Assets, Net	<u>\$ 1,651</u>	<u>\$ (157)</u>	<u>\$ -</u>	<u>\$ 1,494</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the New Mexico Computing Applications Center, Inc. for the year ended June 30, 2010, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets being Depreciated:				
Data Processing Equipment	\$ 104	\$ -	\$ -	\$ 104
Total Capital Assets being Depreciated	<u>104</u>	<u>-</u>	<u>-</u>	<u>104</u>
Less Accumulated Depreciation for:				
Data Processing Equipment	(2)	(20)	-	(22)
Total Accumulated Depreciation	<u>(2)</u>	<u>(20)</u>	<u>-</u>	<u>(22)</u>
Capital Assets, Net	<u>\$ 102</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ 82</u>

Construction Commitments

The State has active construction projects as of June 30, 2010. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction were \$282,810.

Operating Leases

The State leases building and office facilities and other equipment under operating leases. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes.

Operating leases contain various renewal options, as well as some purchase options. However, due to the nature of the lease, they do not qualify as capital leases and the related assets and liabilities are not recorded. Any escalation clauses, sublease rentals, and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred.

Operating lease expenditures/expenses for fiscal year 2010 were \$57,536, \$10,088, and \$80 for governmental activities, business-type activities, and fiduciary activities, respectively.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The future minimum lease payments for the operating leases are as follows (in thousands):

Governmental	<u>Amount</u>
2011	\$ 59,362
2012	53,283
2013	48,172
2014	42,892
2015	39,965
2016 - 2020	89,992
2021 - 2025	31,861
2026 - 2030	
	<u><u>\$ 365,527</u></u>

Business-type	<u>Amount</u>
2011	\$ 7,791
2012	4,647
2013	3,445
2014	2,467
2015	2,043
2016 - 2020	9,600
2021 - 2025	1,921
2026 - 2030	1,881
2030 - 2034	
2035 - 2039	
	<u><u>\$ 33,795</u></u>

Fiduciary	<u>Amount</u>
2011	\$ 81
2012	70
2013	12
2014	11
2015	1
	<u><u>\$ 175</u></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.

Gabalton decision, in that payments for these will be made from Special Revenue Funds and not from general tax revenue.

Leases, that in substance are purchases, are reported as capital lease obligations. In the government-wide financial statements and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at the inception of the lease at either the lower of fair value or the present value of future minimum lease payments. The principal portion of lease payments reduces the liability, and the interest portion is expensed. On the governmental fund financial statements, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function.

The future minimum lease payments for the capital leases are as follows (in thousands):

Business-type	<u>Amount</u>
2011	\$ 117
2012	56
2013	56
2014	8
2015	8
2016 - 2020	3
Total Lease Payments	<u>248</u>
Less Amounts Representing	
Interest	<u>10</u>
Present Value of Future	
Minimum Lease Payments	<u><u>\$ 238</u></u>

As of June 30, 2010, the historical cost of the primary government's assets acquired through capital leases was \$519, which was equipment, with accumulated depreciation of \$6.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

E. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

Long-term Liabilities <i>(Expressed in Thousands)</i>					
	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds, Net	\$ 481,812	\$ -	\$ (57,958)	\$ 423,854	\$ 67,348
Severance Tax Bonds	626,715	550,520	(156,685)	1,020,550	145,546
Revenue Bonds	<u>1,729,205</u>	<u>113,188</u>	<u>(194,776)</u>	<u>1,647,617</u>	<u>71,208</u>
Total Bonds Payable	<u>2,837,732</u>	<u>663,708</u>	<u>(409,419)</u>	<u>3,092,021</u>	<u>284,102</u>
Other Liabilities					
Notes Payable	43,781	80,534	(110)	124,205	50,730
Claims and Judgements	217,426	374,878	(369,483)	222,821	86,643
Compensated Absences	73,757	65,294	(65,568)	73,483	57,231
Pollution Remediation Obligation	7,992	96,950	(18,653)	86,289	3,561
Other	<u>100</u>	<u>501</u>	<u>(100)</u>	<u>501</u>	<u>-</u>
Total Other Payables	<u>343,056</u>	<u>618,157</u>	<u>(453,914)</u>	<u>507,299</u>	<u>198,165</u>
Total Governmental Long-term Liabilities	<u>\$ 3,180,788</u>	<u>\$ 1,281,865</u>	<u>\$ (863,333)</u>	<u>\$ 3,599,320</u>	<u>\$ 482,267</u>
	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Bonds Payable					
Revenue Bonds, Net	\$ 809,215	\$ 95,007	\$ (37,530)	\$ 866,692	\$ 28,614
Total Bonds Payable	<u>809,215</u>	<u>95,007</u>	<u>(37,530)</u>	<u>866,692</u>	<u>28,614</u>
Other Liabilities					
Compensated Absences	87,747	67,804	(74,786)	80,765	54,591
Reserved for Losses	70,286	256,204	(262,589)	63,901	21,072
Other	<u>36,026</u>	<u>25,233</u>	<u>(2,048)</u>	<u>59,211</u>	<u>650</u>
Total Other Payables	<u>194,059</u>	<u>349,241</u>	<u>(339,423)</u>	<u>203,877</u>	<u>76,313</u>
Total Business-type Long-term Liabilities	<u>\$ 1,003,274</u>	<u>\$ 444,248</u>	<u>\$ (376,953)</u>	<u>\$ 1,070,569</u>	<u>\$ 104,927</u>
	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Fiduciary:					
Pension Trust Funds:					
Other Liabilities					
Reserved for Losses	\$ 11,713	\$ 8,273	\$ (11,713)	\$ 8,273	\$ 8,273
Compensated Absences	<u>686</u>	<u>784</u>	<u>(838)</u>	<u>632</u>	<u>627</u>
Total Fiduciary Long-term Liabilities	<u>\$ 12,399</u>	<u>\$ 9,057</u>	<u>\$ (12,551)</u>	<u>\$ 8,905</u>	<u>\$ 8,900</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Compensated Absences

Compensated absences of governmental activities are liquidated in the General Fund, Education Fund, Health and Human Services Fund, and Highway and Transportation Fund according to the applicable employing state agency. Claims liabilities of governmental activities are liquidated in the Internal Service Fund.

2008 Exempt Line of Credit

The New Mexico Department of Transportation contracted with the Bank of America for a \$200,000 tax-exempt line of credit on June 1, 2008. As of June 30, 2010, the amount of funds drawn was \$120,563. The full amount of the Line of Credit is not expected to be drawn until December 2010. The principal, interest and fees for the unused portions are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Line of Credit was engaged in through the New Mexico Finance Authority at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Those projects are part of the Governor Richardson Improvement Projects plan to upgrade and improve highways throughout the State and to develop a broad based, intermodal transportation plan that includes light rail, commuter rail park and ride, airport improvements, bike paths and hiking trails. Principal is payable on August 31st for 2010 and on July 1st for the subsequent years. Interest is payable quarterly on the drawn portions and a fee is charged on the unused portions. The interest rate is 65.0

percent of the LIBOR One Monthly Floating Rate plus 0.7 percent points.

Pollution Remediation Obligation

The State is responsible for environmental management to reasonably protect human health and the environment in accordance with the Environmental Improvement Act, Chapter 74-1-1, NMSA 1978 (Act). Among other things, one of the functions of the Act is to create a department accountable to manage environmental issues in the State. The Environment Department has been designated as the responsible government unit. The Environment Department is to “serve as agent of the state in matters of environmental management and consumer protection not expressly delegated by law to another department, commission or political subdivision in which the United States is a party” through the enforcement of rules, regulations, and orders promulgated by the Environment Department and consumer protection laws.

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) became effective in fiscal year 2009. GASB 49 provides guidance in estimating and reporting the potential costs of pollution remediation. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care. While GASB 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the State is compelled to take action,

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

- The State is found in violation of a pollution related permit or license,
- The State is named, or has evidence that it will be named as a responsible party by a regulator,
- The State is named, or has evidence that it will be named in a lawsuit to enforce a cleanup, or
- The State commences or legally obligates itself to conduct remediation activities.

For fiscal year 2009, the initial implementation of GASB 49 for all contaminated sites, the State used the expected cash flow technique using expected outlays from actual work plan obligations on active sites the State is responsible for as of the end of the fiscal year. Since the initial implementation of GASB 49, the State has gained additional experience and knowledge regarding the identification and estimation of contaminated sites and has refined the methodology in estimating pollution remediation liabilities for fiscal year 2010 to provide the most reasonable estimate given the information available as of June 30, 2010.

The nature of the identified sites, the methodology used in the estimate and the estimated liability is further explained below:

Leaking Petroleum Storage Tanks (LPST) – The State oversees cleanups of LPST sites and reimburses eligible parties from the PST corrective action fund, which has paid for the vast majority of LPST cleanups. In addition, the State takes the lead at high priority sites where owners and operators are unknown, unwilling, or unable to take corrective action. The corrective action fund is funded by a per load fee collected at the loading dock from wholesale distributors of petroleum products.

The State identified 886 responsible party and state lead active LPST sites as of June 30, 2010. To estimate the liability, the State assessed each individual site and estimated the expected cash outlays based on knowledge of current site conditions. See accountant's report

and anticipated correction that will be required. The State estimated the amount of direct salaries and benefits using the expected cash outlays over the average number of years expected to achieve cleanup standards at these sites. The State reduces the estimated liability with expected recoveries through loading fees (Chapter 7-13A-1, NMSA 1978) not yet realized or realizable. The State only recognizes the recoveries in its financial statements as they become probable. The amount of recoveries estimated to reduce the liability is based on a weighted average of the number of years estimated to clean up the different types of priority sites. As of June 30, 2010, the estimated pollution remediation liability for LPST sites is \$258,452, with expected recoveries of \$214,078, for a total liability of \$44,374. The estimate is subject to change due to price changes, technology changes, changes in applicable laws and regulation or other unforeseen conditions.

Superfund – The Superfund Oversight Section of the State assists the United States Environmental Protection Agency (EPA) in characterization of inactive hazardous waste sites; identifies sites, which warrant remedial or removal action under Superfund (CERCLA); and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List. There are currently 13 listed Superfund sites, 1 proposed site, and 4 deleted sites in New Mexico, which are in various stages of investigation and remediation.

The primary objective of the Superfund Oversight Section is to address releases or threatened releases of hazardous substances that pose an imminent or substantial endangerment to public health and safety or the environment. The major functions of the Superfund Program are to investigate and evaluate the release or threatened release of hazardous substances, identify responsible parties and remediate sites on the National Priorities List to ensure protection of human health and the environment.

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The pollution remediation liability for Superfund sites was calculated by estimating the remediation liabilities for active sites in New Mexico. Sites for which one or more Potentially Responsible Parties is performing or funding the investigation and cleanup were excluded from the estimate. In cases where a viable potential responsible party has not been identified, federal funds will cover 100.0 percent of the investigation costs and 90.0 percent of the cleanup costs for up to 10 years. The State must assure payment of 10.0 percent of the cleanup costs for the first 10 years and 100.0 percent of the costs for any cleanup actions required beyond 10 years. Although there is no cost share requirement for sites where removal actions are performed, the state is responsible for 100.0 percent of post removal operation and maintenance.

Site estimates were based on budget projections to cover necessary activities for the upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. For sites or

phases without budget projections, Superfund Program and Project Managers estimated costs for the Superfund phases of investigation and cleanup, based on experience with similar sites. Site estimates may change drastically from one year to another as the investigations continue or remediation progresses. The estimate is subject to change due to price changes, technology changes, changes in applicable laws and regulations, or other unforeseen conditions. The State does not expect any recoveries from other responsible parties that would reduce this liability. As of June 30, 2010, the estimated pollution remediation liability for Superfund sites is \$41,915.

Discrete Component Units

Long-term liability activity for the New Mexico Finance Authority for the year ended June 30, 2010 and the New Mexico Mortgage Finance Authority for the year ended September 30 was as follows:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

New Mexico Finance Authority and New Mexico Mortgage Finance Authority
Long-term Liabilities
(Expressed in Thousands)

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
New Mexico Finance Authority					
Bonds Payable, Net	\$ 1,132,954	\$ 173,590	\$ (72,824)	\$ 1,233,720	\$ 65,371
Other Liabilities					
Compensated Absences	227	222	(239)	210	210
Total Other Payables	227	222	(239)	210	210
Total Long-term Liabilities	\$ 1,133,181	\$ 173,812	\$ (73,063)	\$ 1,233,930	\$ 65,581
New Mexico Mortgage Finance Authority					
Bonds Payable, Net	\$ 1,512,275	\$ 264,473	\$ (333,249)	\$ 1,443,499	\$ 19,087
Other Liabilities					
Notes Payable	3,138	-	(2,488)	650	-
Accrued Arbitrage Rebate	975	40	(45)	970	-
Other Noncurrent Liabilities	214	3	-	217	-
Compensated Absences	219	213	(210)	222	222
Total Other Payables	4,546	256	(2,743)	2,059	222
Total Long-term Liabilities	\$ 1,516,821	\$ 264,729	\$ (335,992)	\$ 1,445,558	\$ 19,309

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

F. Bonds Payable

Primary Government

General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities for local governments as authorized by the Legislature of the State of New Mexico. In addition, general obligation bonds have been issued to refund general obligation bonds.

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. Funding for the payment of the debt service of the general obligation bonds is provided through the collection of property taxes levied by the local governments receiving the funding for capital spending.

There were no General Obligation Bonds issued during the fiscal year ended June 30, 2010.

General obligation bonds outstanding at year-end are as follows:

General Obligation Bonds Payable (Expressed in Thousands)

<u>Bond Issue</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2010</u>
Series 2005	3/1/2005	2015	5.0	\$ 111,850	\$ 62,895
Series 2007	3/1/2007	2017	5.0	134,870	101,065
Series A 2008 Refunding	6/25/2008	2013	5.0	71,270	50,660
Series 2009	5/28/2009	2019	5.0	196,330	183,960
Total General Obligation Bonds Outstanding					398,580
Unaccreted Bond Premium					25,274
Total General Obligation Bonds Payable					\$ 423,854

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

**General Obligation Bonds Issues
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 67,348	\$ 14,306	\$ 81,654
2012	60,774	12,909	73,683
2013	60,834	12,922	73,756
2014	47,721	10,137	57,858
2015	47,707	10,134	57,841
2016 - 2020	114,196	24,255	138,451
	398,580	84,663	483,243
Net Unaccrued Premium	25,274	-	25,274
Total	\$ 423,854	\$ 84,663	\$ 508,517

Severance Tax Bonds

Severance tax bonds are used to fund the capital needs of state agencies, local governments, and public and higher education as authorized by the Legislature of the State of New Mexico. In addition, severance tax bonds have been issued to refund severance tax bonds.

Funding for the payment of the debt service of the severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources. The severance tax bonds are secured by the levied taxes. This is a permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the

State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2010, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$349 million. The total principal and interest requirements were \$186 million for all severance tax and supplemental severance tax bonds.

On July 30, 2009, the State Board of Finance issued bonds with a principal amount of \$218,450 to finance capital projects and to refund existing debt. The interest rate varies between 2.0 percent - 5.0 percent, with principal payments due through 2019.

On March 24, 2010, the State Board of Finance issued bonds with a principal amount of \$132,265 to finance capital projects. The interest rate varies between 3.0 percent - 5.0 percent, with principal payments due through 2020.

On March 24, 2010, the State Board of Finance issued bonds with a principal amount of \$100,000 to finance capital projects. The interest rate varies between 4.0 percent - 5.0 percent, with principal payments due through 2020.

On June 30, 2010, the State Board of Finance issued bonds with a principal amount of \$43,780 to refund existing debt. The interest rate varies between 2.0 percent - 5.0 percent, with principal payments due through 2015.

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For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Severance tax bonds outstanding at year-end are as follows:

Severance Tax Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
Series B 2003 Supplemental	11/01/03	2013	2.0 - 3.7	\$ 10,000	\$ 4,630
Series B 2004 Supplemental	11/17/04	2014	2.0 - 5.0	10,000	5,380
Series A 2005	06/15/05	2015	4.0 - 5.5	97,000	56,590
Series B-1 2005 Refunding	06/28/05	2012	3.0 - 5.0	37,040	22,665
Series B-2 2005 Supplemental	06/28/05	2011	3.2 - 5.0	21,095	14,335
Series A 2006	06/20/06	2016	4.0 - 5.0	135,000	100,995
Series A 2007	06/28/07	2018	4.0 - 5.0	162,840	112,670
Series A 2008	06/25/08	2019	4.0 - 5.0	149,000	137,050
Series A-2 2008 Supplemental	06/25/08	2013	3.0	20,550	15,715
Series B-1 2005 Refunding	07/30/09	2019	2.0 - 5.0	218,450	218,450
Series B-1 2005 Refunding	03/24/10	2019	3.0 - 5.0	132,265	132,265
Series A-2 2008 Supplemental	03/24/10	2019	4.0 - 5.0	100,000	100,000
Series B-1 2005 Refunding	06/30/10	2019	4.0 - 5.0	43,780	43,780
Total Severance Tax Bonds Outstanding					964,525
Unaccreted Bond Premium					56,025
Total Severance Tax Bonds Payable					\$ 1,020,550

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

Severance Tax Bonds Issues
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2011	\$ 145,546	\$ 28,497	\$ 174,043
2012	127,071	24,880	151,951
2013	120,772	23,646	144,418
2014	109,310	21,402	130,712
2015	100,250	19,628	119,878
2016 - 2020	361,576	70,795	432,371
	964,525	188,848	1,153,373
Net Unaccreted Premium	56,025	-	56,025
Total	\$ 1,020,550	\$ 188,848	\$ 1,209,398

Advance and Current Refundings

The State refunded certain 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 liability for the refunded bonds are not included in the summary of long-term obligations.

On July 30, 2009, the State issued Severance Tax Bond Series 2009 A Refunding, with a principal amount of \$218,450 to finance capital projects, as well as to provide partial refunding of Severance Tax Series 2003 A Bonds and Severance Tax Series 2004 A Bonds. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$4,966. The economic gain, or present value savings, was \$4,851.

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For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Revenue Bonds

The State 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:

Revenue Bonds Payable - Primary Government (Expressed in Thousands)

Governmental Activities

Bond Issue	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
State Museum Tax	2023	0.6 - 4.1	\$ 5,760	\$ 4,577
Series 1995 A and B Energy and Minerals	2015	3.0 - 6.0	3,697	102
Series 1995 A and Series 1996 B Energy and Minerals	2016	4.5	6,840	2,602
Series 1996 A and B Energy and Minerals	2016	3.0 - 6.0	3,900	142
Series 1997 A and B Energy and Minerals	2017	3.0 - 6.0	4,717	2,187
Series 1998 A and B Energy and Minerals	2018	6.0 - 8.0	5,033	2,562
Series 2001 Energy and Minerals	2020	4.7	4,907	2,902
Series 2003 Energy and Minerals	2023	3.8	7,339	5,370
Series 2010 Energy and Minerals Equipment	2016	2.2	843	843
Series 2002 A Senior Subordinate Lien Tax Highway (CHAT)	2014	5.0 - 5.5	95,000	9,690
Series 2002 C Highway Infrastructure Highway (HIF)	2017	3.3 - 5.4	67,750	13,200
Series 2002 D Senior Subordinate Lien Tax Highway (CHAT)	2014	3.9 - 5.0	16,000	3,210
Series 2004 A Senior Lien Transportation (GRIP)	2024	3.8 - 5.2	700,000	700,000
Series 2004 B Subordinate Lien Transportation Refunding (GRIP)	2014	2.0 - 5.0	237,950	129,195
Series 2006 A Highway (GRIP)	2026	3.6 - 5.0	150,000	150,000
Series 2006 B Highway (GRIP)	2026	3.5 - 5.0	39,005	30,000
Series 2008 A Adjustable Rate State Transportation Refunding (GRIP)	2025	Variable	115,200	115,200
Series 2008 B Adjustable Rate State Transportation Refunding (GRIP)	2027	Variable	220,000	220,000
Series 2008 C Adjustable Rate State Transportation Refunding (GRIP)	2025	Variable	84,800	84,800
Series 2008 D Adjustable Rate State Transportation Refunding (GRIP)	2027	Variable	50,400	50,400
Series 2009 A Refunding	2017	2.0 - 5.0	112,345	102,420
Total Revenue Bonds Outstanding				1,629,402
Unaccreted Bond Premium/Discount, Net				18,215
Total Revenue Bonds Payable				\$ 1,647,617

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Revenue Bonds Payable - Primary Government (Expressed in Thousands)

Business-type Activities

Bond Issue	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
Series 2004 Miners Colfax Hospital	2024	4.2	\$ 10,823	\$ 8,444
Series 2006 Miners Colfax Hospital	2026	4.2	6,488	5,582
Series 2004 Capital Improvement (EXPO)	2014	1.3 - 3.7	5,556	3,150
Series 2001 Revenue and Improvement (NMSU)	2021	3.9 - 5.0	9,210	5,610
Series 2002 Revenue and Improvement (NMSU)	2022	2.0 - 5.0	15,495	7,445
Series 2003 Refunding and Improvement (NMSU)	2023	2.0 - 5.0	28,495	19,040
Series 2004 B Improvement (NMSU)	2025	2.0 - 5.0	42,275	35,275
Series 2006 Improvement (NMSU)	2026	4.0 - 5.0	10,245	8,765
Series 2010 A-D Refunding and Improvement (NMSU)	2022	1.9 - 5.3	78,670	78,670
Series 1998 System (ENMU)	2013	3.5 - 4.4	3,535	1,400
Series 2005 A General Obligation Building (ENMU)	2010	2.3 - 3.5	850	100
Series 2005 System (ENMU)	2026	3.2 - 4.2	9,325	8,005
Series 2005 B General Obligation Building (ENMU)	2015	3.1 - 4.2	7,500	3,525
Series 2008 System Refunding (NMHU)	2034	3.1 - 4.8	19,741	19,263
Series 2009 A System Refunding (NMHU)	2021	3.0 - 4.5	4,555	4,555
Series 2009 B System Refunding (NMHU)	2034	5.3 - 6.1	9,230	9,230
Series 2001 System (NM Military)	2013	3.2 - 5.0	9,550	3,600
Series 2005 System Refunding and Improvement (WNMU)	2019	3.2 - 5.0	5,800	3,940
Series 1992 A System Revenue Refunding (UNM)	2021	5.6 - 6.2	36,790	22,365
Series 2000 System Revenue (UNM)	2029	4.6 - 6.3	53,232	3,887
Series 2001 Subordinate Lien System Improvement (UNM)	2026	Variable	52,625	41,020
Series 2002 A Subordinate Lien System Refunding (UNM)	2032	2.5 - 5.2	58,860	36,740
Series 2002 B Subordinate Lien System Refunding (UNM)	2026	3.8	25,475	25,090
Series 2002 C Subordinate Lien System Refunding (UNM)	2030	3.9	37,840	47,570
Series 2003 A Subordinate Lien System Refunding (UNM)	2018	2.0 - 5.2	21,660	4,700
Series 2003 B Subordinate Lien System Taxable (UNM)	2024	1.3 - 5.6	5,585	5,585
Series 2003 C Subordinate Lien System Taxable (UNM)	2033	4.5 - 4.6	6,220	12,665
Series 2004 FHA Insured Hospital Mortgage (UNM)	2031	2.0 - 5.0	192,250	179,005
Series 2005 Subordinate Lien System Improvement (UNM)	2035	3.0 - 4.5	125,575	122,125
Series 2007 A & B Subordinated Lien System Improvement (UNM)	2036	4.1 - 5.3	136,710	136,710
Total Revenue Bonds Outstanding				863,061
Unaccreted Bond Premium/Discount, Net				3,631
Total Revenue Bonds Payable				\$ 866,692

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For the Year Ended June 30, 2010

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Revenue Bonds Issues - Primary Government Debt Service Requirements to Maturity For Fiscal Years End June 30 (Expressed in Thousands)			
Fiscal Year	Principal	Interest	Total
Governmental Activities			
2011	\$ 71,101	\$ 77,502	\$ 148,603
2012	64,675	74,053	138,728
2013	67,558	71,038	138,596
2014	70,916	67,804	138,720
2015	74,424	64,353	138,777
2016 - 2020	430,714	261,106	691,820
2021 - 2025	590,935	139,218	730,153
2026 - 2030	259,079	13,087	272,166
	1,629,402	768,161	2,397,563
Net Unaccreted Premium	18,215	-	18,215
Total	\$ 1,647,617	\$ 768,161	\$ 2,415,778

**Revenue Bonds Issues - Primary Government
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)**

Business-type Activities			
Fiscal Year	Principal	Interest	Total
2011	\$ 28,603	\$ 41,439	\$ 70,042
2012	32,429	39,660	72,089
2013	33,337	38,374	71,711
2014	31,802	37,032	68,834
2015	33,023	35,676	68,699
2016 - 2020	180,358	155,668	336,026
2021 - 2025	202,189	107,009	309,198
2026 - 2030	172,688	59,765	232,453
2031 - 2035	139,291	18,994	158,285
2036 - 2040	9,341	467	9,808
	863,061	534,084	1,397,145
Net Unaccreted Premium	3,631	-	3,631
Total	\$ 866,692	\$ 534,084	\$ 1,400,776

The following listing provides more details on the types of revenue pledged for the various revenue bonds outstanding:

Governmental Activities

Agency:

Purpose of Bonds:
Total Amount of Bonds Issued:
Type of Revenues Pledged:
Term of Commitment:
Total Debt Service Remaining:
Revenue Stream for Current Year:
Debt Service for Current Year:

Department of Cultural Affairs

Renovate existing museum structures, develop permanent exhibits
\$6 million
Department's share of governmental gross receipts tax revenue
Through June 30, 2023
\$5 million
\$776 thousand
\$459 thousand

Agency:

Purpose of Bonds:
Total Amount of Bonds Issued:
Type of Revenues Pledged:
Term of Commitment:
Total Debt Service Remaining:
Revenue Stream for Current Year:
Debt Service for Current Year:

Energy, Minerals, and Natural Resources Department

Acquisition and development of state parks and recreation areas
\$30 million
Department's share of governmental gross receipts tax revenue
Through June 30, 2023
\$20 million
\$3 million
\$2 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Governmental Activities (Continued)

Agency:	Department of Transportation
Purpose of Bonds:	Construct and improve State highway and transportation system
Total Amount of Bonds Issued:	\$2 billion
Type of Revenues Pledged:	Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues
Term of Commitment:	Through June 30, 2027
Total Debt Service Remaining:	\$2 billion
Revenue Stream for Current Year:	\$691 million
Debt Service for Current Year:	\$160 million

Business-type Activities

Agency:	Miners' Colfax Medical Center
Purpose of Bonds:	Improvement and expansion of medical facilities
Total Amount of Bonds Issued:	\$17 million
Type of Revenues Pledged:	Center's share of distributions from the State Land Grant and the Charitable, Penal and Reform Permanent Funds
Term of Commitment:	Through June 30, 2026
Total Debt Service Remaining:	\$19 million
Revenue Stream for Current Year:	\$6 million
Debt Service for Current Year:	\$1 million
Agency:	State Fair Commission
Purpose of Bonds:	Improvement of capital facilities
Total Amount of Bonds Issued:	\$6 million
Type of Revenues Pledged:	State Fair Commission's share of parimutuel tax collected
Term of Commitment:	Through June 30, 2015
Total Debt Service Remaining:	\$3 million
Revenue Stream for Current Year:	\$1 million
Debt Service for Current Year:	\$685 thousand
Agency:	Educational Institutions (UNM, NMSU, ENMU, WNMU, NMML, NMHU)
Purpose of Bonds:	Construction and improvement of various capital facilities
Total Amount of Bonds Issued:	\$1 billion
Type of Revenues Pledged:	Substantially all unrestricted revenues, including Permanent Fund distributions, student fees, and income from revenue-producing facilities, but excluding state appropriations and income from clinical operations.
Term of Commitment:	Through June 30, 2036
Total Debt Service Remaining:	\$1 billion
Revenue Stream for Current Year:	\$477 million
Debt Service for Current Year:	\$61 million

Governmental Activities' Bonds Issued by New Mexico Finance Authority

▪ Bonds Issues

In 2003, the State Legislature authorized the issuance of \$1,585 million in bonds to fund statewide transportation expansion and improvement projects known as Governor Richardson's Investment

Partnership (GRIP). NMFA was authorized to issue \$1,585 million in bonds (the Bonds) in installments of \$350 million on behalf of New Mexico Department of Transportation (NMDOT). The Bonds were issued by NMFA as agent for NMDOT. The Bonds are liabilities of NMDOT, not NMFA, and are not included in NMFA's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

In May 2004, NMFA issued the following bonds pursuant to the GRIP legislation:

Revenue Bonds Issues for Primary Government by New Mexico Finance Authority
(Expressed in Thousands)

	<u>Par Value</u>	<u>Gross Proceeds</u>	<u>Premium Included in Proceeds</u>	<u>Cost of Issuance</u>
Series 2004 A State Transportation Revenue Bonds (Senior Lien) State Transportation Refunding:	\$ 700,000	\$ 743,557	\$ 43,557	\$ 6,368
Series 2004 B State Transportation Revenue (Subordinate Lien)	237,950	254,297	16,347	2,196
Series 2004 C (Adjustable Rate)	200,000	200,000	-	2,505
Total	<u>\$ 1,137,950</u>	<u>\$ 1,197,854</u>	<u>\$ 59,904</u>	<u>\$ 11,069</u>

The proceeds of the Series 2004 A issuance were used to fund the construction of GRIP transportation projects. The proceeds of the 2004 B and 2004 C issuances were used to advance refund certain older debt issues of NMDOT. The proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. The bonds issued in 2004, the 2006 bonds discussed

below, and any subsequent bonds that may be issued in the future are special, limited obligations of NMDOT, payable solely from certain federal funds that are paid into the State Road Fund, certain taxes and fees that are required to be paid into the State Road Fund, and certain taxes and fees required by law to be paid into the Highway Infrastructure Fund.

In December 2006, NMFA issued the following additional bonds pursuant to the GRIP legislation:

Revenue Bonds Issues for Primary Government by New Mexico Finance Authority
(Expressed in Thousands)

	<u>Par Value</u>	<u>Gross Proceeds</u>	<u>Premium Included in Proceeds</u>	<u>Cost of Issuance</u>
Series 2006 A State Transportation Revenue Bonds (Senior Lien)	\$ 150,000	\$ 160,886	\$ 10,886	\$ 1,193
Series 2006 B State Transportation Revenue Bonds (Subordinate Lien)	40,085	41,798	1,713	353
Series 2006 C Subseries C-1 through C-3 Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien)	220,000	200,000	-	1,698
Series 2006 D (Taxable) Subseries D-1 through D-2 Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien)	50,400	50,400	-	400
Total	<u>\$ 460,485</u>	<u>\$ 453,084</u>	<u>\$ 12,599</u>	<u>\$ 3,644</u>

With the exception of \$10,071 deposited to an escrow account for refunded bonds, all of the net proceeds of the 2006 bonds were used to fund GRIP transportation projects.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

▪ GRIP Administrative Fee

For services provided by NMFA in the issuance and administration of the Bonds, NMDOT pays an annual fee to NMFA of 12.5 basis points of the outstanding principal balance of the Bonds. For the year ended June 30, 2010, NMDOT paid \$676 in administrative fees related to the Bonds.

▪ Refunding of Variable Rate Bonds

The Series 2004 C and Series 2006 C and D Bonds (Series) were issued as Auction Rate Securities (ARS). ARS is one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of the above bond Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, a number of factors negatively impacted the market for ARS, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions to the bonds to “fail,” meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a failed auction, no bonds are resold, even though some bids were received. In a failed ARS auction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the Series 2004 C Bonds,

the default rate was one-month LIBOR plus 175 basis points. The default rate for the Series 2006 C and D Bonds was 12.0 percent.

The deferred amount on the refunding of \$34,637, recorded as a reduction of the long-term obligation, is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In April and May 2008, NMFA refunded all of the ARS Series 2004 C, 2006 C, and 2006 D Bonds, reissuing the bonds as Variable Rate Demand Notes (VRDN). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The transactions resulted in a net loss of \$4 million. The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit.

The following bonds were issued (in thousands):

	<u>Par Value</u>
Series 2008 A Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	\$ 115,200
Series 2008 B Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	220,000
Series 2008 C Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	84,800
Series 2008 D Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	<u>50,400</u>
Total	<u>\$ 470,400</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

All of the refunding bonds were issued at par. NMDOT provided additional funds totaling \$2,044 to pay for the cost of issuance of the bonds.

In October 2009, NMFA, on behalf of the State, refunded portions of Series 1998 A, 1998 B, 2001 A, 2002 A, and 2002 C, with the Series 2009 A Senior Lien Refunding Revenue Bond. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The difference in cash flow required between the prior debt service requirements and new funding debt service requirement resulted in cash flow savings of \$6,190. The transactions resulted in a net gain of \$1 million from unamortized premiums and issuance costs.

▪ Derivative Instruments

At the time of the 2004 GRIP bond issuance, NMFA entered into interest rate exchange agreements ("swaps") with respect to both the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately starting swaps and approximately one-half of the anticipated total 2006 issuance was

hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, NMFA receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to "synthetic fixed-rate issues".

As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for NMDOT, and no amounts with respect to the swap transactions appear in NMFA's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the Series 2009 A through D).

▪ Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006 issuance, NMFA believed in 2004 that it would be desirable to "lock in" a synthetic fixed rate of 5.0 percent or less for a portion of the bonds anticipated to be issued in 2006.

▪ Significant Terms

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Deutsche Bank
Notional Amount	\$ 100,000	\$ 50,000	\$ 50,000
Receipt Rate	68.0% of 1 month LIBOR	68.0% of 1 month LIBOR	68.0% of 1 month LIBOR
Payment Rate (Synthetic Fixed Rate)	3.9%	3.9%	3.9%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date	June 15, 2024	June 15, 2024	June 15, 2024

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	\$ 110,000	\$ 110,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.1%	5.1%
Embedded Option(s)	"Knockout" option - Counterparty may cancel if the index remains above 7.0% for more than 180 days	"Knockout" option - Counterparty may cancel if the index remains above 7.0% for more than 180 days
Option Premium to NMFA	0.3%	0.3%
Net Payment Rate ("Synthetic Fixed Rate"), Equals the Payment Rate Less Option Premium	4.7%	4.7%
Effective Date	December 15, 2006	December 15, 2006
Termination Date	December 15, 2026	December 15, 2026

No cash was paid or received at the initiation of any of the 2004 and 2006 Swaps.

▪ Fair Value

The estimated fair value of the swaps at June 30, 2010 was as follows (in thousands):

	Notional Value	Fair Value*
Goldman Sachs	\$ 50,000	\$ (19,056)
Deutsche	50,000	(9,528)
Royal Bank of Canada	100,000	(9,528)
JPMorgan Chase Bank	110,000	(26,239)
UBS AG	110,000	(26,240)
	<u>\$ 420,000</u>	<u>\$ (90,591)</u>

*The Fair Value is the estimated amount that would have been received by or paid by NMDOT if the agreements had been terminated at June 30, 2010 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2010. Negative amounts indicate payments that would have been made by the NMDOT to the counterparties.

Fiscal year 2010 was the initial year for the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, which requires the State to disclose its interest rate swap valuations. For the fiscal year ended June 30, 2010, the cumulative changes since inception have been recorded in the State's accounting records. These swaps have been deemed a hedge, and as such, the total amount entered as a liability was \$90,591 with an offsetting entry classified as a deferred cash outflow. In future years, only the year-to-year change in fair market value will be recorded.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

▪ **Associated Debt** (in thousands)

Variable Rate Debt*	2010 Debt Service		Net Swap Payments Made	Total	Actual Synthetic Fixed Rate	
	Principal	Interest				
Series 2008 A and C	\$ 200,000	\$ -	\$ 7,868	\$ 65	\$ 7,933	4.0%
Series 2008 B	220,000	-	11,158	(957)	10,201	4.6%

*The interest and swap payments for these bonds include the payments for the Series 2004 and 2006 Bonds that the Series 2009 Bonds replaced.

The interest includes amounts paid with the fiscal year without regard to the costs associated with the swap collateral (Taxable) Line of Credit.

▪ **Risks**

Credit Risk

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at June 30, 2010, were:

Counterparty	Moody's	Standard & Poors	Fitch
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aa1	AAA	N/A
Deutsche Bank	Aa3	A+	AA-
JPMorgan Chase Bank	Aa1	AA-	AA-
UBS AG	Aa3	A+	A+

Presently, NMDOT has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to NMDOT if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and accordingly, no collateral was posted at June 30, 2010. The swap agreements permit the netting of amounts owed between NMDOT and the counterparty, mitigating, to some extent, the level of credit risk that would exist if NMFA were owed a termination value by a counterparty. NMDOT believes it has an adequate degree of diversification with regard to counterparties.

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Swap Collateral Requirement – Taxable Line of Credit

Even the negative balances at the end of the year were such that no collateral needed to be posted, earlier in the year, the negatives were greater, and collateral did need to be posted. For that purpose, a short-term Taxable Line of Credit was established. The outstanding amounts for each bond debt service fund are as follows:

	Amount
Series 2008 A GRIP Debt Service Fund	\$ 548
Series 2008 B GRIP Debt Service Fund	1,048
Series 2008 C GRIP Debt Service Fund	404
Total Short-term Notes Payable (Taxable Line of Credit)	<u>\$ 2,000</u>

Interest Rate Risk

The knockout option in the 2006 swaps leaves NMDOT open to interest rate risk. If the Securities Industry and Financial Markets Association (SIFMA) municipal swap index averages above 7.0 percent for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and NMDOT would have outstanding unhedged variable rate debt in a 7.0 percent interest rate environment.

Basis Risk

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. NMDOT has little or no such risk with respect to the 2006 bonds as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

index which has very closely approximated, historically, the rates paid on variable rate municipal debt. NMDOT has basis risk with respect to the 2004 swaps. The variable rate NMFA receives with respect to the 2004 swaps is 68.0 percent of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68.0 percent of LIBOR no longer approximating the tax-exempt rate set by the market for NMDOT's variable rate debt.

Termination Risk

The unplanned termination of one or more of the swaps exposes NMDOT to the possibility that the synthetic fixed rate expected to be obtained on the

variable rate debt will not, in fact, be achieved. The swap agreements contain the standard International Swaps and Derivatives Association, Inc. (ISDA) provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, NMDOT, but not the counterparties, can terminate the swaps at any time with 30-day notice.

University of New Mexico

▪ **Defeased Bonds**

On November 13, 2002, the University of New Mexico (UNM) defeased \$30,030 of the Series 2000 A Bonds. Sinking fund monies in the amount of \$35,060 from the Series 2002 C Refunding Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments. Total cash flow savings to the UNM from this defeasance are \$3,215. Remaining principal outstanding at June 30, 2010 is \$30,030.

The liability for defeased bonds and the related assets held in trust are not included in the accompanying basic financial statements since UNM has satisfied its obligation for payment of the defeased bonds.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

▪ Interest Rate Swap Agreement

On June 30, 2010, UNM had the following derivative instruments outstanding:

<u>Item/ Counter-Party</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
A - JP Morgan	Pay-Fixed/Received Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	\$ 10,255	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (1,336)
B - JP Morgan	Pay-Fixed/Received Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	36,740	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(3,497)
C - JP Morgan	Pay-Fixed/Received Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	25,090	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(2,641)
D - RBC Royal Bank	Pay-Fixed/Received Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10,255	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(1,357)
E - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Overlay Swap)	20,510	8/15/2006	6/1/2026	Received 63.5% of Libor + 0.3% - Pay SIFMA	371
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	36,740	8/15/2006	6/1/2026	Received 63.5% of Libor + 0.3% - Pay SIFMA	481
							\$ (7,979)

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The debt service requirements to maturity for these bonds are based on the fixed rate per the swap agreements. UNM will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in UNM making or receiving a termination payment.

▪ Risks

Credit Risk

Each of UNM's derivative instruments is held with the same counterparty except for Derivative Instrument D. Deterioration of credit ratings could indicate a potential inability of the counterparty to make the required periodic payments. The credit ratings for each of the counterparties are as follows:

<u>Derivative Instrument</u>	<u>Counter-Party Credit Rating</u>
A, B, C, E, & F	A+
D	B+

Interest Rate Risk

UNM is exposed to interest rate risk on all of its interest rate swaps. As the Securities Industry and Financial Markets (SIFMA) swap index decreases, UNM's net payment on the underlying swaps increases. On its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, as LIBOR and the Securities Industry and Financial Markets Association (SIFMA) swap index increases, the UNM's net payment on the overlay swaps increases.

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Basis Risk

The variable-rate debt hedged by UNM's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every 7 days. UNM is exposed to basis risk on its pay-variable (SIFMA); receive variable (LIBOR) overlay interest rate swaps because the variable-rate payments received by UNM on these derivative instruments are based on a rate (LIBOR) other than the index (SIFMA) UNM pays on the VRDO bonds. At June 30, 2010, the SIFMA variable rate is 0.4 percent while the percentage of LIBOR rate is 1.5 percent.

Termination Risk

UNM or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, UNM is exposed to termination risk on Derivative Instruments B and C because the contract provides the counterparty with a knock-out option to terminate the contract if the 180 day SIFMA is equal to or greater than 7.0 percent. The 180 day SIFMA is defined as the weighted average rate taken off the USD floating SIFMA Index Rates published within the previous 180 day period. If at the time of termination, a derivative instrument is in a liability position, UNM would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk

UNM is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the debt. When these derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, UNM will be re-exposed to the risks being hedged by the derivative instrument. Derivative Instruments B and C expose UNM to rollover risk because the counterparty has the option to terminate the contract by exercising a knock-out option.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Foreign Currency Risk.

UNM has no exposure to foreign currency risk from its derivative instruments.

Commitments

All of UNM's derivative instruments include provisions that require UNM to post collateral in the event its credit rating falls below certain levels. UNM has entered into a two-way Credit Support Annex (CSA) with the swap counter-parties, which is based on each party's long-term unsecured unsubordinated debt rating. The following matrix dictates the potential collateral postings if the swaps mark-to-market values are above the mandated thresholds.

<u>Rating</u>	<u>Swap MTM Threshold</u>
AA-/Aa2 and >	USD \$ 25,000
AA-/Aa3	USD \$ 20,000
A+/A1	USD \$ 15,000
A/A2	USD \$ 10,000
A-/A3	USD \$ 50,000
BBB+/Baa1 and <	-

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements. If UNM or the counterparty does not post collateral, the derivative instrument may be terminated. UNM's credit rating is AAA/Aaa at June 30, 2010; therefore, no collateral has been posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2010, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total</u>
2011	\$ 2,385	\$ 109	\$ 2,828	\$ 5,322
2012	3,650	149	2,590	6,389
2013	4,260	205	2,238	6,703
2014	4,450	242	1,942	6,634
2015	4,620	279	1,632	6,531
2016	4,820	295	1,398	6,513
2017	4,650	306	1,178	6,134
2018	4,840	299	1,029	6,168
2019	5,570	288	887	6,745
2020	6,320	272	746	7,338
2021	6,580	247	627	7,454
2022	6,855	218	516	7,589

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Fiscal Year Ending June 30,	Principal	Interest	Hedging Derivative Instruments, Net	Total
2023	\$ 7,155	\$ 183	\$ 420	\$ 7,758
2024	7,465	144	330	7,939
2025	7,770	101	247	8,118
2026	9,900	52	180	10,132
2027	2,900	-	101	3,001
2028	3,030	-	72	3,102
2029	3,160	-	44	3,204
2030	2,470	-	18	2,488

Fiscal Year Changes in Swap Valuations

Fiscal year 2010 was the initial year for the implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, which requires UNM to disclose its interest rate swap valuations in the audited financial statements. The swaps were put in place starting in fiscal years 2002 and 2003. UNM has recorded the swaps at their estimated fair values as of June 30, 2010. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, UNM has recorded an offsetting asset titled "deferred cash outflow." Swaps E and F are not cash flow hedges but rather are considered

investment swaps, and changes in their fair value are to be recorded to investment income (loss). Given the fair value of swaps E and F are not material at either June 30, 2010 or 2009; their entire fair values were recorded to investment income in fiscal year 2010 rather than restating the 2009 financial statements. The fair value change for fiscal year 2010 (from July 1, 2009 to June 30, 2010) for the hedge instruments was a \$3,835 increase to the liability.

Discrete Component Units

New Mexico Finance Authority bonds outstanding as of year-end are as follows:

Bonds Payable - New Mexico Finance Authority (Expressed in Thousands)

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2010
Public Project Revolving Fund - Senior Lien			
Series 2002 A	2023	4.3 - 5.0	\$ 14,610
Series 2003 A - B	2021	3.4 - 5.0	33,673
Series 2004 A - C	2033	2.8 - 6.0	186,815
Series 2005 A - B	2025	3.5 - 4.2	22,420
Series 2006 B & D	2036	4.0 - 5.0	83,600
Series 2007 E	2032	4.0 - 5.2	53,005
Series 2008 A - C	2038	3.2 - 6.0	209,560
Series 2009 A - E	2039	1.8 - 6.1	186,070
Series 2010 A - B	2034	2.0 - 6.4	28,965
Total Public Project Revolving Fund - Senior Lien			818,718

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Bonds Payable - New Mexico Finance Authority (Continued)

(Expressed in Thousands)

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2010
Public Project Revolving Fund - Subordinate Lien			
Series 2005 C - F	2025	3.6 - 5.0	\$ 90,220
Series 2006 A & C	2035	4.0 - 5.0	81,535
Series 2007 A - C	2034	4.0 - 5.2	180,260
Total Public Project Revolving Fund - Subordinate Lien			<u>352,015</u>
Total Public Project Revolving Fund			<u>1,170,733</u>
Series 1995 A Pooled Equipment Certificates of Participation	2015	6.3	152
Series 1996 A Pooled Equipment Certificates of Participation	2016	5.8	45
Series 1996 Workers' Compensation Administration Building	2016	5.4 - 5.6	2,080
Series 1999 State Capitol Improvement	2015	7.0	4,115
Series 2004 A Cigarette Tax University of New Mexico	2019	3.0 - 5.0	17,405
Series 2006 Cigarette Tax Behavioral Health Projects	2026	5.5	2,000
Total Other Bonds Payable			<u>25,797</u>
Unaccreted Bond Premium/Discount, Net			<u>37,190</u>
Total Bonds Payable			<u><u>\$ 1,233,720</u></u>

Annual debt service requirements to maturity are as follows:

New Mexico Finance Authority Bonds Issues

Debt Service Requirements to Maturity

For Fiscal Years End June 30

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2011	\$ 65,371	\$ 57,291	\$ 122,662
2012	69,605	54,546	124,151
2013	72,107	51,575	123,682
2014	71,744	48,366	120,110
2015	73,350	45,103	118,453
2016 - 2020	335,443	176,153	511,596
2021 - 2025	274,880	100,492	375,372
2026 - 2030	130,260	44,900	175,160
2031 - 2035	83,685	17,994	101,679
2036 - 2040	20,085	1,856	21,941
	<u>1,196,530</u>	<u>598,276</u>	<u>1,794,806</u>
Net Unaccreted Premium	37,190	-	37,190
Total	<u><u>\$ 1,233,720</u></u>	<u><u>\$ 598,276</u></u>	<u><u>\$ 1,831,996</u></u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

New Mexico Mortgage Finance Authority bonds
outstanding at September 30, 2010 consist of:

Bonds Payable - New Mexico Mortgage Finance Authority
(Expressed in Thousands)

<u>Bond Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance September 30, 2010</u>
Single Family Mortgage Programs			
Series 1994 A - E	2025 - 2026	6.5 - 6.9	\$ 2,855
Series 2000 E	2032	5.4 - 6.5	4,055
Series 2000 Second Mortgage	2018	6.5	77
Series 2001 A - D	2032 - 2033	4.1 - 6.2	18,730
Series 2002 A - F	2033 - 2034	3.6 - 6.4	33,405
Series 2003 A - E	2034	3.0 - 6.1	44,265
Series 2004 A - E	2034 - 2035	3.1 - 6.1	60,320
Series 2005 A - D	2036 - 2037	3.5 - 6.1	66,065
Series 2006 A - F	2037 - 2038	3.8 - 6.1	201,535
Series 2007 A - E	2038 - 2039	3.6 - 6.3	252,615
Series 2008 A - D	2039	2.8 - 6.9	170,415
Series 2009 A - E	2039 - 2040	1.2 - 6.0	229,265
Series 2009	2012	Variable	155,000
Total Single Family Mortgage Programs			1,238,602
Unaccreted Bond Premium/Discount, Net			21,738
Total Single Family Mortgage Programs Payable			1,260,340
Rental Housing Mortgage Programs			
Series 1987 A - B	2011	7.2	9,900
Series 1997	2018	5.2 - 5.6	3,450
Series 1998 A - B	2031	5.2 - 5.3	7,945
Series 2001 A - D Refunding	2031	5.0	19,015
Series 2001 E - F	2034	5.5 - 7.0	9,310
Series 2002 A - B	2038	5.4 - 6.7	9,370
Series 2003 A - B	2038	5.1 - 5.3	8,885
Series 2004 A - G	2037 - 2040	4.6 - 6.5	39,012
Series 2005 A - F	2040	4.7 - 5.7	28,135
Series 2006 A	2045	4.2 - 4.7	9,230
Series 2007 A - D	2042 - 2043	5.0 - 10.0	19,677
Series 2008 A - B*	2043	0.3 - 1.8	8,900
Series 2009 A	2012	8.0	2,738
Series 2010 A - B	2047	1.7 - 5.0	5,100
Total Rental Housing Mortgage Programs			180,667
Unaccreted Bond Premium/Discount, Net			272
Total Rental Housing Mortgage Programs Payable			180,939

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Bonds Payable - New Mexico Mortgage Finance Authority (Continued)

(Expressed in Thousands)

Bond Issue	Maturity Date	Interest Rate	Balance September 30, 2010
Capital Debt			
Series 2005 General Revenue Office Building Refunding	2026	3.7 - 4.4	2,335
Total General Obligation Bonds Outstanding			2,335
Unaccreted Bond Premium/Discount, Net			(115)
Total General Revenue Office Building Refunding			2,220
Total Bonds Payable			\$ 1,443,499

*Determined on a weekly basis until adjusted to Reset Rates or Fixed Rates.

Annual debt service requirements to maturity are as follows:

New Mexico Mortgage Finance Authority Bonds Issues Debt Service Requirements to Maturity For Fiscal Years End September 30 (Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2010	\$ 19,087	\$ 66,701	\$ 85,788
2011	122,724	66,649	189,373
2012	22,652	65,243	87,895
2013	23,659	64,227	87,886
2014	24,756	63,133	87,889
2015 - 2019	145,967	295,865	441,832
2020 - 2024	202,143	254,171	456,314
2025 - 2029	297,335	188,360	485,695
2030 - 2034	323,411	106,555	429,966
2035 - 2039	224,126	28,414	252,540
2040 - 2044	15,654	951	16,605
2045 - 2047	90	5	95
	1,421,604	1,200,274	2,621,878
Net Unaccreted Premium	21,895	-	21,895
Total	\$ 1,443,499	\$ 1,200,274	\$ 2,643,773

In November 2005, NMMFA began issuing bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments,

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mortgage loans, Mortgage Backed Securities (MBS), and other assets in the accounts established under the General Indenture and each Series Indenture.

Prior to November 2005, NMMFA issued bonds under separate Trust Indentures. The bonds are secured as described in each Trust Indenture by the revenue, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established by each respective Trust Indenture.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2010 and 2009 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In December 2009, NMFA entered into a General Indenture of Trust dated December 1, 2009 to accommodate those bonds issued under the New Issue Bond Program, which was developed by the U.S. Treasury in conjunction with Fannie Mae and Freddie Mac. On December 23, 2009, NMFA issued Series 2009 Bonds (GSE Escrow Bond Purchase Program) in the amount of \$155 million. The interest on the GSE Escrow Bond Purchase Program is a variable rate that produces an interest payment equal to investment earnings. The bonds were placed with

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Fannie Mae and Freddie Mac with bond proceeds being held in an escrow at US Bank National Association. The purpose of the escrow issue was to store private activity bond volume cap. The escrow bonds could then be rolled out into a maximum of six bond issues to provide funds to originate mortgage loans with all rollouts being initiated by December 31, 2011.

Under the New Issue Bond Program (the NIBP), 60.0 percent of the principal amount is rolled out from the GSE Escrow Bond Purchase Program and purchased by Fannie Mae and Freddie Mac. The other 40.0 percent of the principal amount is sold in the primary bond market. The NIBP allows for relocking the interest rate on the NIBP portion of each rollout up to eight days prior to the bond closing.

Certain Mortgage Purchase Program bonds were legally defeased in 2005 and 1992; therefore, are not reflected in the accompanying balance sheets. The outstanding balance of these bonds totaled approximately \$18,560 at September 30, 2010. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investment mortgage loans, MBSs, and other assets in the accounts established by the respective bond resolutions.

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge Bonds					
Sponge Bond - Note	7/30/2009	1/1/2010	\$ 31,903	\$ 101	\$ 32,004
Sponge Bond - Senior Note	12/30/2009	12/31/2009	59,589	-	59,589
Sponge Bond - Senior Note	6/29/2010	6/30/2010	87,000	1	87,001
Sponge Bond - Supplemental Note	6/29/2010	6/30/2010	97,000	1	97,001
Total Sponge Bonds			<u>\$ 275,492</u>	<u>\$ 103</u>	<u>\$ 275,595</u>

The transactions related to the notes have been presented in accordance with accounting principles generally accepted in the United States of America (GASB Codification Section B50.101); accordingly,

G. Short-term Debt

The State of New Mexico did not issue tax and revenue anticipation notes during fiscal year 2010. The State of New Mexico did not issue any tax and revenue anticipation notes subsequent to June 30, 2010.

The State of New Mexico under the authority of the Short-Term Cash Management Act, Chapter 6-12A-1, NMSA 1978, can issue such notes. The notes are issued to fund a portion of the State's cash flow needs for the State General Fund during its fiscal year. The State Treasurer issues six month, fixed-rate tax and revenue anticipation notes to provide short-term cash to carry on the State of New Mexico operations until tax revenues are received in June. Repayment of the notes comes from tax payments received in the year.

The State of New Mexico issues one to three day sponge bonds. The following sponge bonds were issued by the State of New Mexico during fiscal year 2010 and matured by June 30, 2010 (in thousands):

interest and issuance costs are presented in the accompanying financial statements as expenses/expenditures.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Short-term debt activity for the year ended June 30, 2010 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Ending Balance</u>
Sponge Bonds	\$ -	\$ 275,595	\$ (275,595)	\$ -	\$ -

H. Net Assets and Fund Equity

1. Governmental Fund Balances

The State's reserved fund balances represent: 1) Continuing Appropriations which include special appropriations, capital outlay appropriations and corresponding encumbrances; or 2) Restricted Purposes which include fund balances that are legally restricted for other purposes, assets restricted by bond

agreements or other external restrictions, and those portions of fund balance that are not available for appropriation or expenditure, such as loans to internal service funds.

Governmental fund balances, reserved for, and unreserved, designated, reported in nonmajor funds at June 30, 2010, are explained as follows (in thousands):

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Land Grant Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
Fund balances:					
Reserved for:					
Capital Projects	\$ -	\$ -	\$ 29,529	\$ -	\$ 29,529
Inventories	42	-	-	-	42
Multiple Year Appropriations and Encumbrances	42,406	-	-	-	42,406
Unreserved Designated, Reported in Nonmajor:					
Debt Service Funds	-	274,611	-	-	274,611
Pool Participants	-	-	-	-	-
Total Fund Balance	\$ 42,448	\$ 274,611	\$ 29,529	\$ -	\$ 346,588

2. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$6,744 million of restricted net assets for the primary government of which \$4,374 million is restricted by enabling legislation.

3. Deficit Net Assets/ Fund Equity

Governmental Activities

The unrestricted net assets for governmental activities had a deficit as a result of an increase in restricted net assets for the Internal Service Fund's insurance claims liability and the change in pollution remediation liabilities. The unreserved fund balance of the Health and Human Services Fund, the ARRA Special Revenue Fund, and the Regulation and Licensing Capital Projects Fund had a deficit as a

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

result of excessive program expenditures and overspending project appropriations.

Proprietary Activities

The unrestricted net assets of the Internal Service, Industries for the Blind, New Mexico Magazine, Lottery Authority, and State Fair Commission funds had deficits as a result of general and administrative expenses exceeding current year revenue.

4. Net Assets/Fund Balance Restatements

Corrections of Errors. To comply with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State determined that the presentation of the State Investment Council External Trust Fund and the State Treasurer's External Trust Fund were incorrect. The State is a participant of both of these investment pools managed by the two external trust funds. The State presented its ownership in the investment pools in the respective funds within the financial statements. In addition, the external trust funds presented the entire financial

information for their respective investment pools. In fiscal year 2009, the correction to external trust funds' net assets resulted in the removal of the balance representing the State's participation on the investment pool; however, the State determined that the amount representing local governments' interest as of June 30, 2009 was over stated. The corrections to the applicable fund balance/net assets are presented as "Correction of in Presentation of External Trust Fund" in the following schedule.

During fiscal year 2010, the State recorded adjustments to various funds to correct fiscal year 2009 year-end accruals for revenue and expenditures/expenses. The adjustment corrected accruals for federal grants, rental and royalties, interest, loans, taxes, capital appropriations, compensated absences, health care contributions, unemployment benefits, and payables. The State also corrected year-end balances on inventory, investments, depreciation, capital outlay, and capital assets. The corrections to the applicable fund balance/net assets are presented as "Other Corrections of Errors" in the following schedule.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following schedule reconciles June 30, 2009 net assets/fund balance previously reported to beginning net assets/fund balance, as restated (in thousands):

	Net Assets/ Fund Balance at June 30, 2009, as Previously Reported	Correction of Presentation for External Trust Funds	Other Corrections of Errors	Net Assets/ Fund Balance at June 30, 2009, as Restated	Impact on Change in Net Assets/Fund Balance for the Year Ended June 30, 2009
Governmental Activities	\$ 12,073,851	\$ -	\$ 58,714	\$ 12,132,565	\$ 37,397
Business-type Activities	3,831,776	-	62,187	3,893,963	(50)
Governmental Activities:					
General	390,422	-	87,316	477,738	87,316
Education	141,452	-	2,636	144,088	1,846
Health and Human Services	202,403	-	(26,261)	176,142	(26,261)
Highway and Transportation	361,001	-	(27,326)	333,675	(27,326)
Nonmajor Governmental:					
Special Revenue:					
Judicial	20,652	-	(4,137)	16,515	(4,137)
Debt Service:					
Culture, Recreation, and Natural Resources	5,657	-	(250)	5,407	-
General Control	(106)	-	106	-	(3)
Capital Projects:					
Culture, Recreation, and Natural Resources	39,044	-	3,624	42,668	3,624
General Control	31,959	-	5,910	37,869	5,910
Judicial	41	-	163	204	163
Public Safety	6,548	-	(3,735)	2,813	(3,735)
Internal Service Fund	29,287	-	(12,878)	16,409	-
Business-type Activities:					
Nonmajor Enterprise:					
State Infrastructure Bank	20,516	-	(50)	20,466	(50)
Unemployment Insurance Fund	403,789	-	62,237	466,026	-
Fiduciary Funds:					
External Trust:					
State Investment Council	112,584	(46,810)	-	65,774	-
State Treasurer	899,400	(201,165)	-	698,235	-

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

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
Civil Rights and Foreign Jurisdiction
Aircraft
Money and Securities
Health/Life
General Liability
Automobile
Property
Employee Fidelity Bond
Short-term & Long-term 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 \$1,050 each. The ISF has a tort claim cap of \$1,050. Civil rights claims may exceed this amount and the ISF has reinsurance from \$5,000 to \$10,000. The ISF would then be liable for the amount remaining above \$10,000. 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 catastrophe 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, 2010 were \$177,720. The amounts of the liabilities are determined by independent actuarial consultants to the ISF. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 3.5 percent annual rate, except for long-term disability liability, which is computed at 5.0 percent annual rate, between June 30, 2010 and the date the claims are ultimately expected to be paid.

Insurance claims payable presented are actuarial 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (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 (in thousands):

	Balance June 30, 2009	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2010
Surety Bond	\$ 1	\$ 17	\$ -	\$ 18
Public Property Reserve	2,275	8,442	(8,913)	1,804
Workers Compensation	31,155	17,235	(14,130)	34,260
Public Liability	99,903	19,693	(22,019)	97,577
State Unemployment	4,447	9,643	(8,619)	5,471
Local Public Body	1,032	2,533	(2,399)	1,166
Group Insurance Premium	36,778	314,046	(313,400)	37,424
Total	\$ 175,591	\$ 371,609	\$ (369,480)	\$ 177,720

	Balance June 30, 2008,	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2009
Surety Bond	\$ 31	\$ 19	\$ (49)	\$ 1
Public Property Reserve	1,866	2,858	(2,449)	2,275
Workers Compensation	30,695	13,461	(13,001)	31,155
Public Liability	114,846	160	(15,103)	99,903
State Unemployment	4,501	5,296	(5,350)	4,447
Local Public Body	1,031	1,274	(1,273)	1,032
Group Insurance Premium	44,266	303,029	(310,517)	36,778
Total	\$ 197,236	\$ 326,097	\$ (347,742)	\$ 175,591

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

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement systems (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 funds, including the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighter. See accountant's report

Retirement System (VFRS). Collectively, the Systems offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators. The laws governing the administration of the Systems are set forth in Chapter 10, NMSA 1978, and applicable Replacement Pamphlets. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, 33 Plaza La Prensa, Santa Fe, NM 97507. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

PERA is directed by the Public Employees Retirement Board (Board) which consists of twelve

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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.

The number of participating government employers, and the number of members for each system for the year ended June 30, 2010 were (not in thousands):

	<u>PERS*</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Number of Employers					
State Agencies	126	-	-	-	11
Cities	86	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	72
Other	62	16	9	363	-
Totals	<u>307</u>	<u>16</u>	<u>9</u>	<u>363</u>	<u>191</u>
Retirees and Beneficiaries					
Receiving Benefits	27,249	110	69	544	33,749
Terminated Plan Members not yet Receiving Benefits	8,366	14	13	529	31,837
Active Plan Members	49,202	121	46	5,422	63,297

*PERA Retirement Fund includes the Legislative Fund

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 State Legislative Divisions, and offers 18 different coverage plans. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10-11-3, NMSA 1978.) Except as provided for in the Volunteer Firefighter Retirement Act (Chapters 10-1A-1 to 10-11A-7, NMSA 1978), the Judicial retirement Act (Chapters 10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (Chapters 10-12C-1 to 10-12C-18, NMSA 1978), the Educational Retirement Act (Chapter 22-11, NMSA 1978), and the provisions of Chapters 29-4-1 through 29-4-11, NMSA 1978, governing the State See accountant’s report

Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service. Members of the State Legislative Division may retire at any age with 14 years of credited service. Generally, the amount of normal retirement pension is based on final average salary, which is defined as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.0 percent to 3.5 percent of the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60.0 percent to 100.0 percent of the final average salary, depending on the division. Legislative members who meet retirement eligibility requirements receive annual pensions equal to \$250 or \$500 (not in thousands) multiplied by the number of years of credited service. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Current member contributions for all plans, except the State Legislative Division, are based upon a percentage of salary and range from 4.8 percent to 16.6 percent, depending upon the division and coverage plan of their gross salary— i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officers. Employer contributions also vary with the different divisions and coverage plans and are based upon a percentage of salaries paid, ranging from 7.0 percent to 25.7 percent. The contribution requirements of plan members and PERA are established in State statute under Chapter 10-11, NMSA 1978. The requirements may be amended by acts of the legislature. Members of the State Legislative Division contribute \$500 (not in thousands) for each year of credited service; the actuary determines employer contributions for members of the State Legislative Division annually. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2010 was determined by the actuary to be \$856.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in Chapter 10-12B-4, NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for

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exemption has been appropriately filed or unless specifically excluded.

For individuals that became a member prior to July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 2005, is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For individuals that become a member after July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 55 to anyone having served at least 16 years. For those individuals who became members subsequent to July 1, 2005, the annual pension amount is determined as 75.0 percent of salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding 15 years, plus five years or one-twelfth of the salary received during the last year in office prior to retirement multiplied by the product of 3.8 percent times the sum of the number of years of service; provided that a pension calculated shall not exceed 75.0 percent of one-twelfth of the salary received during the last year in office. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. Members contribute at a rate of 7.5 percent of their salaries and the member's court contributes at a rate of 12.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid in the district court, \$25 (not in thousands) from each civil docket fee paid in metropolitan court and \$10 (not in thousands) for each jury fee paid in metropolitan court. Contribution rates are established by State statute.

Magistrate Retirement System (MRS) – is a cost-sharing, multiple employer defined benefit pension

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Chapter 10-12C-4, NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of five years. Retirement is available at age 60 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 annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year in office prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus five years.

Member contributions are based on 7.5 percent of salaries and the State of New Mexico, through the administrative office of the courts, contributes at a rate of 11.0 percent of the member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 (not in thousands) for each civil case docket fee paid and \$10 (not in thousands) for each civil jury fee paid in magistrate court. Contribution rates are established by State statute.

Volunteer Firefighters Retirement System (VFRS) – is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978. Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement Fund, unless specifically excluded. Benefits are available at age 55 or older to any member having served as a volunteer fire fighter for a minimum of 10 years. Benefits are \$100 (not in thousands) per month with at least 10 but less than 25 See accountant's report

years of service or \$200 (not in thousands) per month with 25 or more years of service. Benefits for post-retirement surviving spouse annuities are also available. Members of the Volunteer Firefighters Retirement Fund do not make contributions. State statutes required that the State Treasurer transfer \$750 during the 2010 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

The New Mexico Educational Retirement Board was created by the Educational Retirement Act, Chapters 22-1-1 to 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees' Retirement Plan. ERB is an agency of the State. The plan administered by ERB is considered part of the State financial reporting entity and is a pension trust fund of the state.

The Educational Employees' Retirement System (EERS) – is a cost-sharing, multiple-employer plan established and administered by ERB to provide retirement, disability, and death benefits for all certified teachers and other employees of the State's educational institutions, junior colleges, and technical-vocational institutions.

The retirement benefit is determined by a formula. The formula includes three component parts: the member's final average salary, the number of years of service credit, and the 0.02 constant factor. The final average salary (FAS) is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of the coverage plan provisions is as follows:

- The member's age and earned service credit add up to the sum of 75 or more; or
- The member is at least 65 years of age and has five or more years of earned service credit; or

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

- The member has service credit totaling 25 years or more

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then becomes reemployed after that date is as follows:

- The member's age and earned service credit add up to the sum of 80 or more.
- The member is at least 67 years of age and has five or more years of earned service credit.
- The member has service credit totaling 30 years or more.

1) A further requirement to be eligible to retire is that a member must have 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 years of contributory employment, may contribute to the fund for each year needed. The cost of such contributions is a sum equal to the prevailing combined contributions of the member and the local administrative unit in effect at the time the contributory employment is acquired, which was 20.3 percent as of June 30, 2010, times the average annual salary of the last five years, for each year of contributory employment needed, plus 3.0 percent compounded interest from July 1, 1957, to the date of payment.

2) *Forms of Payment* - The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions,

determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

3) *Normal Benefit* - There are no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.

4) *Optional Forms of Payment* - There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C are as follows:

Option B - The normal monthly benefit is reduced to provide for a 100.0 percent survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding back the amount by which the benefit was reduced at retirement due to the election of Option B retroactively to the time of retirement.

Option C - The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C retroactively to the time of retirement.

- 5) *Cost of Living Adjustment* - Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment ("COLA") to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. The adjustment is equal to one-half the change in the Consumer Price Index ("CPI"), except that the COLA shall not exceed 4.0 percent nor be less than 2.0 percent, unless the change in CPI is less than 2.0 percent, in which case, the COLA would equal the change in CPI, but never less than zero. Members retired prior to July 1, 1984, are also entitled to an increase of the lesser of 3.0 percent or the increase in CPI for years prior to the attainment of age 65.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

- 6) *Disability Retirement:*

Eligibility - A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by the Board.

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Monthly Benefit - The monthly benefit is equal to 2.0 percent of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2.0 percent of FAS times years of service projected to age 60.

Form of Payment - The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are available.

- 7) *Deferred Retirement* - A member with five or more years of earned service credit on deferred status may retire when eligible under the Rule of 75 or when the member attains age 65.
- 8) The Educational Retirement Act, Chapters 22-11-1 to 22-11-53, NMSA 1978, assigns the authority to establish and amend benefit provisions to the Board.

Refund of Contributions - Members may withdraw their contributions only when they terminate covered employment in the State and certification of termination has been provided by their former employers. Interest paid to members when they withdraw their contributions following termination of employment is at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or those on deposit for less than one year.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Alternative Retirement Plan - The New Mexico legislature established the Alternative Retirement Plan (“ARP”) through the enactment of NMSA 1978, Chapters 22-11- 47 through 52. In contrast to the regular defined benefit plan administered by the Educational Retirement Board (“ERB”), the ARP is a defined contribution plan. Beginning on July 1, 1991 at the State’s six institutions of higher education, and July 1, 1999 at the State’s eight community colleges (the colleges and universities are referred to as the “qualifying state educational institutions”), certain faculty and professional employees in eligible positions have the option of electing to participate in the ARP in lieu of participating in the regular defined benefit plan. Information about the ARP is provided to eligible employees by their employers. Employees must make the election to participate in the ARP within 90 days of employment; those who do not elect to participate in the plan become members of the regular defined benefit plan. Pursuant to statute, ARP retirement benefits may be only in the form of a lifetime annuity, except in the case of death, when single sum cash payments are allowed.

Two carriers have been approved to offer annuities to the participants: Teachers Insurance and Annuity Association/College Retirement Equities Fund (“TIAA-CREF”), and Variable Annuity Life Insurance Company (“VALIC” or “AIG VALIC”, now known as “AIG Retirement”). Employees are allowed to transfer between carriers once each year.

For the year ended June 30, 2010, employees under the ARP contribute 7.9 percent of their gross salaries. The colleges and universities are required to contribute 9.4 percent to the carrier on behalf of the participant and 3.0 percent to the regular defined benefit plan to help fund the unfunded accrued actuarial liability. The 3.0 percent fee remitted to ERB for the years ended June 30, 2010 was \$4,252.

The 3.0 percent fee does not provide retirement benefits. The colleges and universities are See accountant’s report

responsible for submitting the employers’ and the employees’ contributions directly to the annuity carriers. Vesting is immediate for all contributions.

As noted above, the ARP is a defined contribution plan; benefits are determined strictly by contributions made and earnings on contributions. Participating employees are responsible for, and accept the risks of, selecting investments from those offered by the carriers and for managing their investments. Retirement benefits are computed and paid by the annuity carriers; the ERB does not compute or pay the retirement benefits. If a participant seeks to retire due to disability, the annuity carrier determines the disability and computes the lifetime annuity.

Chapter 9 Laws of 2009 established certain changes to the Alternative Retirement Plan, including authorizing additional carriers, allowing plan members to take withdrawals for rollover to other qualified plans, and allowing a one time option for members with seven years of contributory service to switch to the defined benefit plan going forward, but the member’s previous contributions to the ARP plan remain in that plan and the five year service requirement and benefit calculation in the regular ERB Defined Benefit plan are effective as of the first day of the month following the month in which a valid election to switch is made.

Funded Status and Funding Progress

PERA Funding Policy – Funding of the retirement funds is accomplished through member and employer contributions and the investment earnings on these contributions. The retirement funds use the aggregate actuarial funding method, which does not identify or separately amortize unfunded actuarial accrued liabilities.

The individual entry-age actuarial cost method allocates the actuarial present value of each member’s projected benefits on a level basis over the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

member's pensionable compensation between the entry age of the member and the pattern of projected exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. The period of time needed to finance the unfunded actuarial accrued liability with current statutory contribution rates is determined using a level percent of payroll amortization technique.

Active member payroll was projected to increase 4.5 percent a year for the purpose of determining the financing period. This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values.

The valuation assets used for funding purposes is derived as follows: prior year valuations assets are increased by contributions and expected investment income and reduced by refunds, benefit payments and expenses. To this amount, 25.0 percent of the difference between expected and actual investment income net of expenses for each of the previous four years is added. The funding value of assets for each division is allocated in proportion to the total fund balances.

ERB Funding Policy – Funding of the retirement plan is accomplished through member and employer contributions and the investment earnings on these contributions. The contribution rate is set by statute for both members and for the employers. The funding period is determined, as described below, using the Entry Age Normal actuarial cost method.

The Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial See accountant's report

present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs for future years. Each year's contribution is composed of (i) that year's normal cost, plus (ii) a payment used to reduce the unfunded actuarial accrued liability.

The normal cost is the level (as a percentage of pay) contribution required to fund the benefits for a new member. This is determined based upon a hypothetical group of new entrants. This group is based on the age-pay-sex distribution at hire for members joining ERB during the five-year period ending June 30, 2004. Part of the normal cost is paid from the employees' own contributions. The employers pay the balance from their contributions. In the calculation of the normal cost, the benefit provisions applicable to future new members were used.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of the assets.

The balance of the employers' contribution - the remainder after paying their share of the normal cost - is used to reduce the unfunded actuarial accrued liability. The funding period is the length of time required for the unfunded actuarial accrued liability to be completely amortized, assuming that the portion used to reduce the unfunded remains level as a percentage of total payroll, which is assumed to grow 3.8 percent per year. The 3.0 percent contribution made by employers to ERB on behalf of employees who elected to participate in the Alternative Retirement Plan is also used to amortize the unfunded actuarial accrued liability.

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It is assumed that all contribution are made monthly at the end of the month.

Active member payroll was projected to increase 3.8 percent a year for the purpose of determining the funding period. This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values.

The valuation assets used for funding purposes is derived as follows: The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of or (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets

(adjusted for receipts and disbursements during the year). Returns are measured net of all investment and administrative expenses.

As required under GASB Statement Number 50, *Pension Disclosures (an amendment of GASB 25 and 27)*, the following is a schedule of funding progress using the entry age normal funding method to approximate the funding status of the retirement funds divisions as of the most recent actuarial valuation date.

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation date, is as follows (dollars in thousands):

Retirement System	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
PERS*	June 30, 2010	\$ 12,265,839	\$ 15,628,136	\$ 3,362,299	78.5 %	\$ 1,993,517	116.3 %
JRS	June 30, 2010	79,645	130,136	50,491	61.2 %	13,042	387.1 %
MRS	June 30, 2010	34,652	52,677	18,025	65.8 %	3,520	512.1 %
VFRS	June 30, 2010	47,346	20,466	(26,880)	231.3 %	N/A+	N/A+
EERS	June 30, 2010	9,431,300	14,353,500	4,922,200	65.7 %	2,575,800	191.1 %

+Benefits are not based on salary payroll information has been excluded.

*PERA Retirement Fund includes the Legislative Fund. The Legislative benefits are not based on salary, payroll information has been excluded.

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The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiple year trend information about whether the actuarial

values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits. Additional information as of the latest actuarial valuation follows:

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
Actuarial cost method	Entry Age	Entry Age	Entry Age	Unit Credit	Entry Age Normal
Amortization method	Level Percent, Open	Level Percent, Open	Level Percent, Open	Level Dollar, Open	Level Payment, Open
Amortization period	30 years	30 years^^	30 years^^	30 Years#	30 years
	4 Year Smoothed	4 Year Smoothed	4 Year Smoothed	4 Year Smoothed	5 Year Smoothed
Asset valuation method	Market	Market	Market	Market	Market
Rate of return on investment of present and future assets*	8.0%	8.0%	8.0%	8.0%	8.0%
*Includes inflation at	4.0%	4.5%	4.0%	4.0%	3.0%
Post retirement benefit increases	3.0%	3.0%	3.0%	N/A+	-
Projected salary increases*	4.0% - 15.0%	5.3%	4.8%	N/A+	5.0% to 13.5%
Cost of Living Adjustments	-	-	-	-	2.0%

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

^^ The statutory contribution rate is not sufficient to meet the PERA board's objective of funding over 30 years.

+ Benefits are not based on salary and are not subject to cost of living increases; therefore, payroll has been excluded.

The following is a schedule of the employer contributions to the above retirement systems (the contributions are equal to the required contributions mandated by the State statute):

**Employer Contributions - Retirement Systems
For the Year Ended June 30, 2010
and Two Preceding Years
(in Thousands)**

System	2010	2009	2008
PERS	\$ 291,683	\$ 311,082	\$ 292,569
JRS	3,699	4,123	3,832
MRS	825	1,000	981
VFRS *	750	750	750
EERS	313,276	323,685	290,846

*The contributions are by State statute and transfer was from the State Treasurer.

PERA Required Reserves. New Mexico Statutes, Annotated 1978, Chapters 10-11-123, 10-12B-3, and 10-12C-3 set forth required accounting policies for reserves to be maintained within net assets available

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for benefits for the Public Employees Retirement Fund, the Judicial Retirement Fund, and the Magistrate Retirement Fund, respectively. State statutes do not specifically require separate accounting for the Volunteer Firefighters Retirement Fund.

The funds to be maintained are as follows:

Members Contribution Fund represents the accumulated contributions deducted from members' compensation, less refunds and transfers of contributions as provided for in the statute. Annually on June 30, the members' accounts are credited with interest on member contributions and previously earned interest at a rate determined by the Board. The rate for the 2010 fiscal year was 5.3 percent.

Employers Accumulation Fund represents the accumulated contributions made by affiliated public employers. Each year following receipt of the report of the annual actuarial valuation, the

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excess, if any, of the reported actuarial present value of benefits to be paid over the balance in the Retirement Reserve Fund, discussed below, is transferred to the Retirement Reserve Fund from the Employers Accumulation Fund.

Retirement Reserve Fund represents the accumulated balance available to pay pension benefits to retired members and eligible survivors of deceased members or retirees and to pay residual refunds due to eligible beneficiaries and survivors as provided for in the statute.

Income Fund represents the accumulation of interest, dividends, rents, and other income of PERA, less administrative expense paid out of this fund. At least annually, the balance in this fund is transferred to other funds in a manner determined by the Board. The distribution rate of interest as determined by the Board for fiscal year 2010 was 5.3 percent of member account balances to the Member Contribution Fund. The remaining balance of the Income Fund was distributed to the Retirement Reserve Fund.

Fund Balances as of June 30, 2010 are as follows:

	<u>Public Employees Retirement Fund</u>	<u>Judicial Retirement Fund</u>	<u>Magistrate Retirement Fund</u>
Member Contribution Fund	\$ 2,158,103	\$ 8,642	\$ 3,051
Employers Accumulation Fund	3,448,479	45,544	21,467
Retirement Reserve Fund	4,409,343	12,184	4,357
Total	<u>\$ 10,015,925</u>	<u>\$ 66,370</u>	<u>\$ 28,875</u>

C. Post- Employment Benefits Other Than Pensions

In addition to pension benefits as described in Note 3.B, the State provides other post-employment benefits (OPEB). The State of New Mexico adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2009.

Plan Description

The New Mexico Retiree Health Care Authority (RHCA) was formed February 13, 1990 under the New Mexico Retiree Health Care Act (Act), Chapters 10-7C-1 to 10-7C-19, NMSA 1978, to administer the retiree health care fund which was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire. See accountant's report

from public service in New Mexico. The Retiree Health Care Act (Chapters 10-7C-1 to 10-7C-19, NMSA 1978) established a cost-sharing multi-employer defined benefit postemployment health care plan (Plan) that provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Act created a governing board composed of 11 members (a twelfth member was added through an amendment). RHCA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to RHCA, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

The legislation establishing RHCA specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and RHCA administering the Act. However, the substantive plan created by the Act contains all

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requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan, and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for a participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. RHCA received a legal opinion that the manner of legal organization of RHCA is substantially equivalent to a trust. As such, RHCA was required to apply GASB Statement No. 43 (GASB 43), *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, as a multi-employer cost-sharing plan. The net assets of the RHCA are reported as restricted per GASB Statement No. 46 and Chapter 10-7-C-14, NMSA 1978.

Funding Benefit Policies

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 employees 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 Plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who See accountant's report

retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. Employees of RHCA are allowed to participate in the Plan.

The New Mexico Retiree Health Care Act (Chapter 10-7C-13, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars (not in thousands) if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100.0 percent of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

The New Mexico Retiree Health Care Act (Chapter 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The contributions are set by legislation and are not based on an actuarial calculation. The Legislature periodically reviews the contribution rates pursuant to Chapter 10-7C-15, NMSA 1978. The statute requires each participating employer to contribute 1.3 percent of each participating employee's annual salary; each participating employee is required to contribute 0.7 percent of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.7 %	0.8 %
FY12	1.8 %	0.9 %
FY13	2.0 %	1.0 %

Current retirees are required to make monthly contributions for individual basic medical coverage. Retiree premium contribution increases are no longer limited by the Act, which the RHCA's health care trend will be the basis for any rate increases for the New Mexico basic plan of benefits. The Board may designate other plans as "optional coverages." Optional and/or voluntary coverages are not subject to the 9.0 percent cap, which expired in fiscal year 2008 per Chapter 10-7C-13, NMSA 1978.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of

employment or termination of the participating employer's operations or participation in the Plan. The employer, employee and retiree contributions are required to be remitted to RHCA on a monthly basis.

The required contribution rate of the employee and employer in accordance with the funding policy and the percentage of current-year covered payroll for the three preceding fiscal years are as follows:

Schedule of Required Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers and Employees	Percentage Contributed
2009	\$ 298,000	\$ 112,079	37.6 %
2008	286,538	96,817	33.8 %
2007	275,518	94,060	34.1 %
2006	392,591	82,703	21.1 %

The funded status as of June 30, 2010, was as follows (dollar amount in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 176,923	\$ 3,523,665	\$ 3,346,742	5.0 %	\$ 4,001,802	84.0 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that will be actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years using an open-ended amortization.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan

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members) and include the types of benefits provided at the time of each valuation and the historical pattern if sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or

contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions for the Plan at June 30, 2010 were as follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	30 Year Open-Ended Amortization, with the initial payment determined as if the future payments would theoretically increase each year on a level percent of pay basis
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	5.0%
Projected payroll increases	4.0%
Health care cost trend rate:	
Prescription Drug & Medical (Under Age 65, Age 65, and Over)	8.0% from July 1, 2009 to July 1, 2018, decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0%

The number of participating government employers, and the number of members in the Plan for the year ended June 30, 2010 were (not in thousands):

Plan Membership:

Current Retirees and Surviving Spouses	29,935
Inactive and Eligible for Deferred Benefit	10,861
Current Active Members	<u>95,513</u>
Total	<u>136,309</u>

Active Membership:

State General	19,371
State Police and Corrections	1,801
Municipal General	18,747
Municipal Police	3,233
Municipal FTRE	1,810
ERB	<u>50,551</u>
Total	<u>95,513</u>

NMRHCA is a self-funded mainly self-insured entity pursuant to Chapter 10-7C, NMSA 1978, NMRHCA is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore not subject to minimum statutory reserve requirements.

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D. Deferred Compensation Plan

The State of New Mexico offers state, local government, and school district employees a deferred compensation plan (Deferred Plan) under Chapters 10-7A-1 to 10-7A-12, NMSA 1978, the "Deferred Compensation Act," in accordance with Internal Revenue Code Section 457. The Deferred Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

PERA is the trustee of the Deferred Plan; however, the Deferred Plan uses a third party administrator, acting under contract with PERA. All costs of administration and funding are borne by the Deferred Plan participants. The Administrator has authority to control and manage the operation of the Deferred Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Deferred Plan, and has certain discretionary authority to decide all matters under the Deferred Plan. As Deferred Plan trustee, PERA's

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primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property, and rights under the executed Deferred Plan-Trust are held for the exclusive benefit of Deferred Plan participants and their beneficiaries, as defined in the Deferred Plan. The assets of the Deferred Plan are not assets of the State, but are held in trust for the exclusive benefit of Deferred Plan participants and their beneficiaries. The State has no liability for losses under the Deferred Plan but does have the duty of due care that would be required of a fiduciary agent.

The Deferred Plan issues a publically available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza La Prensa, Santa Fe, NM 97507.

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 U.S. 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 bondholders.

The TRA required rebate of such arbitrage to the U.S. 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 six-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 six-month period following the date of issue, and the rebate requirement is satisfied for the reserve fund after the six-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 six month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund; however, are not subject to the expenditure requirement. The following is a schedule of bond issues, along with the year-ends and arbitrage rebate due dates.

The State Treasurer has completed the first arbitrage computation for the bonds as indicated:

	<u>First Computation Date</u>	<u>First Payment Due to IRS</u>	<u>First Computation of Arbitrage Completed</u>
Series 1999 General Obligation Capital Projects	9/1/2004	10/1/2004	X
Series 2001 General Obligation	3/21/2006	5/20/2006	X
Series 2001 A General Obligation Refunding	9/1/2004	10/31/2004	X
Series 2001 B General Obligation Refunding	9/1/2006	10/31/2006	X
Series 2003 General Obligation	3/18/2008	5/17/2008	X
Series 2003 B General Obligation Refunding	4/16/2008	6/15/2008	X
Series 2005 General Obligation	3/1/2010	4/30/2010	X

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(Continued)	<u>First Computation Date</u>	<u>First Payment Due to IRS</u>	<u>First Computation of Arbitrage Completed</u>
Series 2007 General Obligation	3/1/2012	4/30/2012	
Series 2008 A General Obligation	3/1/2013	4/30/2013	
Series 2009 General Obligation	5/25/2010	7/27/2014	
Series 1993 B Severance Tax	7/1/1998	8/31/1998	X
Series 1994 B Severance Tax	7/1/1999	8/31/1999	X
Series 1995 A Severance Tax	7/1/2000	8/31/2000	X
Series 1995 B Severance Tax	7/1/2000	8/31/2000	X
Series 1996 A Severance Tax	12/20/2001	2/20/2002	X
Series 1997 A Severance Tax Refunding	7/1/2001	8/31/2002	X
Series 1998 A Severance Tax Refunding	7/1/2003	8/31/2003	X
Series 1999 B Severance Tax	7/1/2004	8/31/2004	X
Series 1999 A Supplemental Severance Tax	11/17/2004	1/17/2005	X
Series 2000 Severance Tax	7/1/2005	8/31/2005	X
Series 2000 C Supplemental Severance Tax	11/16/2005	1/16/2006	X
Series 2001 A Severance Tax Refunding	12/20/2006	2/20/2007	X
Series 2002 A Supplemental Severance Tax	1/16/2007	3/16/2007	X
Series 2002 A Severance Tax	6/19/2007	8/18/2007	X
Series 2002 B Supplemental Severance Tax	11/14/2007	1/13/2008	X
Series 2003 A Severance Tax	6/27/2008	8/26/2008	X
Series 2003 B Supplemental Severance Tax	10/14/2008	12/13/2008	X
Series 2004 A Severance Tax	6/15/2009	8/14/2009	X
Series 2004 B Supplemental Severance Tax	11/17/2009	1/16/2010	X
Series 2005 A Severance Tax	6/15/2010	8/14/2010	X
Series 2005 B-1 Severance Tax Refunding	6/15/2010	8/14/2010	X
Series 2005 B-2 Supplemental Severance Tax	6/15/2010	8/14/2010	X
Series 2006 A Severance Tax	6/20/2011	8/16/2011	
Series 2007 A Severance Tax	6/28/2012	8/27/2012	
Series 2008 A-1 Supplemental Severance Tax	6/25/2013	8/24/2013	
Series 2008 A-2 Supplemental Severance Tax	6/25/2013	8/24/2013	
Series 2009 A Severance Tax	7/30/2014	9/28/2014	
Series 2010 A Supplemental Severance Tax	3/24/2015	5/23/2015	
Series 2010 B Supplemental Severance Tax	3/24/2015	5/23/2015	
Series 2010 C Severance Tax Refunding	6/30/2015	8/29/2015	
Series 2000 Enhanced 911 Revenue	9/12/2005	11/11/2005	X

Interest earnings on invested bond proceeds through June 30, 2010 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.

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F. Commitments and Contingencies

Federal Funds

The State received funding from federal sources for specific purposes. The funds are subject to audit,

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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.

Medical Assistance Program

The Medical Assistance Program has a deficit fund balance of \$88,408 as of June 30, 2010. The unusual balance is a result from a discrepancy in reporting of expenditures and reimbursement requests for the Medical Assistance Program totaling \$103,000 of which \$54,800 has been reconciled. The following table details how the liability is recorded in the financial statements as of June 30, 2010:

Medicaid Program Under-Reporting

<u>Source of Discrepancy</u>	<u>Amount</u>	<u>Resolution</u>
Requiring waiver of two-year filing limit	\$ 40,801	Record as Deferred Revenue**
Within two-year filing limit	2,305	Reported to federal government in December 2010
Over-Requested Reimbursement	10,723	Record as Due to the Federal Government**
Under-Requested Reimbursement	977	Request additional federal funds
Total Reconciled	<u>\$ 54,806</u>	
Un-Reconciled Difference	<u>\$ 48,512</u>	Record as Due to the Federal Government**

** Items impacting fund balance

The State will continue to retrace transactions that may have resulted in under-reporting for all quarters between 2004 and 2009. Upon completion, the State will present a request for all identified under-reported items that exceed the two-year filing limit to the federal government for consideration. If approved for reimbursement the State will recognized the deferred revenue as current year federal revenue. The recording of the \$100,000 as a liability in 2010 is a change in estimate of federal revenue and results in a decrease to federal revenue of \$100,000 for 2010.

If the State is unsuccessful in its request to the federal government to waive the two year filing limit or is unable to resolve the remaining un-reconciled difference, a deficiency appropriation will be required from the Legislature.

Litigation

The State has been named as defendant in several lawsuits or complaints. Neither the final outcome nor

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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.

Taxation and Revenue Department

The State is involved in various lawsuits by taxpayers claiming refunds from various tax programs for taxes under protest totaling \$196,643 for the fiscal year. In addition, there are various lawsuits by taxpayers claiming refunds from various tax programs where no specified dollar amount under protest has been identified. The State intends to contest all cases vigorously. Any liability would be paid for out of the Suspense Related Agency Fund.

Education Trust Board

Since 2009, a number of lawsuits have been filed in federal courts against OppenheimerFunds, Inc. (OFI), OppenheimerFunds Distributor, Inc. (OFDI), and certain mutual funds (Defendant Funds) advised by

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OFI and distributed by the OFDI (but not including the Higher Education Savings Plan). The lawsuits naming the Defendant Funds also name as defendants certain officers, trustees and former trustees of the respective Defendant Funds. The plaintiffs seek class action status on behalf of purchasers of shares of the respective Defendant Fund during a particular time period. The lawsuits raise claims under federal securities laws alleging that, among other things, the disclosure documents of the respective Defendant Fund contained misrepresentations and omissions that such Defendant Fund's investment policies were not followed, and that such Defendant Fund and the other defendants violated federal securities laws and regulations. The plaintiffs seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses.

In 2009, what are claimed to be derivative lawsuits were filed in state court against OFI, its subsidiaries, and the Education Trust Board of New Mexico (but not against the Higher Education Savings Plan), on behalf of the New Mexico Education Plan Trust. These lawsuits allege breach of contract, breach of fiduciary duty, negligence and violation of state securities laws, and seek compensatory damages, equitable relief and an award of attorneys' fees and litigation expenses.

Other lawsuits have been filed since 2008 in various state and federal courts, against OFI and certain of its affiliates. Those lawsuits were filed by investors who made investments through an affiliate of OFI, and relate to the alleged investment fraud perpetrated by Bernard Madoff and his firm (Madoff). Those suits allege a variety of claims, including breach of fiduciary duty, fraud, negligent misrepresentation, unjust enrichment, and violation of federal and state securities laws and regulations, among others. They seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses. None of the suits has named OFDI, any of the Oppenheimer mutual funds or any of their See accountant's report

independent Trustees or Directors as defendants. None of the Oppenheimer funds invested in any funds or accounts managed by Madoff.

OFI believes that the lawsuits described above are without legal merit and is defending against them vigorously. The Defendant Funds' Boards of Trustees have also engaged counsel to defend the suits brought against those Funds and the present and former Independent Trustees named in those suits. While it is premature to render any opinion as to the outcome in these lawsuits, or whether any costs that the Defendant Funds may bear in defending the suits might not be reimbursed by insurance, OFI believes that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the Fund, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer funds.

G. Subsequent Events

Bond Issues

Series 2010A Refunding Bonds

The State issued \$175,625 through the NMFA, Series 2010 A-1 State Transportation Senior Lien Refunding Revenue Bonds for \$95,525 and Series 2010 A-2 State Transportation Subordinate Lien Revenue Bonds for \$79,100 in September 2010. The gross proceeds to the State were \$200,494 including the premium of \$26,746. The cost of issuance, including the underwriter's discount, was \$1,371. Series 2010 A Bonds were issued to refinance the existing \$200,000 Tax Exempt Line of Credit (LOC) being used to fund specific projects as designated by the State. At the time of the refunding, the outstanding balance on the LOC was \$ 122,588.

Series 2010B Refunding Bonds

The State issued \$ 461,075 through the NMFA, Series 2010 B State Transportation Senior Lien Refunding Revenue Bonds in October 2010. The

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

gross proceeds to the State were \$543,316 including the premium of \$84,633. The cost of issuance, including the underwriter's discount, was \$3,309. The bonds were issued to refund \$470,300 of outstanding closed lien and senior lien bonds for debt service savings. The transaction resulted in \$26,700 in cash flow savings (\$22,400 in present value savings).

Series 2010 C Severance Tax Refunding Bonds

On June 30, 2010, the State Board of Finance issued \$43,780 of Series 2010 C Severance Tax Refunding Bonds to provide refunding of Series 2005 A Severance Tax Bond. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$3,925. The economic gain, or present value savings, was \$3,772. Although the issuance of Series 2010 C Severance Tax Refunding Bonds occurred on June 30, 2010, the actual refunding of Series 2005 A Severance Tax Bond did not occur until the following day, on July 1, 2010

Series 2009 GSE A and Series 201 A Bonds

On October 20, 2010, NMMFA issued \$71,668 of Series 2009 GSE A Single Family Mortgage Program and Series 2010 A Bonds. This bond issue is the first rollout of the Series 2009 Bonds issued under the GSE Escrow Bond Purchase Program. The bond issue includes \$42,000 of New Issue Bond Program bonds and \$28,000 of market bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the bonds was sold at a premium of \$1,668 to fund assistance to borrowers in this bond issue.

Other Events

New Mexico Computing Applications Center, Inc.'s Intel Agreement

NMCAC and Intel modified their agreement whereby NMCAC leased Supercomputer power, cooling, and network operations from Intel for \$264 per quarter. See accountant's report

The outstanding charges at June 30, 2010 were \$1,060 before contract modification. The parties agreed to offset certain operating and maintenance costs in exchange for Intel's use of supercomputer CPU core hours. A \$795 adjustment was recorded at June 30, 2010 to reduce accounts payable and record supercomputer revenue to reflect Intel's purchase of core hours. Accounting Standards require the recognition of effects subsequent to year-end that provide additional evidence about conditions that existed at the date of the balance sheet.

New Mexico Computing Applications Center Inc.'s Cerelink Agreement

A contract amendment with Cerelink (Project Zia Phase Upgrade 1) was signed subsequent to year-end for \$1,100 on whereby Cerelink will utilize Encanto for commercial purposes. The contract requires certain equipment upgrades to be paid by NMCAC and reimbursed by Cerelink.

Lawsuit with Wachovia

The PERA Board voted in October 2010 to sue Wachovia for breach of contract and breach of fiduciary duty in regards to Sigma Finance, Inc. and Victoria Finance.

Retirement Age and Service Credit

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members first hired on or after July 1, 2010 will increase. Under the new requirements, general members will be eligible to retire at any age with 30 or more years of service credit. General members hired on or before June 30, 2010 remain eligible to retire at any age with 25 or more years of service credit.

State police and adult correctional officers, municipal juvenile detention officers and municipal police and firefighters in Plans 3, 4 and 5 will not be affected by the new age and service requirements. Police and firefighters in Plans 3, 4 and 5 are eligible to retire at

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

any age with 20 or more years of service credit. State police and adult correctional officers and municipal juvenile detention officers will remain in 25-year retirement plans where service credit is enhanced by 20.0 percent.

In addition to retiring at any age with 30 or more years of service credit, general members in the new plans can retire at any age if the sum of the member's age and years of service credit equals at least 80 or at age 67 with 5 or more years of service credit. No changes were made to pension factors, employee or employer contribution percentages or to the computation of final average salary.

An interim legislative task force is reviewing all retirement-plan benefit structures and will make recommendations to the legislature at a later date. PERA anticipates that changes to the retirement-plan provisions will be introduced in the upcoming 2011 legislative session.

Federal Health Care Reform Bill Reimbursements

On July 9, 2010, RHCA applied for \$20 million in reimbursements under the recently enacted federal health care reform bill. The funds are available through the early retirement reinsurance provision of the bill and will be used to lower costs for RHCA's retirees under the age of 65.

H. Settlement

On December 16, 2009, OppenheimerFunds, Inc. (OFI) and the State of New Mexico reached an agreement to resolve the State's investigation into the management of the Scholar'sEdge Plan and The Education Plan under the Higher Education Savings Plan. Under the terms of the settlement, OFI does not admit any wrongdoing and paid the State \$67,310, which the State undertakes to distribute to eligible participants in Scholar'sEdge and the Education Plan.

See accountant's report

I. Unemployment Benefits Cash Shortfall

The State has projected a cash shortfall in the Unemployment Trust Fund held with the U.S. Treasury. Unemployment Compensation (UC) is a joint federal-state program financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Acts (SUTA). Federal laws and regulations provide broad guidelines on state unemployment taxes. States levy their own payroll taxes on employers to fund regular UC benefits and the state share of the Extended Benefit (EB) program. The U.S. Department of Labor (DOL) suggests that, to be minimally solvent, a state's reserve balance should provide for one year's projected benefit payment needs on the basis of the highest levels of benefit payments experienced by the state over the last twenty years. Using these guidelines, the State has determined that a cash shortage in the fund will be realized in the first quarter of the 2012 fiscal year assuming current conditions. With adequate action by the legislature, however, solvency may be maintained into the subsequent two fiscal years.

UC benefits are an entitlement, although the program is financed by a dedicated tax imposed on employers, and not by general revenues. Even in a recession, if a given state's trust account is depleted, the state remains legally required to continue paying benefits, which it does by obtaining loans through the federal program or with other financing options.

J. Going Concern

New Mexico Computing Applications Center

NMCAC will not receive any state funding from the State of New Mexico for fiscal year 2011. Funding from the State of New Mexico's Department of Information Technology (DoIT) accounted for 56.0 percent of total support received in fiscal year 2010. Current operating revenue not sourced from the State of New Mexico is not sufficient to cover expected

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

operating expenses for fiscal year 2011. Management's plans regarding this matter include the following:

- On August 20, 2010, NMCAC completed negotiations with Intel to modify the fee schedule associated with a lease agreement dated June 30, 2009 in exchange for Intel's use of supercomputer CPU core hours. The agreement will save NMCAC \$795 currently and \$1,070 over the next two years.
- NMCAC will use carry over funds from fiscal year 2010 totaling \$867 (total net assets of \$948 less \$81 in net property and equipment) to fund fiscal year 2011 operations.
- In fiscal year 2011, NMCAC will seek to charge universities for their use of the supercomputer.
- NMCAC will seek to obtain new grant funding including a \$4,000 grant with a bioenergy company where Encanto would provide all the computing for the proposal.
- NMCAC will seek to co-develop semiconductor parts for fabrication plants with a technology manufacturing company for purposes of reducing semiconductor industry energy costs.
- NMCAC will continue to seek new private contracts.
- Subsequent to year-end, NMCAC and Cerelink amended their contract for the Zia Phase 1 Upgrade. The contract amendment will provide \$1,100 of commercial revenue in fiscal year 2011 and requires through DoIT certain equipment upgrades to be purchased by NMCAC and reimbursed by Cerelink.

Per management, the NMCAC is working through a difficult transition from State appropriations to other than State funding. The Cerelink contract, together with available net assets brought forward to fiscal 2011, provides in excess of 60.0 percent anticipated operating funds needed for fiscal year 2011. Grant See accountant's report

applications and certain other commercial funding opportunities are in process. Additional opportunities will continue to be identified.

K. Land Grant Permanent Fund

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 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 Commissioner of Public Lands to the State Investment Council, 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 September 23, 2003, New Mexico voters approved Constitutional Amendment No. 2 that changed the LGPF distributions. Beginning with the October 2003 distribution, the annual distributions from the LGPF are 5.0 percent of the average of the year-end market values of the LGPF for the immediately preceding five calendar years. In addition to the 5.0 percent annual distribution, additional distributions were made pursuant to the following schedule: in fiscal years 2005 through 2012, an amount equal to 0.8 percent of the average of the year-end market values of the LGPF for the immediately preceding five calendar years; and in fiscal years 2013 through 2016, an amount equal to 0.5 percent of the average of the year-end market values of the LGPF for the immediately preceding five calendar years.

The Legislature, by a three-fifths vote of the members elected to each house, may suspend any additional distributions noted above. In addition, no additional distribution shall be made in any fiscal

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

year if the average of the year-end market values of the LGPF for the immediately preceding five calendar years is less than \$5,800,000.

Changes in Land Grant Permanent Fund Held for Beneficiaries
(Expressed in Thousands)

Beneficiary	Balance June 30, 2009,	Earnings From State Land Office	Other Increases (Decreases) in Capital Accounts, Net	Balance June 30, 2010	Participation Percentage June 30, 2010
Benefiting the State, Included in Governmental Funds:					
Charitable, Penal and Reform	\$ 72,490	\$ 2,379	\$ 5,611	\$ 80,480	0.9%
Miners' Colfax Medical Center	83,503	2,069	6,477	92,049	1.0%
New Mexico Boys School	550	-	43	593	0.0%
New Mexico State Hospital	19,180	552	1,486	21,218	0.2%
Improvements to the Rio Grande	22,181	340	1,726	24,247	0.3%
Water Reservoirs	91,758	3,524	7,082	102,364	1.2%
Penitentiary of New Mexico	159,621	7,990	12,295	179,906	2.0%
Public Buildings - Capitol	93,449	2,961	7,230	103,640	1.2%
	<u>542,732</u>	<u>19,815</u>	<u>41,950</u>	<u>604,497</u>	<u>6.8%</u>
Benefiting the State, Included in Enterprise Funds:					
Eastern New Mexico University	6,766	344	515	7,625	0.1%
New Mexico Highlands University	2,343	41	182	2,566	0.0%
New Mexico Institute of Mining and Technology	16,262	913	1,254	18,429	0.2%
New Mexico Military Institute	269,275	9,829	20,831	299,935	3.4%
New Mexico School for the Deaf	163,965	6,985	12,647	183,597	2.1%
New Mexico School for the Blind and Visually Impaired	163,537	6,980	12,614	183,131	2.1%
New Mexico State University	39,505	2,114	3,038	44,657	0.5%
Northern New Mexico College	1,832	42	143	2,017	0.0%
University of New Mexico	128,398	3,378	9,952	141,728	1.6%
University of New Mexico Saline Lands	480	-	37	517	0.0%
Carrie Tingley Hospital	-	3	(1)	2	0.0%
Western New Mexico University	2,357	41	183	2,581	0.0%
	<u>794,720</u>	<u>30,670</u>	<u>61,395</u>	<u>886,785</u>	<u>10.0%</u>
Not Considered to Benefit the State, Included in Fiduciary Funds:					
Public Schools	6,606,457	279,790	509,374	7,395,621	83.2%
Total Net Assets Held in Trust for Pool Participants	<u>\$ 7,943,909</u>	<u>\$ 330,275</u>	<u>\$ 612,719</u>	<u>\$ 8,886,903</u>	<u>100.0%</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

L. Segment Information

The following is condensed financial information for the segments within the proprietary funds that have revenue bonds (in thousands):

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Net Assets									
Current Assets	\$ 1,555	\$ 7,198	\$ 120,293	\$ 28,962	\$ 41,129	\$ 71,154	\$ 16,862	\$ 18,040	\$ 753,775
Other Assets	590	1,410	255,486	33,730	4,664	62,014	316,674	4,959	389,968
Capital Assets, Net	52,175	32,890	396,103	115,646	69,753	134,945	58,118	28,094	1,236,880
Total Assets	54,320	41,498	771,882	178,338	115,546	268,113	391,654	51,093	2,380,623
Current Liabilities	4,018	2,768	69,197	15,322	10,409	20,355	4,203	5,818	272,507
Long-term Liabilities	2,563	13,352	180,828	18,682	32,515	14,812	2,545	4,656	653,997
Total Liabilities	6,581	16,120	250,025	34,004	42,924	35,167	6,748	10,474	926,504
Invested in Capital Assets, Restricted	49,026	18,863	282,244	101,763	36,705	134,945	54,420	24,061	681,694
Unrestricted	1,709	1,320	113,859	18,751	30,783	76,869	316,204	11,706	291,685
	(2,996)	5,195	125,754	23,820	5,134	21,132	14,282	4,852	480,740
Total Net Assets	\$ 47,739	\$ 25,378	\$ 521,857	\$ 144,334	\$ 72,622	\$ 232,946	\$ 384,906	\$ 40,619	\$ 1,454,119
Condensed Statement of Activities									
Operating Revenues:									
Charges for Services	\$ 13,859	\$ 20,588	\$ 31,752	\$ 9,154	\$ 4,856	\$ 4,064	\$ 4,671	\$ 2,411	\$ 91,394
Net Student Tuition and Fees	-	-	60,468	12,291	8,025	6,615	2,210	4,639	108,103
State, Local, and Private Grants and Contracts	-	-	45,725	9,636	5,231	23,885	2,938	2,238	94,966
Patient Income	-	-	-	-	-	-	-	-	680,067
Federal Funds	-	322	180,898	24,285	13,898	66,568	776	7,661	244,669
Other Operating Revenues	69	195	36,136	1,846	-	8,439	141	1,183	35,730
Total Operating Revenue	13,928	21,105	354,979	57,212	32,010	109,571	10,736	18,132	1,254,929

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Activities									
(Continued)									
Operating Expenses:									
Operating Expenses	\$ 7,217	\$ 12,945	\$ 463,164	\$ 74,083	\$ 35,599	\$ 67,422	\$ 17,166	\$ 25,332	\$ 809,705
Depreciation Expense	2,674	2,155	29,340	6,281	5,758	12,072	3,197	2,396	55,438
General and Administrative	8,924	9,179	58,252	23,899	33,417	79,307	7,633	10,405	811,109
Total Operating Expenses	18,815	24,279	550,756	104,263	74,774	158,801	27,996	38,133	1,676,252
Operating Income (Loss)	(4,887)	(3,174)	(195,777)	(47,051)	(42,764)	(49,230)	(17,260)	(20,001)	(421,323)
Nonoperating Revenue (Expense)									
Clinical Operations	-	-	-	-	-	-	-	-	83,364
Government Grants and Contracts	-	-	7,767	-	-	901	-	-	7,311
Net Investment Income	1	1,137	6,465	1,959	1,675	3,473	32,704	465	42,446
Other Revenue	-	3	5,481	3,418	-	4,813	89	-	56,064
Interest Expense	(101)	(617)	(2,873)	(614)	(577)	-	(228)	-	(21,605)
Other Expense	-	-	(17,251)	-	(720)	-	(29)	(2)	(1,152)
Total Nonoperating Income (Expense)	(100)	523	(411)	4,763	378	9,187	32,536	463	166,428
Capital Contributions	7,121	-	12,667	-	-	-	-	-	3,236
Permanent Fund Contributions	-	-	7,351	175	-	3,739	17,817	-	-
Net Transfers	-	-	220,225	54,582	41,411	46,037	2	25,294	354,304
Change in Net Assets	2,134	(2,651)	44,055	12,469	(975)	9,733	33,095	5,756	102,645
Net Assets, Beginning	45,605	28,029	477,802	131,865	73,597	223,213	351,811	34,863	1,351,474
Net Assets, Ending	\$ 47,739	\$ 25,378	\$ 521,857	\$ 144,334	\$ 72,622	\$ 232,946	\$ 384,906	\$ 40,619	\$ 1,454,119

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	State Fair Commission	Miners' Colfax Medical Center	Educational Institutions						
			New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Cash Flows									
Net Cash Provided (Used) by:									
Operating Activities	\$ (1,900)	\$ 291	\$ (186,272)	\$ (41,416)	\$ (39,950)	\$ (37,052)	\$ (14,327)	\$ (16,959)	\$ (323,660)
Noncapital Financing Activities	-	-	210,674	49,770	31,525	50,237	105	19,298	461,667
Capital and Related Financing Activities	418	(803)	58,161	(6,732)	10,421	(5,149)	(3,635)	(1,126)	(161,559)
Investing Activities	1	1,325	(73,390)	(1,870)	1,418	(6,153)	17,418	(1,631)	61,454
Cash and Cash Equivalents at Beginning of Year, as Restated	2,877	3,644	50,543	19,771	27,277	44,313	6,717	3,032	177,748
Cash and Cash Equivalents at End of Year	\$ 1,396	\$ 4,457	\$ 59,716	\$ 19,523	\$ 30,691	\$ 46,196	\$ 6,278	\$ 2,614	\$ 215,650

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REQUIRED SUPPLEMENTARY INFORMATION



Source: New Mexico Tourism Department, James Orr

Tent Rocks: The Kasha-Katuwe Tent Rocks National Monument offers visitors a unique landscape of tent-shaped rock cones. The strange shapes and tremendous scenery have drawn visitors for centuries. Surveys have recorded numerous archaeological sites showing human occupation in the area since 2000 B.C. Kasha-Katuwe means “white cliffs” in the Keresan language of nearby Cochiti Pueblo.

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REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended June 30, 2010 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,115	\$ 5,160	\$ 4,230	\$ (930)
Federal Revenue	115,581	135,660	86,493	(49,167)
Investment Income	49,226	49,226	90,594	41,368
Rentals and Royalties	11,155	11,147	16,039	4,892
Charges for Services	15,172	15,274	21,476	6,202
Licenses, Fees, and Permits	39,224	40,447	89,952	49,505
Assessments	1,655	1,756	58,117	56,361
Miscellaneous and Other	8,664	16,541	7,480	(9,061)
Total Revenues	<u>245,792</u>	<u>275,211</u>	<u>374,381</u>	<u>99,170</u>
EXPENDITURES				
General Control	245,110	251,070	220,514	30,556
Culture, Recreation, and Natural Resources	170,064	175,299	152,791	22,508
Judicial	177,197	179,882	175,584	4,298
Legislative	17,512	17,512	24,128	(6,616)
Public Safety	497,435	518,884	394,320	124,564
Regulation and Licensing	77,684	78,049	76,519	1,530
Total Expenditures	<u>1,185,002</u>	<u>1,220,696</u>	<u>1,043,856</u>	<u>176,840</u>
Excess of Revenues Over (Under) Expenditures	<u>(939,210)</u>	<u>(945,485)</u>	<u>(669,475)</u>	<u>276,010</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	939,148	941,831	1,084,148	142,317
Transfers Out	(4,662)	(11,814)	(47,276)	(35,462)
Total Other Financing Sources (Uses)	<u>934,486</u>	<u>930,017</u>	<u>1,036,872</u>	<u>106,855</u>
Net Change Budgetary Basis	<u>\$ (4,724)</u>	<u>\$ (15,468)</u>	<u>\$ 367,397</u>	<u>\$ 382,865</u>

Budget Basis to GAAP Basis Reconciliation

Revenues

Actual Total Revenues (Budgetary Basis)	\$ 374,381
Differences Budget to GAAP:	
Revenue Not Budgeted, State General Fund	4,641,385
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 5,015,766</u>

Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 1,043,856
Differences Budget to GAAP:	
Multiple Year Expenditures	86,840
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,130,696</u>

Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 1,036,872
Differences Budget to GAAP:	
Transfers In Not Budgeted, State General Fund	331,995
Transfers Out Not Budgeted, State General Fund	(6,079,629)
Multiple Year Activity	735,793
Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ (3,974,969)</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE EDUCATION FUND For the Year Ended June 30, 2010 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Federal Revenue	\$ 89,125	\$ 94,511	\$ 176,729	\$ 82,218
Investment Income	2,113	2,125	205	(1,920)
Licenses, Fees, and Permits	1,018	1,854	182	(1,672)
Miscellaneous and Other	500	500	10,174	9,674
Total Revenues	<u>92,756</u>	<u>98,990</u>	<u>187,290</u>	<u>88,300</u>
EXPENDITURES				
Education	136,484	142,347	157,489	(15,142)
Total Expenditures	<u>136,484</u>	<u>142,347</u>	<u>157,489</u>	<u>(15,142)</u>
Excess of Revenues Over (Under) Expenditures	<u>(43,728)</u>	<u>(43,357)</u>	<u>29,801</u>	<u>73,158</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	117,177	117,219	147,062	29,843
Transfers Out	(82,307)	(159,532)	(142,793)	16,739
Total Other Financing Sources (Uses)	<u>34,870</u>	<u>(42,313)</u>	<u>4,269</u>	<u>46,582</u>
Net Change Budgetary Basis	<u>\$ (8,858)</u>	<u>\$ (85,670)</u>	<u>\$ 34,070</u>	<u>\$ 119,740</u>

Budget Basis to GAAP Basis Reconciliation

Revenues

Actual Total Revenues (Budgetary Basis)	\$ 187,290
Differences Budget to GAAP:	
Multiple Year Revenue	<u>268,540</u>
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 455,830</u>

Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 157,489
Differences Budget to GAAP:	
Multiple Year Expenditures	<u>2,877,213</u>
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 3,034,702</u>

Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 4,269
Differences Budget to GAAP:	
Multiple Year Activity	<u>2,534,776</u>
Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 2,539,045</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE HEALTH AND HUMAN SERVICES FUND For the Year Ended June 30, 2010 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,709	\$ 3,709	\$ 3,271	\$ (438)
Federal Revenue	3,742,273	3,939,855	3,832,153	(107,702)
Investment Income	2,217	2,217	3,015	798
Rentals and Royalties	4,658	4,658	179	(4,479)
Charges for Services	113,329	112,623	195,962	83,339
Licenses, Fees, and Permits	4,321	4,321	38,568	34,247
Assessments	13,531	13,531	13,116	(415)
Miscellaneous and Other	101,985	102,685	5,639	(97,046)
Total Revenues	3,986,023	4,183,599	4,091,903	(91,696)
EXPENDITURES				
Health and Human Services	5,272,771	5,474,008	5,479,506	(5,498)
Total Expenditures	5,272,771	5,474,008	5,479,506	(5,498)
Excess of Revenues Over (Under) Expenditures	(1,286,748)	(1,290,409)	(1,387,603)	(97,194)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,483,395	1,485,201	1,507,668	22,467
Transfers Out	(199,054)	(211,119)	(287,512)	(76,393)
Total Other Financing Sources (Uses)	1,284,341	1,274,082	1,220,156	(53,926)
Net Change Budgetary Basis	\$ (2,407)	\$ (16,327)	\$ (167,447)	\$ (151,120)

Budget Basis to GAAP Basis Reconciliation

Revenues

Actual Total Revenues (Budgetary Basis)	\$ 4,091,903
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 4,091,903

Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 5,479,506
Differences Budget to GAAP:	
Multiple Year Expenditures	(4,000)
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 5,475,506

Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 1,220,156
Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 1,220,156

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE HIGHWAY AND TRANSPORTATION FUND For the Year Ended June 30, 2010 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 234,500	\$ 201,374	\$ 376,607	\$ 175,233
Federal Revenue	359,516	449,921	376,259	(73,662)
Investment Income	3,215	3,145	1,973	(1,172)
Licenses, Fees, and Permits	186,326	173,095	18,620	(154,475)
Assessments	535	535	-	(535)
Miscellaneous and Other	14,650	18,172	100,516	82,344
Total Revenues	<u>798,742</u>	<u>846,242</u>	<u>873,975</u>	<u>27,733</u>
EXPENDITURES				
Highway and Transportation	953,954	1,012,902	814,723	198,179
Total Expenditures	<u>953,954</u>	<u>1,012,902</u>	<u>814,723</u>	<u>198,179</u>
Excess of Revenues Over (Under) Expenditures	<u>(155,212)</u>	<u>(166,660)</u>	<u>59,252</u>	<u>225,912</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,750	1,913	163
Transfers Out	(6,950)	(6,950)	(14,259)	(7,309)
Total Other Financing Sources (Uses)	<u>(6,950)</u>	<u>(5,200)</u>	<u>(12,346)</u>	<u>(7,146)</u>
Net Change Budgetary Basis	<u>\$ (162,162)</u>	<u>\$ (171,860)</u>	<u>\$ 46,906</u>	<u>\$ 218,766</u>

Budget Basis to GAAP Basis Reconciliation

Revenues

Actual Total Revenues (Budgetary Basis)	\$ 873,975
Differences Budget to GAAP:	
Multiple Year Revenue	(58,259)
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 815,716</u>

Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 814,723
Differences Budget to GAAP:	
Multiple Year Expenditures	240,635
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,055,358</u>

Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ (12,346)
Differences Budget to GAAP:	
Multiple Year Activity	235,485
Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 223,139</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2010

(In Thousands)

Budget Process

The State Legislature makes annual appropriations, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system, which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements represent the final authorized amounts. Administrative line item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed the approved budget for the program appropriation. Chapter 6-3, NMSA 1978, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

1. No later than September 1, the appropriation request is submitted to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of those hearings are incorporated in the State's General Appropriations Act (Act).
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.

4. Not later than May 1, an annual operating budget is submitted to DFA by appropriation unit and object code based upon the appropriation authorized by the Legislature. DFA reviews and approves the operating budget, which becomes effective on July 1.

5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.

Budgetary Basis of Accounting

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the laws of 2004, Chapter 114, Section 3, Paragraphs N and O. It became effective for fiscal years beginning July 1, 2004. Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. As part of the modified accrual budgetary basis, encumbrances will no longer carry over to the next year for operating budgets.

Multiple Year Appropriation – Capital Projects Budgets and Special Appropriation Budgets

Budgets for multiple year monies are not made on an annual basis, but are adopted on a project length basis. Budgets for capital projects, the Appropriated Bond Proceeds Capital Outlay Fund, the Culture, Recreation, and Natural Resources Debt Service Fund, and the American Recovery and Reinvestment Act Special Revenue Fund may be established for periods from two to five years depending on the nature of the project or appropriation. These nonoperating budgets primarily serve as a management control purpose, and because related appropriations are continuing in nature, no

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2010

(In Thousands)

comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Budget to GAAP Reconciliation

The budgetary comparison schedules of the various funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Both the budget and actual amounts represent single year activity based on the budget reference assigned to the particular transaction. 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.

In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities for the operating budgets. Expenditures are classified in the financial control system based on whether the appropriation is from the operating or multiple year budgets (special or capital). Expenditures funded by the operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually

purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. 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 appropriations by law must equal the individual amounts appropriated in the various appropriation acts. Other activities designated as nonappropriated (not budgeted) by the Legislature are the Severance Tax Permanent Fund, the General Obligation Bonds Debt Service Fund, the Severance Tax Bond Debt Service Fund, the Land Grant Permanent Fund, the Educational Institutions, the Lottery Authority, the State Fair Commission, and the Bond Proceeds Fund.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION INFORMATION ABOUT THE STATE'S PENSION BENEFIT PLANS

For the Year Ended June 30, 2010

(In Thousands)

The State's Pension Benefit Plans (Plans) are administered by the Public Employees Retirement Association and the Educational Retirement Board as trust funds. Assets of the trust funds are dedicated to providing retirement benefits to participants of the Plans. The State's Other Postemployment Benefit Plan (OPEB Plan) is administered by the Retiree Health Care Authority as an irrevocable trust fund. Assets of the OPEB Plan are dedicated to providing comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The following schedules present the State of New Mexico's actuarially determined funding progress and required contributions for the State of New Mexico's Pension Plans and OPEB Plan:

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

For the Last Ten Years Ending June 30, 2010

(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, 2010	\$ 12,265,839	\$ 15,628,136	\$ 3,362,299	78.5 %	\$ 1,993,517	116.3 %
June 30, 2009	12,575,142	14,932,624	2,357,482	84.2 %	2,081,259	113.3 %
June 30, 2008	12,836,217	13,761,749	925,532	93.3 %	1,965,064	47.0 %
June 30, 2007	12,049,358	12,982,072	932,714	92.8 %	1,908,520	48.7 %
June 30, 2006	10,863,895	11,800,861	937,261	92.1 %	1,774,918	52.8 %
June 30, 2005	10,008,511	10,920,967	912,456	91.6 %	1,607,839	56.8 %
June 30, 2004	9,275,676	9,973,755	698,079	93.0 %	1,499,069	46.6 %
June 30, 2003	8,976,908	9,223,602	246,694	97.3 %	1,437,357	17.2 %
June 30, 2002	8,769,234	8,505,931	(263,303)	103.1 %	1,396,209	0.0 %
June 30, 2001	8,308,210	7,883,447	(424,763)	105.0 %	1,318,275	0.0 %

Schedule of Employer Contributions +

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 328,203	88.7 %
2009	302,614	102.8 %
2008	293,165	100.0 %
2007	257,095	100.0 %
2006	235,863	100.0 %
2005	219,164	100.0 %
2004	206,836	100.0 %
2003	213,713	100.0 %
2002	204,734	100.0 %
2001	196,544	100.0 %

+Public Employees Retirement Fund includes Legislative

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior year amounts were restated.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)

For the Last Ten Years Ending June 30, 2010

(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, 2010	\$ 79,645	\$ 130,136	\$ 50,491	61.2 %	\$ 13,042	387.1 %
June 30, 2009	73,161	120,841	47,679	60.5 %	13,011	366.4 %
June 30, 2008	87,430	111,721	24,292	78.3 %	11,697	207.7 %
June 30, 2007	82,570	104,040	21,471	79.4 %	11,754	182.7 %
June 30, 2006	74,003	95,216	21,213	77.7 %	10,060	210.9 %
June 30, 2005	68,781	87,175	18,394	78.9 %	9,883	186.1 %
June 30, 2004	66,209	87,620	21,411	75.6 %	9,074	236.0 %
June 30, 2003	65,223	85,952	20,729	75.9 %	8,575	241.7 %
June 30, 2002	61,686	75,958	14,272	81.2 %	7,507	190.1 %
June 30, 2001	59,523	70,604	11,081	84.0 %	7,060	157.0 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 5,658	65.4 %
2009	4,690	115.6 %
2008	4,549	112.6 %
2007	4,149	108.4 %
2006	3,851	100.0 %
2005	3,996	82.0 %
2004	3,721	69.7 %
2003	2,813	75.3 %
2002	2,737	74.9 %
2001	2,342	92.2 %

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)

For the Last Ten Years Ending June 30, 2010

(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, 2010	\$ 34,652	\$ 52,677	\$ 18,025	65.8 %	\$ 3,520	512.1 %
June 30, 2009	31,524	47,568	16,043	66.3 %	4,129	388.6 %
June 30, 2008	38,866	41,721	2,855	93.2 %	3,363	84.9 %
June 30, 2007	37,242	36,964	(277)	100.7 %	3,465	(8.0) %
June 30, 2006	33,694	33,362	(332)	101.0 %	3,150	(10.6) %
June 30, 2005	31,303	31,385	82	99.7 %	3,196	2.6 %
June 30, 2004	30,072	30,195	123	99.6 %	3,002	4.1 %
June 30, 2003	29,630	29,078	(552)	101.9 %	3,082	0.0 %
June 30, 2002	32,040	28,959	(3,081)	110.6 %	3,997	0.0 %
June 30, 2001	30,258	26,685	(3,573)	113.0 %	3,651	0.0 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 1,698	48.6 %
2009	1,151	86.9 %
2008	1,030	132.6 %
2007	944	127.8 %
2006	1,009	104.8 %
2005	927	100.8 %
2004	894	87.1 %
2003	881	129.7 %
2002	779	147.1 %
2001	730	175.5 %

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior year amounts were restated.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)

For the Last Ten Years Ending June 30, 2010

(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, 2010	\$ 47,346	\$ 20,466	\$ (26,880)	231.3 %	N/A+	N/A
June 30, 2009	48,192	19,869	(28,323)	242.5 %	N/A+	N/A
June 30, 2008	48,438	16,946	(31,492)	285.8 %	N/A+	N/A
June 30, 2007	44,961	16,536	(28,425)	271.9 %	N/A+	N/A
June 30, 2006	40,679	23,743	(16,936)	171.3 %	N/A+	N/A
June 30, 2005	35,651	25,152	(10,499)	141.7 %	N/A+	N/A
June 30, 2004	33,000	17,778	(15,222)	185.6 %	N/A+	N/A
June 30, 2003	31,222	17,058	(14,164)	183.0 %	N/A+	N/A
June 30, 2002	29,784	16,128	(13,656)	184.7 %	N/A+	N/A
June 30, 2001	27,992	15,807	(12,185)	177.0 %	N/A+	N/A

Schedule of Employer Contributions *

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed #
2010	\$ -	750.0 %
2009	-	750.0 %
2008	-	750.0 %
2007	0 - 446	168.2 %
2006	406 - 1370	54.7 %
2005	0 - 565	132.7 %
2004	0 - 680	110.3 %
2003	0 - 653	114.9 %
2002	51 - 953	52.5 %
2001	1,788 - 3,385	29.5 %

+ Benefits are not based on salary. Accordingly, payroll information have been excluded

* Contributions are appropriated from the State of New Mexico Fire Protection Fund

Using the high end of the range for the calculation

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior year amounts were restated.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)

For the Last Ten Years Ending June 30, 2010

(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, 2010	\$ 9,431,300	\$ 14,353,500	\$ 4,922,200	65.7 %	\$ 2,575,800	191.1 %
June 30, 2009	9,366,300	13,883,300	4,517,000	67.5 %	2,585,700	174.7 %
June 30, 2008	9,272,800	12,967,000	3,694,200	71.5 %	2,491,700	148.3 %
June 30, 2007	8,591,400	12,190,100	3,598,700	70.5 %	2,341,100	153.7 %
June 30, 2006	7,813,900	11,436,300	3,622,400	68.3 %	2,219,400	163.2 %
June 30, 2005	7,457,500	10,591,800	3,134,300	70.4 %	2,209,100	141.9 %
June 30, 2004	7,488,000	9,927,100	2,439,100	75.4 %	2,142,400	113.8 %
June 30, 2003	7,518,200	9,266,600	1,748,400	81.1 %	2,032,500	86.0 %
June 30, 2002	7,595,100	8,748,000	1,152,900	86.8 %	1,978,500	58.3 %
June 30, 2001	7,418,300	8,070,300	652,000	91.9 %	1,819,600	35.8 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 357,220	87.7 %
2009	375,431	86.2 %
2008	368,197	79.0 %
2007	364,128	70.3 %
2006	299,968	75.5 %
2005	243,237	81.3 %
2004	203,937	92.8 %
2003	179,132	100.0 %
2002	173,863	100.0 %
2001	161,524	100.0 %

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE RETIREE HEALTH CARE AUTHORITY (RHCA)

For the Last Three Years Ending June 30, 2010
(In Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 176,923	\$ 3,523,665	\$ 3,346,742	5.0 %	\$ 4,001,802	84.0 %
June 30, 2008	170,626	3,116,916	2,946,290	5.5 %	4,020,509	73.0 %
June 30, 2006	154,539	4,264,181	4,109,642	3.6 %	4,073,732	101.0 %

Schedule of Employers and Other Contributing Entities Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers and Employees	Percentage Contributed
2009	\$ 298,000	\$ 112,079	37.6 %
2008	286,538	96,816	33.8 %
2007	275,518	94,060	34.1 %
2006	392,591	82,703	21.1 %

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, 2010
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	30 Year Open-Ended Amortization, with the initial payment determined as if the future payments would theoretically increase each year on a level percent of pay basis
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	5.0%
Projected payroll increases	4.0%
Health care cost trend rate:	
Prescription Drug & Medical (Under Age 65, Age 65, and Over)	8.0% from July 1, 2009 to July 1, 2018, decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0%

Factors Affecting Amounts and Trends Reported

The following factors contributed to the change in RHCA's OPED Plan Actuarial Accrued Liabilities (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) for the year ended June 30, 2010: 1) The number of active members reported increased slightly based on consistent data received from PERA and ERB reporting databases for the third actuarial study; and 2) The PERA mortality, disability, turnover, salary scale and retirement assumptions were updated to reflect changes recommended in the most recent experience study. No changes were recommended in the ERB experience study. Per Capita costs and trends on these costs were updated.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION



Source: New Mexico Tourism Department, Dan Monaghan and Mike Stauffer

Balloon Albuquerque: Plenty of help, and plenty of hot air, give rise to what is arguably New Mexico’s best-known pastime. More than 750 hot air balloons and more than 100,000 spectators can crowd Balloon Fiesta Park for any of the event’s nine mornings. Unique atmospheric conditions frequently create the “Albuquerque Box,” allowing the balloons to fly opposing directions at different altitudes. This can result in the deep blue sky directly above the launch field being filled with the floating balls of color.

Albuquerque’s annual International Balloon Fiesta is by far the world’s largest hot air ballooning event. About 750 balloons can launch at once during any of the event’s awe-inspiring mass ascensions. The annual event has grown since its 13-balloon inception in 1972, and it now proudly holds the reputation as the world’s most-photographed event.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for specified purposes. Special Revenue Funds are presented beginning on page 191.

Debt Service Funds

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 other contractual obligations. Debt Service Funds are presented beginning on page 197.

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). Capital Projects Funds are presented beginning on page 201.

Land Grant Permanent Fund

This fund receives a portion of the royalties and income from the fiduciary Land Grant Permanent Fund. The fund distributes its income to the State Charitable, Penal, and Reformatory Act beneficiaries and the income beneficiaries of the trust land assigned by the Ferguson Act of 1898.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET – BY FUND TYPE NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,648	\$ 3,038	\$ 533	\$ 38,247	\$ 45,466
Investment in State General Fund					
Investment Pool	234,038	228,334	31,692	2,208	496,272
Deferred Charges and Other Assets	93	231	-	-	324
Due From Other Funds	49,137	46,838	11,832	189	107,996
Receivables, Net	144,008	-	384	4,823	149,215
Investments	47,612	-	-	596,007	643,619
Inventories	42	-	-	-	42
Total Assets	<u>\$ 478,578</u>	<u>\$ 278,441</u>	<u>\$ 44,441</u>	<u>\$ 641,474</u>	<u>\$ 1,442,934</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 90,055	\$ 342	\$ 6,240	\$ -	\$ 96,637
Accrued Liabilities	20,186	-	3	-	20,189
Due To Other Funds	138,405	3,488	2,163	2,979	147,035
Due To Brokers	-	-	-	33,998	33,998
Intergovernmental Payables	374	-	-	-	374
Funds Held for Others	23	-	-	-	23
Deferred Revenue	15,667	-	7,094	-	22,761
Total Liabilities	<u>264,710</u>	<u>3,830</u>	<u>15,500</u>	<u>36,977</u>	<u>321,017</u>
Fund balances:					
Reserved for:					
Capital Projects	-	-	29,529	-	29,529
Inventories	42	-	-	-	42
Multiple Year Appropriations and Encumbrances	42,406	-	-	-	42,406
Pool Participants	-	-	-	604,497	604,497
Unreserved Designated, Reported in Nonmajor:					
Debt Service Funds	-	274,611	-	-	274,611
Unreserved Undesignated, Reported in Nonmajor:					
Special Revenue Funds	171,420	-	-	-	171,420
Capital Projects Funds (Deficit)	-	-	(588)	-	(588)
Total Fund Balances	<u>213,868</u>	<u>274,611</u>	<u>28,941</u>	<u>604,497</u>	<u>1,121,917</u>
Total Liabilities and Fund Balances	<u>\$ 478,578</u>	<u>\$ 278,441</u>	<u>\$ 44,441</u>	<u>\$ 641,474</u>	<u>\$ 1,442,934</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BY FUND TYPE NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
REVENUES					
General and Selective Taxes	\$ 80,866	\$ 407,195	\$ 4,529	\$ -	\$ 492,590
Other Revenues:					
Federal Revenue	963,350	-	3,459	-	966,809
Investment Income	17,775	27,275	26	76,718	121,794
Rentals and Royalties	5,772	-	553	-	6,325
Charges for Services	16,957	-	-	-	16,957
Licenses, Fees, and Permits	23,043	648	-	-	23,691
Assessments	17,067	-	-	-	17,067
Miscellaneous and Other	20,555	-	184	-	20,739
Total Revenues	<u>1,145,385</u>	<u>435,118</u>	<u>8,751</u>	<u>76,718</u>	<u>1,665,972</u>
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	41,497	-	16,264	-	57,761
Education	291,067	-	-	-	291,067
General Control	191,054	-	2,559	-	193,613
Health and Human Services	441,635	-	-	-	441,635
Infrastructure Projects	23,709	-	-	-	23,709
Judicial	62,699	-	325	-	63,024
Land Grant	-	-	-	1,673	1,673
Public Safety	40,240	-	534	-	40,774
Regulation and Licensing	27,602	-	6,290	-	33,892
Unemployment Benefits	11,537	-	-	-	11,537
Capital Outlay	133,716	-	90,617	-	224,333
Debt Service:					
Interest and Other Charges	-	52,455	-	-	52,455
Principal	-	141,042	-	-	141,042
Bond Costs	1,047	12	-	-	1,059
Total Expenditures	<u>1,265,803</u>	<u>193,509</u>	<u>116,589</u>	<u>1,673</u>	<u>1,577,574</u>
Excess Revenues Over (Under)					
Expenditures	<u>(120,418)</u>	<u>241,609</u>	<u>(107,838)</u>	<u>75,045</u>	<u>88,398</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	421,925	843	-	-	422,768
Bond Premium	56,025	-	-	-	56,025
Refunding Bond Issue	72,570	-	-	-	72,570
Payment to Refunded Bond Escrow Agent	-	(72,570)	-	-	(72,570)
Sale of Capital Assets	694	-	28	-	722
Transfers In	657,678	125,436	84,566	22,466	890,146
Transfers Out	(1,238,465)	(275,992)	(38,986)	(35,746)	(1,589,189)
Total Other Financing Sources (Uses)	<u>(29,573)</u>	<u>(222,283)</u>	<u>45,608</u>	<u>(13,280)</u>	<u>(219,528)</u>
Net Change in Fund Balances	<u>(149,991)</u>	<u>19,326</u>	<u>(62,230)</u>	<u>61,765</u>	<u>(131,130)</u>
Fund Balances - Beginning, as Restated	<u>363,859</u>	<u>255,285</u>	<u>91,171</u>	<u>542,732</u>	<u>1,253,047</u>
Fund Balances - Ending	<u>\$ 213,868</u>	<u>\$ 274,611</u>	<u>\$ 28,941</u>	<u>\$ 604,497</u>	<u>\$ 1,121,917</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR SPECIAL REVENUE FUND FINANCIAL STATEMENTS

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (ARRA) Fund was administratively created by the Department of Finance and Administration for New Mexico state agencies to capture all financial activity related to the ARRA of 2010. The ARRA fund is to ensure funds are awarded and distributed in a prompt, fair, and reasonable manner; recipients and uses of all funds are transparent to the public, the public benefits of these funds are reported clearly, accurately, and in a timely manner; funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated; projects funded under ARRA avoid unnecessary delays and cost overruns; and programs' goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Bond Proceeds

This fund accounts for the proceeds of the sale of general obligation and severance tax bonds.

Culture, Recreation, and Natural Resources

These funds account for revenue sources that are specified to be used for the operation of programs devoted to culture, recreation, and natural resource protection, use, and development.

General Control

These funds account for revenue sources specified to be used in a variety of governmental operational activities.

Judicial

These funds account for revenue sources specified for use in the judicial activities of the State, including the Supreme Court, Court of Appeals, District Courts, and Magistrate Courts.

Public Safety

These funds account for revenue sources specified for use in public safety activities, such as the State Police, Corrections, and other public safety programs.

Regulation and Licensing

These funds account for revenue sources specified for use in regulation and licensing activities, including revenues of the various licensing boards as well as the regulation and licensing of various business activities.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2010

(In Thousands)

	American Recovery and Reinvestment Act	Bond Proceeds	Culture, Recreation, and Natural Resources	General Control	Judicial
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,201	\$ 7	\$ -
Investment in State General Fund Investment Pool	-	-	54,901	91,000	14,749
Deferred Charges and Other Assets	-	-	-	-	-
Due From Other Funds	20,840	-	5,897	19,068	1,246
Receivables, Net	127,050	-	7,843	6,013	2,196
Investments	-	-	15,662	-	-
Inventories	-	-	-	-	-
Total Assets	<u>\$ 147,890</u>	<u>\$ -</u>	<u>\$ 85,504</u>	<u>\$ 116,088</u>	<u>\$ 18,191</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 44,390	\$ -	\$ 5,637	\$ 34,394	\$ 1,880
Accrued Liabilities	16,056	-	1,134	625	1,355
Due To Other Funds	105,026	-	6,743	20,449	1,260
Intergovernmental Payables	218	-	-	138	-
Funds Held for Others	-	-	-	21	2
Deferred Revenue	5,059	-	5,705	-	28
Total Liabilities	<u>170,749</u>	<u>-</u>	<u>19,219</u>	<u>55,627</u>	<u>4,525</u>
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	-
Multiple Year Appropriations and Encumbrances	-	-	12,306	14,943	1,367
Unreserved Undesignated (Deficit)	(22,859)	-	53,979	45,518	12,299
Total Fund Balances	<u>(22,859)</u>	<u>-</u>	<u>66,285</u>	<u>60,461</u>	<u>13,666</u>
Total Liabilities and Fund Balances	<u>\$ 147,890</u>	<u>\$ -</u>	<u>\$ 85,504</u>	<u>\$ 116,088</u>	<u>\$ 18,191</u>

Public Safety	Regulation and Licensing	Total
\$ 124	\$ 2,316	\$ 3,648
10,912	62,476	234,038
-	93	93
1,917	169	49,137
768	138	144,008
-	31,950	47,612
-	42	42
<u>\$ 13,721</u>	<u>\$ 97,184</u>	<u>\$ 478,578</u>
\$ 1,290	\$ 2,464	\$ 90,055
74	942	20,186
4,748	179	138,405
16	2	374
-	-	23
-	4,875	15,667
<u>6,128</u>	<u>8,462</u>	<u>264,710</u>
-	42	42
217	13,573	42,406
<u>7,376</u>	<u>75,107</u>	<u>171,420</u>
<u>7,593</u>	<u>88,722</u>	<u>213,868</u>
<u>\$ 13,721</u>	<u>\$ 97,184</u>	<u>\$ 478,578</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	American Recovery and Reinvestment Act	Bond Proceeds	Culture, Recreation, and Natural Resources	General Control	Judicial
REVENUES					
Taxes:					
General and Selective Taxes	\$ -	\$ -	\$ 5,743	\$ 73,678	\$ -
Total Taxes	-	-	5,743	73,678	-
Other Revenues:					
Federal Revenue	924,463	-	3,759	23,870	6,525
Investment Income	-	-	10,786	307	-
Rentals and Royalties	-	-	5,573	52	54
Charges for Services	-	-	2,098	9	13,809
Licenses, Fees, and Permits	-	-	4,616	2,375	1
Assessments	-	-	113	-	-
Miscellaneous and Other	-	-	4,048	13,153	1,958
Total Revenues	924,463	-	36,736	113,444	22,347
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	7,257	-	34,240	-	-
Education	291,067	-	-	-	-
General Control	3,108	-	-	187,946	-
Health and Human Services	441,635	-	-	-	-
Infrastructure Projects	23,709	-	-	-	-
Judicial	595	-	-	-	62,104
Public Safety	26,998	-	-	-	-
Regulation and Licensing	63	-	-	-	-
Unemployment Benefits	11,537	-	-	-	-
Capital Outlay	124,582	-	2,515	14	6,448
Debt Service:					
Bond Costs	-	1,047	-	-	-
Total Expenditures	930,551	1,047	36,755	187,960	68,552
Excess Revenues Over (Under)					
Expenditures	(6,088)	(1,047)	(19)	(74,516)	(46,205)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	421,925	-	-	-
Bond Premium	-	56,025	-	-	-
Refunding Bond Issue	-	72,570	-	-	-
Sale of Capital Assets	-	-	694	-	-
Transfers In	177,898	275,492	24,065	119,125	44,996
Transfers Out	(194,669)	(824,965)	(17,468)	(175,127)	(1,640)
Total Other Financing Sources (Uses)	(16,771)	1,047	7,291	(56,002)	43,356
Net Change in Fund Balances	(22,859)	-	7,272	(130,518)	(2,849)
Fund Balances - Beginning, as Restated	-	-	59,013	190,979	16,515
Fund Balances - Ending (Deficit)	\$ (22,859)	\$ -	\$ 66,285	\$ 60,461	\$ 13,666

Public Safety	Regulation and Licensing	Total
\$ -	\$ 1,445	\$ 80,866
-	1,445	80,866
4,714	19	963,350
7	6,675	17,775
-	93	5,772
472	569	16,957
415	15,636	23,043
2,198	14,756	17,067
1,213	183	20,555
<u>9,019</u>	<u>39,376</u>	<u>1,145,385</u>
-	-	41,497
-	-	291,067
-	-	191,054
-	-	441,635
-	-	23,709
-	-	62,699
13,242	-	40,240
-	27,539	27,602
-	-	11,537
123	34	133,716
-	-	1,047
<u>13,365</u>	<u>27,573</u>	<u>1,265,803</u>
<u>(4,346)</u>	<u>11,803</u>	<u>(120,418)</u>
-	-	421,925
-	-	56,025
-	-	72,570
-	-	694
7,191	8,911	657,678
<u>(9,174)</u>	<u>(15,422)</u>	<u>(1,238,465)</u>
<u>(1,983)</u>	<u>(6,511)</u>	<u>(29,573)</u>
(6,329)	5,292	(149,991)
13,922	83,430	363,859
<u>\$ 7,593</u>	<u>\$ 88,722</u>	<u>\$ 213,868</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR DEBT SERVICE FUND FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources

This fund accounts for the resources accumulated to service the debt incurred for the activities involving culture, recreation, and natural resources. Budgetary comparison information is presented for the annual appropriation for debt service activity for the State Parks program. This is the only program that has an approved annual budget; all other programs are nonappropriated.

General Obligation Bonds

This fund accounts for state property taxes collected to service the State's general obligation bonds. Proceeds from these bonds are used to fund the development, construction, and furnishing of major capital facilities used in local government operations.

Severance Tax Bonds

This fund accounts for severance taxes, imposed on mineral and other natural resource production, which are accumulated to service the debt on these bonds. The bonds are issued to finance various capital projects, including school facilities.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS June 30, 2010 (In Thousands)

	Culture, Recreation, and Natural Resources	General Obligation Bonds	Severance Tax Bonds	Total
ASSETS				
Cash and Cash Equivalents	\$ 3,038	\$ -	\$ -	\$ 3,038
Investment in State General Fund		-		
Investment Pool	3,203	45,828	179,303	228,334
Deferred Charges and Other Assets	231	-	-	231
Due From Other Funds	-	-	46,838	46,838
Total Assets	<u>\$ 6,472</u>	<u>\$ 45,828</u>	<u>\$ 226,141</u>	<u>\$ 278,441</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 299	\$ -	\$ 43	\$ 342
Due To Other Funds	-	-	3,488	3,488
Total Liabilities	<u>299</u>	<u>-</u>	<u>3,531</u>	<u>3,830</u>
Fund balances:				
Unreserved Designated, Debt Service	6,173	45,828	222,610	274,611
Total Fund Balances	<u>6,173</u>	<u>45,828</u>	<u>222,610</u>	<u>274,611</u>
Total Liabilities and Fund Balances	<u>\$ 6,472</u>	<u>\$ 45,828</u>	<u>\$ 226,141</u>	<u>\$ 278,441</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Culture, Recreation, and Natural Resources	General Obligation Bonds	Severance Tax Bonds	Total
REVENUES				
General and Selective Taxes	\$ -	\$ 58,319	\$ 348,876	\$ 407,195
Other Revenues:				
Investment Income	24	5,623	21,628	27,275
Licenses, Fees, and Permits	648	-	-	648
Total Revenues	<u>672</u>	<u>63,942</u>	<u>370,504</u>	<u>435,118</u>
EXPENDITURES				
Debt Service:				
Interest and Other Charges	1,038	22,055	29,362	52,455
Principal	1,777	55,150	84,115	141,042
Bond Costs	12	-	-	12
Total Expenditures	<u>2,827</u>	<u>77,205</u>	<u>113,477</u>	<u>193,509</u>
Excess Revenues Over (Under)				
Expenditures	<u>(2,155)</u>	<u>(13,263)</u>	<u>257,027</u>	<u>241,609</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	843	-	-	843
Payment to Refunded Bond Escrow Agent	-	-	(72,570)	(72,570)
Transfers In	2,578	66	122,792	125,436
Transfers Out	(500)	-	(275,492)	(275,992)
Total Other Financing Sources (Uses)	<u>2,921</u>	<u>66</u>	<u>(225,270)</u>	<u>(222,283)</u>
Net Change in Fund Balances	766	(13,197)	31,757	19,326
Fund Balances - Beginning, as Restated	5,407	59,025	190,853	255,285
Fund Balances - Ending	<u>\$ 6,173</u>	<u>\$ 45,828</u>	<u>\$ 222,610</u>	<u>\$ 274,611</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR CAPITAL PROJECTS FUND FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources

These funds account for resources to be used for the acquisition or construction of capital facilities used in culture, recreation, and natural resource programs. Budgetary comparison information is presented for the annual appropriation for capital project activity for the State Parks program. This is the only program that has an approved annual budget; all other programs are budgeted based on project length basis.

General Control

These funds account for resources to be used for the acquisition or construction of capital facilities used in governmental operational activities.

Judicial

These funds account for resources to be used for the acquisition or construction of capital facilities used in the judicial programs of the State.

Public Safety

These funds account for resources to be used for the acquisition or construction of capital facilities used in public safety programs.

Regulation and Licensing

These funds account for resources to be used for the acquisition or construction of capital facilities used in regulation and licensing activities of the State.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2010

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety	Regulation and Licensing
ASSETS					
Cash and Cash Equivalents	\$ 533	\$ -	\$ -	\$ -	\$ -
Investment in State General Fund					
Investment Pool	13,138	18,554	-	-	-
Due From Other Funds	5,941	4,250	172	1,369	100
Receivables, Net	378	3	-	3	-
Total Assets	<u>\$ 19,990</u>	<u>\$ 22,807</u>	<u>\$ 172</u>	<u>\$ 1,372</u>	<u>\$ 100</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 4,932	\$ 308	\$ 132	\$ 478	\$ 390
Accrued Liabilities	-	3	-	-	-
Due To Other Funds	1,169	4	39	653	298
Deferred Revenue	2,751	4,343	-	-	-
Total Liabilities	<u>8,852</u>	<u>4,658</u>	<u>171</u>	<u>1,131</u>	<u>688</u>
Fund balances:					
Reserved for:					
Capital Projects	11,138	18,149	1	241	-
Unreserved Undesignated (Deficit)	-	-	-	-	(588)
Total Fund Balances	<u>11,138</u>	<u>18,149</u>	<u>1</u>	<u>241</u>	<u>(588)</u>
Total Liabilities and Fund Balances	<u>\$ 19,990</u>	<u>\$ 22,807</u>	<u>\$ 172</u>	<u>\$ 1,372</u>	<u>\$ 100</u>

<u>Total</u>	
\$	533
	31,692
	11,832
	384
\$	<u>44,441</u>

\$	6,240
	3
	2,163
	7,094
	<u>15,500</u>

	29,529
	<u>(588)</u>
	28,941
\$	<u>44,441</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety	Regulation and Licensing
REVENUES					
General and Selective Taxes	\$ 4,529	\$ -	\$ -	\$ -	\$ -
Other Revenues:					
Federal Revenue	3,459	-	-	-	-
Investment Income	1	25	-	-	-
Rentals and Royalties	-	553	-	-	-
Miscellaneous and Other	175	9	-	-	-
Total Revenues	<u>8,164</u>	<u>587</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	16,264	-	-	-	-
General Control	-	2,559	-	-	-
Judicial	-	-	325	-	-
Public Safety	-	-	-	534	-
Regulation and Licensing	-	-	-	-	6,290
Capital Outlay	20,309	66,519	272	3,252	265
Total Expenditures	<u>36,573</u>	<u>69,078</u>	<u>597</u>	<u>3,786</u>	<u>6,555</u>
Excess Revenues Over (Under)					
Expenditures	<u>(28,409)</u>	<u>(68,491)</u>	<u>(597)</u>	<u>(3,786)</u>	<u>(6,555)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	28	-	-	-	-
Transfers In	18,364	59,483	594	2,843	3,282
Transfers Out	(21,513)	(10,712)	(200)	(1,629)	(4,932)
Total Other Financing Sources (Uses)	<u>(3,121)</u>	<u>48,771</u>	<u>394</u>	<u>1,214</u>	<u>(1,650)</u>
Net Change in Fund Balances	<u>(31,530)</u>	<u>(19,720)</u>	<u>(203)</u>	<u>(2,572)</u>	<u>(8,205)</u>
Fund Balances - Beginning, as Restated	<u>42,668</u>	<u>37,869</u>	<u>204</u>	<u>2,813</u>	<u>7,617</u>
Fund Balances - Ending	<u>\$ 11,138</u>	<u>\$ 18,149</u>	<u>\$ 1</u>	<u>\$ 241</u>	<u>\$ (588)</u>

	<u>Total</u>
\$	4,529
	3,459
	26
	553
	<u>184</u>
	<u>8,751</u>
	16,264
	2,559
	325
	534
	6,290
	<u>90,617</u>
	<u>116,589</u>
	<u>(107,838)</u>
	28
	84,566
	<u>(38,986)</u>
	<u>45,608</u>
	(62,230)
	<u>91,171</u>
\$	<u><u>28,941</u></u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPLIANCE DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM For the Year Ended June 30, 2010 (In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
LEGISLATIVE			
P100 Legislative Council Service	\$ 4,178	\$ 4,180	\$ (2)
JUDICIAL			
P205 Supreme Court Law Library	1,669	1,670	(1)
P208 New Mexico Compilation Commission	2,021	1,493	528
P210 Judicial Standards Commission	780	788	(8)
P215 Court of Appeals	5,580	5,559	21
P216 Supreme Court	2,969	2,966	3
P559 Administrative Support	11,900	11,237	663
P560 Statewide Judiciary Automation	8,076	11,906	(3,830)
P610 Magistrate Court	28,633	28,005	628
P620 Special Court Services	8,301	3,646	4,655
P219 Supreme Court Building Commission	797	793	4
P231 First Judicial District Court	7,573	7,261	312
P232 Second Judicial District Court	23,850	23,558	292
P233 Third Judicial District Court	7,415	7,363	52
P234 Fourth Judicial District Court	2,203	2,209	(6)
P235 Fifth Judicial District Court	6,600	6,559	41
P236 Sixth Judicial District Court	3,402	3,407	(5)
P237 Seventh Judicial District Court	2,703	2,600	103
P238 Eighth Judicial District Court	2,909	2,856	53
P239 Ninth Judicial District Court	3,903	3,880	23
P240 Tenth Judicial District Court	802	781	21
P241 Eleventh Judicial District Court	6,791	6,855	(64)
P242 Twelfth Judicial District Court	3,242	3,235	7
P243 Thirteenth Judicial District Court	7,201	7,182	19
P244 Bernalillo County Metropolitan Court	26,247	25,661	586
P251 First Judicial District Attorney	4,964	4,961	3
P252 Second Judicial District Attorney	19,020	17,960	1,060
P253 Third Judicial District Attorney	6,604	5,935	669
P254 Fourth Judicial District Attorney	3,320	3,157	163
P255 Fifth Judicial District Attorney	4,379	4,310	69
P256 Sixth Judicial District Attorney	3,257	3,045	212
P257 Seventh Judicial District Attorney	2,418	2,297	121
P258 Eighth Judicial District Attorney	2,673	2,614	59
P259 Ninth Judicial District Attorney	3,023	2,870	153
P260 Tenth Judicial District Attorney	1,027	1,004	23
P261 Eleventh Judicial District Attorney-Division I	4,212	3,861	351
P262 Twelfth Judicial District Attorney	3,484	2,990	494
P263 Thirteenth Judicial District Attorney	5,226	4,774	452
P264 Administrative Office of the District Attorneys	6,072	5,308	764
P265 Eleventh Judicial District Attorney-Division II	2,440	2,074	366
Total Judicial	247,686	238,630	9,056

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPLIANCE

DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
GENERAL CONTROL			
P625 Legal Services	\$ 16,110	\$ 16,345	\$ (235)
P626 Medicaid Fraud	2,265	1,871	394
P628 State Auditor	3,172	3,123	49
P572 Program Support	22,955	23,062	(107)
P573 Tax Administration	37,959	37,311	648
P574 Motor Vehicle	30,223	28,540	1,683
P575 Property Tax	4,730	4,440	290
P579 Compliance Enforcement	2,498	2,497	1
P629 State Investment Council	34,939	34,940	(1)
P541 Policy Development, Budget Oversight and Education Accountability	3,556	3,554	2
P542 Program Support	1,707	1,706	1
P543 Community Development, Local Government Assistance and Fiscal Oversight	55,642	2,454	53,188
P544 Fiscal Management and Oversight	6,444	6,281	163
P555 Dues and Membership Fees/Special Appropriations	19,812	-	19,812
P598 Program Support	23,238	4,322	18,916
P604 Procurement Services	2,204	1,851	353
P605 State Printing Services	2,401	1,681	720
P606 Risk Management	84,384	90,799	(6,415)
P607 Employee Group Health Benefits	381,788	333,530	48,258
P608 Business Office Space Management and Maintenance Services	14,488	13,687	801
P609 Transportation Services	13,963	10,331	3,632
P636 New Mexico Sentencing Commission	755	755	-
P720 Public Defender Department	43,291	42,785	506
P637 Governor	4,454	4,444	10
P638 Lieutenant Governor	806	708	98
P771 Program Support	3,774	3,036	738
P772 Enterprise Services	21,656	16,510	5,146
P773 Enterprise Operations	38,238	31,541	6,697
P641 State Commission of Public Records	3,164	3,059	105
P642 Administration and Operations	5,525	5,908	(383)
P783 Elections	1,875	-	1,875
P643 Personnel Board	4,533	4,482	51
P738 Public Employees Labor Relations Board	324	289	35
P644 State Treasurer	4,096	22,611	(18,515)
Total General Control	896,969	758,453	138,516
REGULATION AND LICENSING			
P645 Board of Examiners for Architects	369	296	73
P646 Border Authority	568	548	20
P548 Tourism Development	3,036	2,380	656
P760 Sports Authority	556	555	1
P512 Economic Development	3,396	3,423	(27)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPLIANCE

DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
REGULATION AND LICENSING (Continued)			
P514 Film	\$ 1,441	\$ 1,422	\$ 19
P515 Mexican Affairs	493	413	80
P526 Program Support	3,632	3,647	(15)
P528 Job Creation and Job Growth	10,787	3,974	6,813
P529 Technology Commercialization	249	244	5
P599 Construction industries and manufactured housing	9,917	10,244	(327)
P600 Financial Institutions and Securities	3,748	3,493	255
P601 Alcohol and Gaming	1,012	1,003	9
P602 Program Support	3,932	3,351	581
P647 New Mexico Public Accountancy Board	922	879	43
P648 Board of Acupuncture and Oriental Medicine	244	211	33
P649 New Mexico Athletic Commission	149	121	28
P650 Athletic Trainer Practice Board	18	16	2
P651 Board of Barbers and Cosmetologists	1,049	775	274
P652 Chiropractic Board	390	312	78
P653 Counseling and Therapy Practice Board	978	891	87
P654 New Mexico Board of Dental Health Care	478	340	138
P655 Interior Design Board	28	25	3
P657 Board of Landscape Architects	36	33	3
P658 Massage Therapy Board	595	546	49
P659 Board of Nursing Home Administrators	51	37	14
P660 Nutrition and Dietetics Practice Board	37	20	17
P661 Board of Examiners for Occupational Therapy	80	47	33
P662 Board of Optometry	89	64	25
P663 Board of Osteopathic Medical Examiners	99	68	31
P664 Board of Pharmacy	1,722	1,546	176
P665 Physical Therapy Board	346	311	35
P666 Board of Podiatry	35	23	12
P667 Private Investigations Advisory Board	458	450	8
P668 New Mexico State Board of Psychologist Examiners	418	360	58
P669 Real Estate Appraisers Board	185	153	32
P670 New Mexico Real Estate Commission	3,024	2,820	204
P671 Advisory Board of Respiratory Care Practitioners	70	64	6
P672 Board of Social Work Examiners	1,066	984	82
P673 Speech Language Pathology, Audiology and Hearing Aid Board	177	134	43
P674 Board of Thanatopractice	151	103	48
P758 Naprapathic Practice Board	5	1	4
P768 Animal Sheltering Services Board	200	172	28
P769 Signed Language Interpreting Practices Board	161	69	92
P611 Policy and Regulation	7,827	7,550	277
P612 Public Safety	10,999	12,986	(1,987)
P613 Program Support	3,459	3,489	(30)
P675 Insurance Policy	7,178	13,717	(6,539)
P699 Patient's Compensation Fund	10,766	-	10,766
P676 Medical Board	2,707	2,465	242

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPLIANCE

DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
REGULATION AND LICENSING (Continued)			
P677 Board of Nursing	\$ 3,236	\$ 2,729	\$ 507
P678 New Mexico State Fair	15,099	-	15,099
P679 State Board of Licensure/Professional Engineers and Surveyors	823	652	171
P680 Gaming Control Board	6,284	6,276	8
P681 State Racing Commission	2,314	2,270	44
P683 Board of Veterinary Medicine	336	306	30
P100 Cumbres and Toltec Scenic Railroad Commission	3,905	-	3,905
P765 Office of Military Base Planning and Support	149	149	-
P770 Spaceport Authority	4,183	4,002	181
Total Regulation and Licensing	135,662	103,159	32,503
CULTURE, RECREATION, AND NATURAL RESOURCES			
P536 Museums and Monuments	27,563	25,517	2,046
P537 Preservation	5,224	4,024	1,200
P539 Library Services	6,160	5,204	956
P540 Program Support	4,829	4,695	134
P541 Policy Development, Budget Oversight and Education Accountability	2,512	-	2,512
P761 Arts	294	2,629	(2,335)
P684 Administration	821	653	168
P685 Livestock Inspection	6,851	6,151	700
P686 Meat Inspection Division	-	62	(62)
P716 Sport Hunting and Fishing	21,250	17,992	3,258
P717 Conservation Services	7,846	6,023	1,823
P718 Wildlife Depredation and Nuisance Abatement	1,200	702	498
P719 Program Support	7,495	6,127	1,368
P740 Renewable Energy and Energy Efficiency	1,468	1,416	52
P741 Healthy Forests	8,737	10,186	(1,449)
P742 State Parks	34,924	28,340	6,584
P743 Mine Reclamation	6,723	4,788	1,935
P744 Oil and Gas Conservation	12,766	8,327	4,439
P745 Program Leadership and Support	6,124	5,516	608
P688 Youth Conservation Corps	3,865	3,001	864
P764 Intertribal Ceremonial Office	87	81	6
P615 Commissioner of Public Lands	13,966	15,269	(1,303)
P551 Water Resource Allocation	14,218	13,823	395
P552 Interstate Stream Compact Compliance and Water Development	14,988	12,518	2,470
P553 Litigation and Adjudication	6,952	6,807	145
P554 Program Support	4,231	4,225	6
P800 New Mexico Irrigation Works Construction Fund	11,503	-	11,503
P830 Improvement of Rio Grande Income Fund	927	-	927
P690 Organic Commodity Commission	517	427	90
Total Culture, Recreation, and Natural Resources	234,041	194,503	39,538

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPLIANCE

DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
HEALTH			
P691 Commission on the Status of Women	\$ 2,302	\$ 2,147	\$ 155
P692 Office of African American Affairs	821	820	1
P693 Deaf and Hard-of-Hearing	4,122	3,724	398
P694 Martin Luther King Jr. Commission	380	343	37
P695 Commission for the Blind	8,159	589	7,570
P696 Indian Affairs Department	4,061	3,231	830
P591 Program Support	5,801	5,476	325
P592 Consumer and Elder Rights	2,684	2,188	496
P593 Adult Protective Services	13,766	13,176	590
P594 Aging Network	35,662	35,781	(119)
P595 Long-term Services	9,737	8,454	1,283
P005 Behavioral Health Services	62,228	-	62,228
P522 Program Support	44,863	43,209	1,654
P523 Child Support Enforcement	33,815	31,192	2,623
P524 Medical Assistance	2,099,613	3,277,673	(1,178,060)
P525 Income Support	698,655	674,804	23,851
P766 Medicaid Behavioral Health	281,557	277,315	4,242
P767 Behavioral Health Services	814	62,233	(61,419)
P020 OWTD Operations Program	-	4,065	(4,065)
P775 Workforce Transition Services	22,820	19,477	3,343
P776 Labor Relations Division	4,443	13,456	(9,013)
P777 Workforce Technology Division	7,109	4,578	2,531
P778 Business Services Division	6,703	5,051	1,652
P779 Program Support	22,689	4,860	17,829
P697 Workers' Compensation Administration	15,073	13,803	1,270
P698 Information/Advocacy Services	1,169	-	1,169
P780 Unemployed Insurers Fund	1,000	1,929	(929)
P508 Rehabilitation Services	31,791	25,736	6,055
P509 Independent Living Services	1,586	1,486	100
P511 Disability Determination	13,783	12,649	1,134
P698 Governor's Commission on Disability	1,292	1,129	163
P727 Developmental Disabilities Planning Council	1,163	1,015	148
P728 Brain Injury Advisory Council	128	123	5
P737 Office of Guardianship	3,621	3,564	57
P739 Consumer Services	314	313	1
P001 Public Health	21,217	19,341	1,876
P002 Program Area 2 - Public Health	216,546	193,992	22,554
P003 Epidemiology and Response	31,519	25,009	6,510
P004 Laboratory Services	10,981	10,060	921
P006 Facilities Management	147,089	136,965	10,124
P007 Developmental Disabilities Support	118,149	113,485	4,664
P008 Health Certification, Licensing and Oversight	14,886	12,297	2,589
P009 Administration	19,870	-	19,870

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPLIANCE

DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
HEALTH (Continued)			
P567 Program Support	\$ 8,528	\$ 26,563	\$ (18,035)
P568 Water Quality	22,605	45,600	(22,995)
P569 Environmental Health	10,092	11,183	(1,091)
P570 Environmental Protection	16,517	10,409	6,108
P774 Water and Wastewater Infrastructure Development	8,772	7,656	1,116
P900 Special Revenue Funds	42,525	-	42,525
P701 Office of the Natural Resources Trustee	3,073	1,080	1,993
P702 New Mexico Health Policy Commission	811	653	158
P726 Veterans' Services Department	3,428	3,102	326
P576 Program Support	23,218	5,833	17,385
P577 Juvenile Justice Facilities	44,742	6,014	38,728
P578 Protective Services	113,472	107,715	5,757
P580 Youth and Family Services	64,366	37,059	27,307
P782 Early Childhood Services	160,044	151,802	8,242
Total Health	4,546,174	5,481,407	(935,233)
PUBLIC SAFETY			
P721 National Guard Support	20,307	15,216	5,091
P722 Crisis Response	3,079	2,633	446
P704 Parole Board	486	441	45
P705 Juvenile Parole Board	224	216	8
P530 Program Support	8,905	8,714	191
P531 Inmate Management and Control	248,542	231,662	16,880
P532 Inmate Programming	9,921	-	9,921
P534 Community Offender Management	33,612	31,665	1,947
P535 Community Corrections/Vendor-Run	5,868	5,383	485
P706 Victim Compensation	3,107	3,016	91
P707 Federal Grant Administration	5,598	5,358	240
P503 Program Support	26,427	20,486	5,941
P504 Law Enforcement	90,893	81,982	8,911
P505 Policy Development and Institutional Financial Oversight	21,831	-	21,831
P781 Motor Transportation Program	1,102	-	1,102
P579 Motor Transportation	-	21,295	(21,295)
P759 Homeland Security and Emergency Management Department	43,296	25,994	17,302
Total Public Safety	523,198	454,061	69,137
HIGHWAYS AND TRANSPORTATION			
P562 Programs and Infrastructure	594,896	467,354	127,542
P563 Transportation and Highway Operations	218,643	212,081	6,562
P564 Program Support	51,611	47,188	4,423
Total Highways and Transportation	865,150	726,623	138,527

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPLIANCE

DETAIL SCHEDULE OF EXPENDITURES – BY PROGRAM (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

Function/Program Code	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget
EDUCATION			
P527 Public Education Department	\$ 48,121	\$ 38,976	\$ 9,145
P940 Public Schools Facilities Authority	6,179	-	6,179
P505 Policy Development and Institutional Financial Oversight	33,036	36,123	(3,087)
P506 Student Financial Aid	154,147	149,062	5,085
Total Education	241,483	224,161	17,322
TOTAL - GOVERNMENTAL	7,694,541	8,185,177	(490,636)
NONMAJOR ENTERPRISE FUNDS			
P630 Benefits (New Mexico Public Schools Insurance Authority)	286,320	255,698	30,622
P631 Risk (New Mexico Public Schools Insurance Authority)	58,537	48,819	9,718
P632 Program Support (New Mexico Public Schools Insurance Authority)	1,323	1,268	55
P546 New Mexico Magazine (New Mexico Magazine)	4,570	3,684	886
P547 Program Support (New Mexico Magazine)	1,902	1,855	47
P549 Marketing and Promotion (New Mexico Magazine)	7,255	7,178	77
P533 Corrections Industries	4,640	3,721	919
P723 Health Care/Acute Care (Miners' Colfax Medical Center)	20,558	21,085	(527)
P724 Health Care/Long Term Care (Miners' Colfax Medical Center)	3,145	2,952	193
P725 Black Lung Clinic (Miners' Colfax Medical Center)	395	296	99
TOTAL - NONMAJOR ENTERPRISE FUNDS	388,645	346,556	42,089
FIDUCIARY FUNDS			
Pension Trust Funds			
P635 Educational Retirement Board	49,051	40,408	8,643
P633 Health Care Benefits Administration (RHCA)	217,382	207,899	9,483
P634 Program Support (RHCA)	2,812	2,657	155
P635 Discount Prescription Drug (RHCA)	10	7	3
P640 Public Employees Retirement Association	38,404	22,188	16,216
TOTAL - FIDUCIARY FUNDS	307,659	273,159	34,500
TOTAL 2009 GENERAL APPROPRIATIONS ACT	\$ 8,390,845	\$ 8,804,892	\$ (414,047)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUND FINANCIAL STATEMENTS

Industries 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 entails the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division of the Department of Corrections. 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 wastewater 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 the monthly New Mexico 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 Chapter 6-24-5A, NMSA 1978. A complete copy of the financial statements 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 Department of Transportation. 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.

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

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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

June 30, 2010
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 3	\$ -	\$ -	\$ 20,649
Investment in the State General Fund					
Investment Pool	-	1,772	80,806	273	321
Investment in the Local Government					
Investment Pool	-	-	-	-	49,648
Deferred Charges and Other Assets	-	-	-	2	256
Due From Other Funds	-	1,143	12	-	-
Receivables, Net	54	7	14,194	197	917
Inventories	-	1,242	-	104	-
Total Current Assets	<u>54</u>	<u>4,167</u>	<u>95,012</u>	<u>576</u>	<u>71,791</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	-	-	171,959	-	-
Investments	-	-	-	-	31,481
Other Noncurrent Assets	-	-	-	-	-
Nondepreciable Capital Assets	20	-	-	-	237
Capital Assets, Net	35	345	-	-	189
Total Noncurrent Assets	<u>55</u>	<u>345</u>	<u>171,959</u>	<u>-</u>	<u>31,907</u>
Total Assets	<u>109</u>	<u>4,512</u>	<u>266,971</u>	<u>576</u>	<u>103,698</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ 2,989	\$ -	\$ 113	\$ 300,735	\$ 806	\$ 325,295
-	11,993	3,031	-	-	98,196
-	-	-	-	-	49,648
2,801	-	-	-	11	3,070
-	2,620	536	365	-	4,676
2,220	6,540	3,003	46,950	738	74,820
96	-	515	-	-	1,957
<u>8,106</u>	<u>21,153</u>	<u>7,198</u>	<u>348,050</u>	<u>1,555</u>	<u>557,662</u>
-	-	1,313	-	590	1,903
-	-	-	-	-	171,959
-	-	90	-	-	31,571
-	-	7	-	-	7
-	-	294	-	1,137	1,688
317	-	32,596	-	51,038	84,520
317	-	34,300	-	52,765	291,648
<u>8,423</u>	<u>21,153</u>	<u>41,498</u>	<u>348,050</u>	<u>54,320</u>	<u>849,310</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2010

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 21	\$ 199	\$ 396	\$ 46	\$ 1,554
Accrued Liabilities	24	66	-	69	3,324
Deferred Revenue	-	-	-	79	114
Due to Other Funds	84	-	330	10	-
Intergovernmental Payables	-	-	-	-	-
Funds Held for Others	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Liabilities	14	82	-	941	21,142
Total Current Liabilities	<u>143</u>	<u>347</u>	<u>726</u>	<u>1,145</u>	<u>26,134</u>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	-	-	-	174	42,828
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>174</u>	<u>42,828</u>
Total Liabilities	<u>143</u>	<u>347</u>	<u>726</u>	<u>1,319</u>	<u>68,962</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	55	345	-	-	426
Restricted for:					
Debt Service	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	31,594
Capital Projects	-	-	-	-	-
Loans	-	-	266,245	-	-
Other Purposes	-	1,242	-	104	-
Unrestricted (Deficit)	(89)	2,578	-	(847)	2,716
Total Net Assets	<u>\$ (34)</u>	<u>\$ 4,165</u>	<u>\$ 266,245</u>	<u>\$ (743)</u>	<u>\$ 34,736</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ 1,675	\$ -	\$ 555	\$ 71	\$ 2,502	\$ 7,019
3,314	-	1,120	2,656	186	10,759
-	-	-	50,500	346	51,039
3,401	435	-	8,255	-	12,515
-	209	-	454	-	663
-	-	-	-	142	142
-	-	717	-	587	1,304
6	-	376	-	255	22,816
<u>8,396</u>	<u>644</u>	<u>2,768</u>	<u>61,936</u>	<u>4,018</u>	<u>106,257</u>
-	-	13,310	-	2,563	15,873
27	-	42	-	-	43,071
<u>27</u>	<u>-</u>	<u>13,352</u>	<u>-</u>	<u>2,563</u>	<u>58,944</u>
<u>8,423</u>	<u>644</u>	<u>16,120</u>	<u>61,936</u>	<u>6,581</u>	<u>165,201</u>
317	-	18,863	-	49,026	69,032
-	-	-	-	1,177	1,177
-	-	-	286,114	-	317,708
-	-	1,320	-	532	1,852
-	20,509	-	-	-	286,754
96	-	515	-	-	1,957
(413)	-	4,680	-	(2,996)	5,629
<u>\$ -</u>	<u>\$ 20,509</u>	<u>\$ 25,378</u>	<u>\$ 286,114</u>	<u>\$ 47,739</u>	<u>\$ 684,109</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
OPERATING REVENUES					
Charges for Services	\$ 374	\$ 3,620	\$ -	\$ 3,446	\$ 322,741
Unemployment Insurance	-	-	-	-	-
Federal Revenue	-	-	7,606	-	-
Loan and Other Income	-	-	4,400	-	-
Other Operating Revenues	-	-	111	-	-
Total Operating Revenues	<u>374</u>	<u>3,620</u>	<u>12,117</u>	<u>3,446</u>	<u>322,741</u>
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	-	-	-	35,632
Game Expense	-	-	-	-	-
General and Administrative Expenses	400	2,112	1,507	1,205	20,438
Insurance Losses	-	-	-	-	242,752
Depreciation Expense	9	86	-	1	30
Other Operating Expenses	76	2,076	6,074	2,761	-
Total Operating Expenses	<u>485</u>	<u>4,274</u>	<u>7,581</u>	<u>3,967</u>	<u>298,852</u>
Operating Income (Loss)	<u>(111)</u>	<u>(654)</u>	<u>4,536</u>	<u>(521)</u>	<u>23,889</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	3	-	-	6,982
Interest and Other Expenses on Capital Asset-related Debt	-	-	-	-	-
Gain on Sale of Capital Assets	-	4	-	-	-
Other Revenue	-	19	-	-	63
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>7,045</u>
Income (Loss) Before Transfers	<u>(111)</u>	<u>(628)</u>	<u>4,536</u>	<u>(521)</u>	<u>30,934</u>
CAPITAL CONTRIBUTIONS AND ENDOWMENTS					
Capital Grants and Gifts	-	-	-	-	-
TRANSFERS					
Transfers In	112	-	-	-	-
Transfers Out	-	-	-	(25)	-
Total Transfers	<u>112</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>-</u>
Change in Net Assets	<u>1</u>	<u>(628)</u>	<u>4,536</u>	<u>(546)</u>	<u>30,934</u>
Net Assets - Beginning, as Restated	<u>(35)</u>	<u>4,793</u>	<u>261,709</u>	<u>(197)</u>	<u>3,802</u>
Net Assets - Ending	<u>\$ (34)</u>	<u>\$ 4,165</u>	<u>\$ 266,245</u>	<u>\$ (743)</u>	<u>\$ 34,736</u>

New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ 143,539	\$ -	\$ 20,588	\$ -	\$ 13,859	\$ 508,167
-	-	-	188,465	-	188,465
-	-	322	400,426	-	408,354
-	43	-	-	-	4,443
-	-	195	-	69	375
<u>143,539</u>	<u>43</u>	<u>21,105</u>	<u>588,891</u>	<u>13,928</u>	<u>1,109,804</u>
-	-	-	781,494	-	817,126
94,986	-	-	-	-	94,986
3,469	-	12,945	-	7,217	49,293
-	-	-	-	-	242,752
139	-	2,155	-	2,674	5,094
1,403	-	9,179	-	8,924	30,493
<u>99,997</u>	<u>-</u>	<u>24,279</u>	<u>781,494</u>	<u>18,815</u>	<u>1,239,744</u>
<u>43,542</u>	<u>43</u>	<u>(3,174)</u>	<u>(192,603)</u>	<u>(4,887)</u>	<u>(129,940)</u>
52	-	1,137	12,691	1	20,866
-	-	(617)	-	(101)	(718)
-	-	-	-	-	4
<u>15</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>100</u>
<u>67</u>	<u>-</u>	<u>523</u>	<u>12,691</u>	<u>(100)</u>	<u>20,252</u>
<u>43,609</u>	<u>43</u>	<u>(2,651)</u>	<u>(179,912)</u>	<u>(4,987)</u>	<u>(109,688)</u>
-	-	-	-	7,121	7,121
-	-	-	-	-	112
<u>(43,609)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,634)</u>
<u>(43,609)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,522)</u>
-	43	(2,651)	(179,912)	2,134	(146,089)
-	20,466	28,029	466,026	45,605	830,198
<u>\$ -</u>	<u>\$ 20,509</u>	<u>\$ 25,378</u>	<u>\$ 286,114</u>	<u>\$ 47,739</u>	<u>\$ 684,109</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from:					
Fees for Service	\$ 485	\$ -	\$ -	\$ -	\$ 319,929
Sale of Products	-	3,620	-	3,476	-
Loan and Note Repayments	-	-	12,163	-	-
Unemployment Insurance	-	-	-	-	-
Other Sources	-	-	6,700	-	2,526
Cash Payments to or for:					
Suppliers	(29)	(2,002)	(7,276)	(2,744)	(55,624)
Employees	(464)	(1,846)	(627)	(1,220)	-
Unemployment Benefits	-	-	-	-	-
Loans and Loan Losses	-	-	(4,962)	-	(249,204)
Lottery Prizes	-	-	-	-	-
Other Payments	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(8)	(228)	5,998	(488)	17,627
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	112	-	-	-	-
Transfers Out	-	-	-	(25)	-
Intergovernmental Receipts	84	-	-	-	-
Noncapital Nonoperating Revenues (Expenses)	(188)	21	-	-	63
Net Cash Provided (Used) by Noncapital Financing Activities	8	21	-	(25)	63
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	(55)	-	-	(11)
Capital Debt Service Payments	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(55)	-	-	(11)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest, Dividends, Investment Gains and Losses	-	4	110	-	2,739
Purchase of Investments	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	-	4	110	-	2,739
Net Increase (Decrease) in Cash	-	(258)	6,108	(513)	20,418
Cash and Cash Equivalents at Beginning of Year, As Restated	-	2,033	74,698	786	50,200
Cash and Cash Equivalents at End of Year	\$ -	\$ 1,775	\$ 80,806	\$ 273	\$ 70,618
Cash and Cash Equivalents					
Unrestricted	\$ -	\$ 3	\$ -	\$ -	\$ 20,649
Restricted	-	-	-	-	-
Investment in the State General Fund Investment Pool	-	1,772	80,806	273	321
Investment in the Local Government Investment Pool	-	-	-	-	49,648
Total Cash and Cash Equivalents	\$ -	\$ 1,775	\$ 80,806	\$ 273	\$ 70,618

New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ -	\$ 22,173	\$ -	\$ 16,325	\$ 358,912
136,626	-	-	-	-	143,722
-	5,887	-	-	-	18,050
-	-	-	174,762	-	174,762
-	-	-	414,247	-	423,473
(9,354)	-	(9,020)	-	(10,870)	(96,919)
(2,821)	-	(12,862)	-	(7,355)	(27,195)
-	-	-	(754,010)	-	(754,010)
-	(2,353)	-	-	-	(256,519)
(82,392)	-	-	-	-	(82,392)
-	-	-	(46,777)	-	(46,777)
<u>42,059</u>	<u>3,534</u>	<u>291</u>	<u>(211,778)</u>	<u>(1,900)</u>	<u>(144,893)</u>
-	-	-	-	-	112
(42,967)	-	-	2,444	-	(40,548)
-	-	-	117,970	-	118,054
-	-	-	(6,094)	-	(6,198)
<u>(42,967)</u>	<u>-</u>	<u>-</u>	<u>114,320</u>	<u>-</u>	<u>71,420</u>
(201)	-	(110)	-	(6,033)	(6,410)
(6)	-	(693)	-	(670)	(1,369)
-	-	-	-	7,121	7,121
<u>(207)</u>	<u>-</u>	<u>(803)</u>	<u>-</u>	<u>418</u>	<u>(658)</u>
15	-	1,327	264	1	4,460
-	-	(2)	-	-	(2)
<u>15</u>	<u>-</u>	<u>1,325</u>	<u>264</u>	<u>1</u>	<u>4,458</u>
(1,100)	3,534	813	(97,194)	(1,481)	(69,673)
4,089	8,459	3,644	397,929	2,877	544,715
<u>\$ 2,989</u>	<u>\$ 11,993</u>	<u>\$ 4,457</u>	<u>\$ 300,735</u>	<u>\$ 1,396</u>	<u>\$ 475,042</u>
\$ 2,989	\$ -	\$ 113	\$ 300,735	\$ 806	\$ 325,295
-	-	1,313	-	590	1,903
-	11,993	3,031	-	-	98,196
-	-	-	-	-	49,648
<u>\$ 2,989</u>	<u>\$ 11,993</u>	<u>\$ 4,457</u>	<u>\$ 300,735</u>	<u>\$ 1,396</u>	<u>\$ 475,042</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2010

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (111)	\$ (654)	\$ 4,536	\$ (521)	\$ 23,889
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)					
by Operating Activities:					
Depreciation	9	86	-	1	30
Bad Debt Expense	-	-	-	73	-
Reserve for Losses	-	-	-	-	(6,452)
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(108)	(98)	6	204	(273)
Notes/Loans	-	-	1,116	-	-
Inventories	(132)	558	-	(19)	-
Prepaid Items/Deferred Charges	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	334	(120)	340	(233)	444
Unearned Revenue	-	-	-	7	(11)
Net Cash Provided (Used) by Operating Activities	<u>\$ (8)</u>	<u>\$ (228)</u>	<u>\$ 5,998</u>	<u>\$ (488)</u>	<u>\$ 17,627</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ 43,542	\$ 43	\$ (3,174)	\$ (192,603)	\$ (4,887)	\$ (129,940)
139	-	2,155	-	2,674	5,094
-	-	4,982	-	31	5,086
-	-	-	-	-	(6,452)
(450)	4,093	(3,986)	(40,808)	(217)	(41,637)
-	-	-	-	-	1,116
(87)	-	26	-	-	346
(47)	-	-	-	(90)	(137)
(1,038)	(602)	288	21,586	557	21,556
-	-	-	47	32	75
<u>\$ 42,059</u>	<u>\$ 3,534</u>	<u>\$ 291</u>	<u>\$ (211,778)</u>	<u>\$ (1,900)</u>	<u>\$ (144,893)</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

Public Employees Retirement System (PERS) – PERS is a cost-sharing, multiple-employer defined benefit pension plan. Membership is open to employees and elected officials of every affiliated public employer. There are six divisions of members and eighteen coverage plans. The State of New Mexico also offers its employees a deferred compensation plan. The plan permits employees to defer a portion of their income until future years.

Judicial Retirement System (JRS) – The JRS is a cost-sharing, multiple-employer defined benefit pension plan. Every judge or justice is eligible for membership upon election or appointment to office.

Magistrate Retirement System (MRS) – The MRS is a cost-sharing, multiple-employer defined benefit pension plan. All magistrates are eligible for membership upon election or appointment to office.

Volunteer Firefighters Retirement Fund (VFRS) – The VFRS is a cost-sharing, multiple-employer defined pension benefit plan with a special funding mandate. Membership is open to most volunteer, non-salaried firefighters who are listed as active members on the rolls of a fire department and meet certain age and service credit requirements.

Educational Employees' Retirement System (EERS) – EERS 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.

New Mexico Retiree Health Care Authority (RHCA) – RHCA is a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that provides comprehensive core group health insurance for persons who have retired from public service with entities in the State of New Mexico.

Deferred Compensation Plan (IRC 457) – The State of New Mexico offers its employees a deferred compensation plan (Plan) under Chapters 10-7-A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” is in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Public Employee’s Retiree Association is the trustee of the Plan; however, the Plan is administered by a third party administrator (the “Administrator”) acting under contract with PERA.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

June 30, 2010

(In Thousands)

	Public Employees Retirement	Judicial Retirement	Magistrate Retirement	Volunteer Firefighters Retirement	Educational Employees Retirement System
ASSETS					
Cash and Cash Equivalents	\$ 684,061	\$ 4,409	\$ 1,911	\$ 2,665	\$ 344,561
Investment in State General Fund Investment Pool	7,696	2,212	1,071	168	12,082
Investments	9,815,741	63,261	27,420	38,245	8,125,245
Due From Other Funds	287	-	-	-	-
Receivables	319,942	1,936	837	1,143	193,577
Other Assets	-	-	-	-	-
Capital Assets, Net	18,019	-	-	-	6,217
Total Assets	10,845,746	71,818	31,239	42,221	8,681,682
LIABILITIES					
Accounts Payable	5,595	-	-	-	9,485
Security Lending Liability	409,028	2,668	1,156	1,613	201,088
Accrued Liabilities	300	-	-	-	1,391
Due to Other Funds	-	144	64	75	-
Due to Brokers	413,979	2,636	1,141	1,593	236,143
Deposits Held in Trust	-	-	-	-	849
Other Liabilities	352	-	-	-	201
Total Liabilities	829,254	5,448	2,361	3,281	449,157
NET ASSETS					
Held in Trust for:					
Pension Benefits	10,016,492	66,370	28,878	38,940	8,232,525
Other Employee Benefits	-	-	-	-	-
Defined Contribution	-	-	-	-	-
Net Assets	\$ 10,016,492	\$ 66,370	\$ 28,878	\$ 38,940	\$ 8,232,525

<u>New Mexico Retiree Health Care Authority</u>	<u>Deferred Compensation (IRC 457) Plan</u>	<u>Total</u>
\$ 11,330	\$ -	\$ 1,048,937
10,646	-	33,875
156,338	321,475	18,547,725
2	-	289
15,903	5,797	539,135
-	2,129	2,129
18	-	24,254
<u>194,237</u>	<u>329,401</u>	<u>20,196,344</u>
6,624	-	21,704
-	-	615,553
478	-	2,169
29	-	312
-	-	655,492
-	-	849
8,352	-	8,905
<u>15,483</u>	<u>-</u>	<u>1,304,984</u>
-	-	18,383,205
-	329,401	329,401
178,754	-	178,754
<u>\$ 178,754</u>	<u>\$ 329,401</u>	<u>\$ 18,891,360</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Public Employees Retirement	Judicial Retirement	Magistrate Retirement	Volunteer Firefighters Retirement	Educational Employees Retirement System
ADDITIONS					
Contributions:					
Employee Contributions	\$ 230,516	\$ 1,148	\$ 330	\$ -	\$ 250,667
Employer Contributions	291,683	3,699	825	-	313,276
Transfers In	-	-	-	750	-
Total Contributions	522,199	4,847	1,155	750	563,943
Investment Income:					
Net Increase in Fair Value of Investments	1,160,259	5,705	3,452	3,915	1,095,258
Interest and Dividends	254,291	1,681	740	980	184,954
	1,414,550	7,386	4,192	4,895	1,280,212
Less Investment Expense	(19,840)	(128)	(55)	(77)	(31,892)
Net Investment Income	1,394,710	7,258	4,137	4,818	1,248,320
Other Additions					
Other Operating Revenues	1,225	-	-	-	3,109
Total Other Additions	1,225	-	-	-	3,109
Total Additions	1,918,134	12,105	5,292	5,568	1,815,372
DEDUCTIONS					
Benefits and Claims	653,728	6,682	2,675	665	656,233
Retiree Healthcare Payments	-	-	-	-	-
Refunds	32,735	2	-	-	28,780
General and Administrative Expenses	10,999	19	10	-	11,488
Other Operating Expenses	-	-	-	-	-
Total Deductions	697,462	6,703	2,685	665	696,501
Change in Net Assets	1,220,672	5,402	2,607	4,903	1,118,871
Net Assets - Beginning	8,795,820	60,968	26,271	34,037	7,113,654
Net Assets - Ending	\$ 10,016,492	\$ 66,370	\$ 28,878	\$ 38,940	\$ 8,232,525

New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
\$ 116,377	\$ 36,665	\$ 635,703
54,614	-	664,097
10	-	760
<u>171,001</u>	<u>36,665</u>	<u>1,300,560</u>
31,193	18,905	2,318,687
36	2,457	445,139
<u>31,229</u>	<u>21,362</u>	<u>2,763,826</u>
-	-	(51,992)
<u>31,229</u>	<u>21,362</u>	<u>2,711,834</u>
36,468	-	40,802
<u>36,468</u>	<u>-</u>	<u>40,802</u>
<u>238,698</u>	<u>58,027</u>	<u>4,053,196</u>
-	23,167	1,343,150
201,290	-	201,290
-	-	61,517
2,658	1,058	26,232
12	136	148
<u>203,960</u>	<u>24,361</u>	<u>1,632,337</u>
34,738	33,666	2,420,859
144,016	295,735	16,470,501
<u>\$ 178,754</u>	<u>\$ 329,401</u>	<u>\$ 18,891,360</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

For the Last Ten Years Ending June 30, 2010

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income (Expense)	
2010	\$ 230,516	\$ 291,683	\$ 1,394,710	\$ 1,225	\$ 1,918,134
2009	215,449	311,082	(3,033,978)	(815)	(2,508,262)
2008	191,707	292,569	(1,033,557)	11,092	(538,189)
2007	179,317	269,571	1,984,164	18,396	2,451,448
2006	169,802	249,740	1,176,495	7,431	1,603,468
2005	160,639	234,232	920,022	13,158	1,328,051
2004	151,568	223,060	1,258,274	9,448	1,642,350
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2010	\$ 653,728	\$ 10,999	\$ 32,735	\$ -	\$ 697,462
2009	604,103	11,050	31,669	-	646,822
2008	557,190	9,939	31,328	-	598,457
2007	511,709	9,116	34,589	-	555,414
2006	467,102	10,174	30,246	-	507,522
2005	427,084	40,223	29,416	-	496,723
2004	387,308	8,257	28,146	-	423,711
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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE JUDICIAL RETIREMENT SYSTEM (JRS)

For the Last Ten Years Ending June 30, 2010

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2010	\$ 1,148	\$ 3,699	\$ 7,258	\$ -	\$ 12,105
2009	1,092	4,123	(19,550)	15	(14,320)
2008	895	3,832	(7,000)	58	(2,215)
2007	874	3,623	13,488	23	18,008
2006	697	3,154	8,137	-	11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2010	\$ 6,682	\$ 19	\$ 2	\$ -	\$ 6,703
2009	6,393	22	13	-	6,428
2008	5,907	34	26	-	5,967
2007	5,494	21	10	-	5,525
2006	5,113	24	26	-	5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE MAGISTRATE RETIREMENT SYSTEM (MRS)

For the Last Ten Years Ending June 30, 2010

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2010	\$ 330	\$ 825	\$ 4,137	\$ -	\$ 5,292
2009	308	1,000	(8,911)	-	(7,603)
2008	243	981	(3,177)	13	(1,940)
2007	286	920	6,187	10	7,403
2006	849	209	3,719	-	4,777
2005	172	763	2,928	28	3,891
2004	149	779	4,560	-	5,488
2003	205	1,143	1,020	-	2,368
2002	193	1,146	(611)	-	728
2001	180	1,282	(532)	15	945

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2010	\$ 2,675	\$ 10	\$ -	\$ -	\$ 2,685
2009	2,448	31	-	-	2,479
2008	2,294	18	20	-	2,332
2007	2,084	9	80	-	2,173
2006	1,738	9	-	-	1,747
2005	1,624	102	80	-	1,806
2004	1,591	48	-	3,291	4,930
2003	1,462	10	-	-	1,472
2002	1,197	7	2	-	1,206
2001	1,122	6	14	-	1,142

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)

For the Last Ten Years Ending June 30, 2010

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Transfers In*	
2010	\$ -	\$ -	\$ 4,818	\$ 750	\$ 5,568
2009	-	-	(11,334)	750	(10,584)
2008	-	-	(3,984)	765	(3,219)
2007	-	-	7,344	751	8,095
2006	-	750	4,326	-	5,076
2005	-	750	3,309	31	4,090
2004	-	750	4,465	-	5,215
2003	-	750	1,014	-	1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2010	\$ 665	\$ -	\$ -	\$ -	\$ 665
2009	588	-	-	-	588
2008	539	-	-	-	539
2007	499	-	-	-	499
2006	405	-	-	-	405
2005	346	102	-	-	448
2004	307	-	-	-	307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233

*Contributions are appropriated from the State of New Mexico Fire Protection Fund.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)

For the Last Ten Years Ending June 30, 2010

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2010	\$ 250,667	\$ 313,276	\$ 1,248,320	\$ 3,109	\$ 1,815,372
2009	212,014	323,685	(1,539,726)	3,701	(1,000,326)
2008	201,916	290,846	(567,837)	3,663	(71,412)
2007	189,391	255,853	1,360,224	4,332	1,809,800
2006	178,221	226,479	943,071	3,867	1,351,638
2005	169,099	197,873	690,360	4,032	1,061,364
2004	162,119	189,325	919,402	4,201	1,275,047
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)

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2010	\$ 656,233	\$ 11,488	\$ 28,780	\$ -	\$ 696,501
2009	617,705	8,672	29,687	-	656,064
2008	578,776	6,089	29,475	-	614,340
2007	540,144	5,625	27,525	-	573,294
2006	494,097	65,094	24,062	233	583,486
2005	454,983	43,344	23,444	-	521,771
2004	422,418	2,583	21,859	-	446,860
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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE RETIREE HEALTH CARE AUTHORITY (RHCA)

For the Last Eight Years Ending June 30, 2010

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income+	
2010	\$ 116,377	\$ 54,614	\$ 31,229	\$ 36,478	\$ 238,698
2009	117,656	52,716	(34,082)	32,959	169,249
2008	67,351	78,840	364	34,459	181,014
2007	94,828	48,875	28,816	22,832	195,351
2006	23,220	46,993	17,435	80,275	167,923
2005	21,687	43,638	82,750	11,876	159,951
2004	118,699	-	19,872	7,759	146,330
2003*	107,984	-	2,615	9,215	119,814

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2010	\$ 201,290	\$ 2,658	\$ -	\$ 12	\$ 203,960
2009	189,157	2,701	-	-	191,858
2008	193,947	-	801	-	194,748
2007	171,751	2,489	-	-	174,240
2006	155,194	2,280	-	2,864	160,338
2005	138,660	2,016	-	2,014	142,690
2004	119,409	2,341	-	-	121,750
2003*	115,215	2,408	1,384	-	119,007

*In 2003, the State evaluated the classification of the RHCA. Prior to 2003, the RHCA was an enterprise activity for the State of New Mexico.

In 2003, the RHCA was determined to be a trust for the State.

+ Includes other operating revenue and transfers in.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS EXTERNAL TRUST FUNDS FINANCIAL STATEMENTS

State Investment Council – The State Investment Council (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, Structured Credit, Mid\Small Capitalization, Non-U.S. Equity Securities, Non-U.S. Emerging Markets, and Absolute 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. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State are presented in both the Governmental Funds and Proprietary Funds.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments. There are two external investment pools: Local Governmental Investment Pool and Reserve Contingency. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State are presented in both the Governmental Funds and Proprietary Funds.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS EXTERNAL TRUST FUNDS

June 30, 2010

(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,615	\$ 426,868	\$ 431,483
Investments	63,680	264,144	327,824
Receivables	951	123	1,074
Total Assets	<u>69,246</u>	<u>691,135</u>	<u>760,381</u>
LIABILITIES			
Due to Other Funds	29	-	29
Due to Brokers	5,483	-	5,483
Intergovernmental Payables	-	122,713	122,713
Total Liabilities	<u>5,512</u>	<u>122,713</u>	<u>128,225</u>
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	63,734	568,422	632,156
Net Assets	<u>\$ 63,734</u>	<u>\$ 568,422</u>	<u>\$ 632,156</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS EXTERNAL TRUST FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ 1,154	\$ -	\$ 1,154
Investment Income:			
Net Increase in Fair Value of Investments	8,319	-	8,319
Interest and Dividends	2,366	1,344	3,710
	10,685	1,344	12,029
Less Investment Expense	-	(301)	(301)
Net Investment Income	10,685	1,043	11,728
Total Additions	11,839	1,043	12,882
DEDUCTIONS			
Pool Participant Withdrawals	13,729	130,856 *	144,585
General and Administrative Expenses	150	-	150
Total Deductions	13,879	130,856	144,735
Change in Net Assets	(2,040)	(129,813)	(131,853)
Net Assets - Beginning, as Restated	65,774	698,235	764,009
Net Assets - Ending	\$ 63,734	\$ 568,422	\$ 632,156

*The pool participant withdrawals of \$653,444 reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

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

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 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 Proprietary Funds. The fund is administered by the State Investment Council.

Higher Education Savings Fund – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board of New Mexico.

Water Trust Fund – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund, which is administered by the State Investment Council.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

June 30, 2010
(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
ASSETS					
Cash and Cash Equivalents	\$ 1,447	\$ 467,927	\$ 3,089	\$ 11,359	\$ 483,822
Investment in State General Fund Investment Pool	3,849	27,008	-	-	30,857
Investments	19,696	7,291,745	1,646,280	38,288	8,996,009
Due From Other Funds	-	2,308	-	-	2,308
Receivables	-	59,008	3,586	504	63,098
Total Assets	<u>24,992</u>	<u>7,847,996</u>	<u>1,652,955</u>	<u>50,151</u>	<u>9,576,094</u>
LIABILITIES					
Accounts Payable	-	-	3,560	-	3,560
Accrued Liabilities	-	-	568	-	568
Due to Other Funds	-	-	-	17	17
Due to Beneficiaries	-	36,444	-	-	36,444
Due to Brokers	-	48,873	-	272	49,145
Other Liabilities	-	367,058	-	3,031	370,089
Total Liabilities	<u>-</u>	<u>452,375</u>	<u>4,128</u>	<u>3,320</u>	<u>459,823</u>
NET ASSETS					
Held in Trust for:					
Other Purposes	24,992	7,395,621	1,648,827	46,831	9,116,271
Net Assets	<u>\$ 24,992</u>	<u>\$ 7,395,621</u>	<u>\$ 1,648,827</u>	<u>\$ 46,831</u>	<u>\$ 9,116,271</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
ADDITIONS					
Member Contributions	\$ -	\$ -	\$ 614,015	\$ -	\$ 614,015
Transfers In	15,000	274,853	-	-	289,853
Total Contributions	<u>15,000</u>	<u>274,853</u>	<u>614,015</u>	<u>-</u>	<u>903,868</u>
Investment Income:					
Net Increase in Fair					
Value of Investments	14,529	811,462	146,710	3,975	976,676
Interest and Dividends	2,730	160,640	14,004	1,020	178,394
	<u>17,259</u>	<u>972,102</u>	<u>160,714</u>	<u>4,995</u>	<u>1,155,070</u>
Less Investment Expense	(163)	-	(12,229)	-	(12,392)
Net Investment Income	<u>17,096</u>	<u>972,102</u>	<u>148,485</u>	<u>4,995</u>	<u>1,142,678</u>
Total Additions	<u>32,096</u>	<u>1,246,955</u>	<u>762,500</u>	<u>4,995</u>	<u>2,046,546</u>
DEDUCTIONS					
Distributions	-	437,328	601,641	-	1,038,969
Other Operating Expenses	-	20,463	-	-	20,463
Transfers Out	70,000	-	-	4,000	74,000
Total Deductions	<u>70,000</u>	<u>457,791</u>	<u>601,641</u>	<u>4,000</u>	<u>1,133,432</u>
Change in Net Assets	(37,904)	789,164	160,859	995	913,114
Net Assets - Beginning	62,896	6,606,457	1,487,968	45,836	8,203,157
Net Assets - Ending	<u>\$ 24,992</u>	<u>\$ 7,395,621</u>	<u>\$ 1,648,827</u>	<u>\$ 46,831</u>	<u>\$ 9,116,271</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS AGENCY FUNDS FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources – These funds are administered by the Department of Cultural Affairs, Department of Game and Fish, and the Office of the State Engineer.

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

Receipts Pending Distribution of Funds – These are funds administered by the Secretary of State, Public Regulation Commission, New Mexico Gaming Control Board, New Mexico Racing Commission, New Mexico Livestock Board, Energy Minerals and Natural Resources Department, and Department of Health.

Suspense Related Funds – These funds are administered by the Judicial Courts and District Attorneys, Taxation and Revenue Department, Department of Finance and Administration, Regulation and Licensing Department, Public Regulation Commission, Energy Minerals and Natural Resources Department, New Mexico Racing Commission, Office of the State of Engineer, Health and Human Services Department, Department of Health, Environment Department, Children, Youth, and Families Department, Corrections Department, Department of Public Safety, and Worker's Compensation Administration.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2010

(In Thousands)

	Culture, Recreation, and Natural Resources	Other Agency	Receipts Pending Distribution	Suspense Related	Total
ASSETS					
Cash and Cash Equivalents	\$ 350	\$ 672	\$ 646	\$ 463,654	\$ 465,322
Investment in State General Fund					
Investment Pool	253	206,288	2,218	610,555	819,314
Investment in Local Government					
Investment Pool	-	-	-	5,159	5,159
Investments	-	20,965	-	-	20,965
Due From Other Funds	-	17,617	1,214	204,317	223,148
Receivables, Net	-	43,675	796	742,747	787,218
Total Assets	<u>\$ 603</u>	<u>\$ 289,217</u>	<u>\$ 4,874</u>	<u>\$ 2,026,432</u>	<u>\$ 2,321,126</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 38,140	\$ -	\$ -	\$ 38,140
Due to Other Funds	-	220,245	4,018	878,739	1,103,002
Due to Taxpayer	-	-	-	197,217	197,217
Intergovernmental Payables	-	8,817	128	264,036	272,981
Deposits Held in Trust	231	20,704	-	490,316	511,251
Other Liabilities	372	1,311	728	196,124	198,535
Total Liabilities	<u>\$ 603</u>	<u>\$ 289,217</u>	<u>\$ 4,874</u>	<u>\$ 2,026,432</u>	<u>\$ 2,321,126</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended June 30, 2010
(In Thousands)

	Balance June 30, 2009, as Restated	Additions	Deletions	Balance June 30, 2010
CULTURE, RECREATION, AND NATURAL RESOURCES				
Assets				
Cash and Cash Equivalents	\$ 342	\$ 17	\$ 9	\$ 350
Investment in State General Fund Investment Pool	246	17	10	253
Investments, at Fair Value	-	2	2	-
Receivables, Net	241	9	250	-
Total Assets	<u>\$ 829</u>	<u>\$ 45</u>	<u>\$ 271</u>	<u>\$ 603</u>
Liabilities				
Accounts Payable	\$ -	\$ 5	\$ 5	\$ -
Due to Other Funds	97	3	100	-
Intergovernmental Payables	358	21	379	-
Deposits Held in Trust	-	231	-	231
Other Liabilities	374	-	2	372
Total Liabilities	<u>\$ 829</u>	<u>\$ 260</u>	<u>\$ 486</u>	<u>\$ 603</u>
	Balance June 30, 2009, as Restated	Additions	Deletions	Balance June 30, 2010
OTHER AGENCY				
Assets				
Cash and Cash Equivalents	\$ 56	\$ 1,128	\$ 512	\$ 672
Investment in State General Fund Investment Pool	206,014	1,449,900	1,449,626	206,288
Investments	10,483	12,339	1,857	20,965
Due From Other Funds	22,513	8,161	13,057	17,617
Receivables, Net	55,131	25,751	37,207	43,675
Total Assets	<u>\$ 294,197</u>	<u>\$ 1,497,279</u>	<u>\$ 1,502,259</u>	<u>\$ 289,217</u>
Liabilities				
Accounts Payable	\$ 1,573	\$ 989,296	\$ 952,729	\$ 38,140
Due to Other Funds	200,453	540,477	520,685	220,245
Intergovernmental Payables	14,157	856,272	861,612	8,817
Deposits Held in Trust	77,309	81,460	138,065	20,704
Other Liabilities	705	26,358	25,752	1,311
Total Liabilities	<u>\$ 294,197</u>	<u>\$ 2,493,863</u>	<u>\$ 2,498,843</u>	<u>\$ 289,217</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES (CONTINUED)

AGENCY FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Balance June 30, 2009, as Restated	Additions	Deletions	Balance June 30, 2010
RECEIPTS PENDING DISTRIBUTION OF FUNDS				
Assets				
Cash and Cash Equivalents	\$ 624	\$ 22	\$ -	\$ 646
Investment in State General Fund Investment Pool	13,168	371,886	382,836	2,218
Due From Other Funds	1,208	2,120	2,114	1,214
Receivables, Net	734	175	113	796
Total Assets	<u>\$ 15,734</u>	<u>\$ 374,203</u>	<u>\$ 385,063</u>	<u>\$ 4,874</u>
Liabilities				
Accounts Payable	\$ 124	\$ 4,725	\$ 4,849	\$ -
Due to Other Funds	13,711	242,213	251,906	4,018
Intergovernmental Payables	-	15,722	15,594	128
Deposits Held in Trust	1,180	349,740	350,920	-
Other Liabilities	719	60	51	728
Total Liabilities	<u>\$ 15,734</u>	<u>\$ 612,460</u>	<u>\$ 623,320</u>	<u>\$ 4,874</u>
	Balance June 30, 2009, as Restated	Additions	Deletions	Balance June 30, 2010
SUSPENSE RELATED FUNDS				
Assets				
Cash and Cash Equivalents	\$ 469,334	\$ 349,664	\$ 355,344	\$ 463,654
Investment in State General Fund Investment Pool	609,384	25,618,611	25,617,440	610,555
Investment in Local Government Investment Pool	6,646	5,159	6,646	5,159
Due From Other Funds	296,966	1,689	94,338	204,317
Receivables, Net	695,381	97,809	50,443	742,747
Total Assets	<u>\$ 2,077,711</u>	<u>\$ 26,072,932</u>	<u>\$ 26,124,211</u>	<u>\$ 2,026,432</u>
Liabilities				
Accounts Payable	\$ 265	\$ 366,151	\$ 366,416	\$ -
Due to Other Funds	1,223,967	418,896	764,124	878,739
Due to Taxpayer	-	197,217	-	197,217
Intergovernmental Payables	-	264,036	-	264,036
Deposits Held in Trust	566,029	8,471,801	8,547,514	490,316
Other Liabilities	287,450	7,665	98,991	196,124
Total Liabilities	<u>\$ 2,077,711</u>	<u>\$ 9,725,766</u>	<u>\$ 9,777,045</u>	<u>\$ 2,026,432</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES (CONTINUED)

AGENCY FUNDS

For the Year Ended June 30, 2010

(In Thousands)

	Balance June 30, 2009, as Restated	Additions	Deletions	Balance June 30, 2010
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$ 470,356	\$ 350,831	\$ 355,865	\$ 465,322
Investment in State General Fund Investment Pool	828,812	27,440,414	27,449,912	819,314
Investment in Local Government Investment Pool	6,646	5,159	6,646	5,159
Investments	10,483	12,341	1,859	20,965
Due From Other Funds	320,687	11,970	109,509	223,148
Receivables, Net	751,487	123,744	88,013	787,218
Total Assets	<u>\$ 2,388,471</u>	<u>\$ 27,944,459</u>	<u>\$ 28,011,804</u>	<u>\$ 2,321,126</u>
Liabilities				
Accounts Payable	\$ 1,962	\$ 1,360,177	\$ 1,323,999	\$ 38,140
Due to Other Funds	1,438,228	1,201,589	1,536,815	1,103,002
Due to Taxpayer	-	197,217	-	197,217
Intergovernmental Payables	14,515	1,136,051	877,585	272,981
Deposits Held in Trust	644,518	8,903,232	9,036,499	511,251
Other Liabilities	289,248	34,083	124,796	198,535
Total Liabilities	<u>\$ 2,388,471</u>	<u>\$ 12,832,349</u>	<u>\$ 12,899,694</u>	<u>\$ 2,321,126</u>

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

STATISTICAL SECTION



Source: New Mexico Tourism Department, Dan Monaghan

Billy the Kid-Lincoln Jail: Henry McCarty, a.k.a. William Bonney, a.k.a. "Billy the Kid", shot jailers James Bell and Bob Olinger as he escaped from this building in April of 1881. Billy was in jail awaiting his hanging for the shooting death of Lincoln County Sheriff William Brady. On the Billy the Kid National Scenic Byway.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INDEX TO STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements and required supplementary information for the primary government of the State of New Mexico in understanding and assessing the State's overall financial health.

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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These schedules offer operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State of New Mexico Comprehensive Annual Financial Report.

STATE OF NEW MEXICO

NET ASSETS BY COMPONENT

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 6,905,275	\$ 6,995,306	\$ 6,204,269	\$ 5,516,914	\$ 5,724,003
Restricted	4,899,003	4,530,761	7,558,292	8,828,955	6,427,635
Unrestricted	(247,230)	606,498	486,879	214,145	752,605
Total Governmental Activities Net Assets	\$ 11,557,048	\$ 12,132,565	\$ 14,249,440	\$ 14,560,014	\$ 12,904,243
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 1,453,705	\$ 1,381,260	\$ 1,090,692	\$ 940,608	\$ 945,940
Restricted	1,845,368	1,853,252	2,610,808	2,422,434	2,145,306
Unrestricted	756,931	659,451	471,516	657,530	489,752
Total Business-type Activities Net Assets	\$ 4,056,004	\$ 3,893,963	\$ 4,173,016	\$ 4,020,572	\$ 3,580,998
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 8,358,980	\$ 8,376,566	\$ 7,294,961	\$ 6,457,522	\$ 6,669,943
Restricted	6,744,371	6,384,013	10,169,100	11,251,389	8,572,941
Unrestricted	509,701	1,265,949	958,395	871,675	1,242,357
Total Primary Government Net Assets	\$ 15,613,052	\$ 16,026,528	\$ 18,422,456	\$ 18,580,586	\$ 16,485,241

Note: The State implemented GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management Discussion and Analysis—for State and Local Governments*, in fiscal year 2002. The government-wide schedules are effective beginning in fiscal year 2002.

SCHEDULE A-1

(Accrual Basis of Accounting)

Fiscal Year			
2005	2004	2003	2002
\$ 6,689,355	\$ 7,187,781	\$ 7,830,967	\$ 7,226,617
5,282,593	5,301,338	4,075,363	4,166,965
762,177	171,430	351,759	1,321,140
<u>\$ 12,734,125</u>	<u>\$ 12,660,549</u>	<u>\$ 12,258,089</u>	<u>\$ 12,714,722</u>
\$ 885,520	\$ 955,999	\$ 892,515	\$ 874,302
1,391,203	1,561,273	1,506,856	1,682,804
979,918	624,269	582,996	494,137
<u>\$ 3,256,641</u>	<u>\$ 3,141,541</u>	<u>\$ 2,982,367</u>	<u>\$ 3,051,243</u>
\$ 7,574,875	\$ 8,143,780	\$ 8,723,482	\$ 8,100,919
6,673,796	6,862,611	5,582,219	5,849,769
1,742,095	795,699	934,755	1,815,277
<u>\$ 15,990,766</u>	<u>\$ 15,802,090</u>	<u>\$ 15,240,456</u>	<u>\$ 15,765,965</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006
Program Expenses					
Governmental Activities:					
General Government	\$ 1,197,734	\$ 1,313,985	\$ 1,020,981	\$ 921,198	\$ 869,013
Culture, Recreation, and Natural Resources	227,367	216,328	215,727	263,457	202,330
Highway and Transportation	1,007,714	939,111	999,407	1,126,085	1,027,618
Judicial	244,824	252,343	231,571	215,954	194,452
Legislative	25,474	27,766	22,236	22,079	14,052
Public Safety	456,583	505,599	453,297	451,320	390,557
Regulation and Licensing	117,728	132,021	119,865	115,717	97,956
Health and Human Services	5,995,540	5,297,968	4,854,810	4,471,413	4,055,602
Education	3,325,810	3,277,536	3,221,028	2,987,212	2,902,753
Unemployment Benefits	11,537 +	1,986 +	-	-	-
Interest	130,997	117,338	175,364	547,366	92,505
Total Governmental Activities Expenses	12,741,308	12,081,981	11,314,286	11,121,801	9,846,838
Business-type Activities:					
Educational Institutions	2,678,999	2,668,110	2,921,387	2,273,301	2,142,898
Public Schools Insurance	298,852 ^	334,740 ^	-	-	-
Lottery	99,997 ^	101,750 ^	-	-	-
Miners' Colfax Medical Center	24,896 ^	26,908 ^	-	-	-
Unemployment Insurance	781,494 ^	368,957 ^	-	-	-
State Fair	18,916 ^	20,025 ^	-	-	-
Nonmajor Enterprise Funds	16,307 ^	10,772 ^	639,348	566,064	533,039
Total Business-type Activity Expenses	3,919,461	3,531,262	3,560,735	2,839,365	2,675,937
Total Primary Government Expenses	\$ 16,660,769	\$ 15,613,243	\$ 14,875,021	\$ 13,961,166	\$ 12,522,775
Program Revenues					
Governmental Activities:					
Charges for Services	\$ 1,378,449	\$ 1,498,724	\$ 1,459,908	\$ 1,205,421	\$ 1,297,926
Operating Grants and Contributions	5,331,479	4,272,942	3,715,696	3,416,802	3,283,620
Capital Grants and Contributions	376,259	388,792	311,661	290,317	323,013
Total Governmental Activities					
Program Revenues	7,086,187	6,160,458	5,487,265	4,912,540	4,904,559
Business-type Activities:					
Charges for Services	1,629,406	1,605,674	1,475,636	1,349,518	1,866,396
Operating Grants and Contributions	1,188,887	692,833	454,131	650,982	120,205
Capital Grants and Contributions	26,966	29,682	73,918	99,347	28,934
Total Business-type Activities					
Program Revenues	2,845,259	2,328,189	2,003,685	2,099,847	2,015,535
Total Primary Government					
Program Revenues	\$ 9,931,446	\$ 8,488,647	\$ 7,490,950	\$ 7,012,387	\$ 6,920,094
Net (Expense)/Revenue					
Governmental Activities	\$ (5,655,121)	\$ (5,921,523)	\$ (5,827,021)	\$ (6,209,261)	\$ (4,942,279)
Business-type Activities	(1,074,202)	(1,203,073)	(1,557,050)	(739,518)	(660,402)
Total Primary Government Net Expense	\$ (6,729,323)	\$ (7,124,596)	\$ (7,384,071)	\$ (6,948,779)	\$ (5,602,681)

SCHEDULE A-2

(Accrual Basis of Accounting)

Fiscal Year			
2005	2004	2003	2002
\$ 882,809	\$ 537,442	\$ 279,041	\$ 367,506
185,303	183,074	203,607	169,027
877,638	785,042	585,187	875,972
184,319	168,013	158,362	153,391
12,412	12,036	22,424	11,874
378,394	345,779	338,676	323,909
88,722	81,551	75,894	100,022
3,729,641	3,732,015	3,424,129	3,148,466
2,637,052	2,611,476	2,381,521	2,336,909
-	-	-	-
125,476	132,440	246,340	92,062
<u>9,101,766</u>	<u>8,588,868</u>	<u>7,715,181</u>	<u>7,579,138</u>
1,996,827	1,876,567	1,801,107	1,733,310
-	-	-	-
-	-	-	-
-	-	-	-
129,422	159,954	174,705	135,748
-	-	-	-
395,307	374,388	344,429	419,484
<u>2,521,556</u>	<u>2,410,909</u>	<u>2,320,241</u>	<u>2,288,542</u>
<u>\$ 11,623,322</u>	<u>\$ 10,999,777</u>	<u>\$ 10,035,422</u>	<u>\$ 9,867,680</u>
\$ 827,248	\$ 640,028	\$ 503,908	\$ 720,718
3,268,985	3,182,126	2,765,888	2,413,596
<u>275,053</u>	<u>292,847</u>	<u>324,588</u>	<u>334,663</u>
<u>4,371,286</u>	<u>4,115,001</u>	<u>3,594,384</u>	<u>3,468,977</u>
1,807,340	1,265,229	1,053,341	1,196,953
35,418	460,203	581,150	-
<u>30,553</u>	<u>20,699</u>	<u>13,080</u>	<u>6,519</u>
<u>1,873,311</u>	<u>1,746,131</u>	<u>1,647,571</u>	<u>1,203,472</u>
<u>\$ 6,244,597</u>	<u>\$ 5,861,132</u>	<u>\$ 5,241,955</u>	<u>\$ 4,672,449</u>
\$ (4,730,480)	\$ (4,473,867)	\$ (4,120,797)	\$ (4,110,161)
<u>(648,245)</u>	<u>(664,778)</u>	<u>(672,670)</u>	<u>(1,085,070)</u>
<u>\$ (5,378,725)</u>	<u>\$ (5,138,645)</u>	<u>\$ (4,793,467)</u>	<u>\$ (5,195,231)</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 956,560	\$ 918,090	\$ 1,618,406	\$ 1,520,214	\$ 1,543,262
Corporate Income Tax	125,101	192,487	403,525	453,857	374,957
Sales and Use Tax	737,996	1,831,946	397,894	403,909	388,739
Business Privilege	2,071,687	1,341,753	3,319,760	2,962,550	2,370,530
Severance	-	-	-	-	-
Other Taxes	475,961	523,085	38,706	30,683	30,683
Tribal Gaming Revenue	-	-	-	-	-
Investment Income	1,252,935	(373,965)	595,463	1,622,183	1,203,881
Other Revenue (Expense)	183,159	134,477	(114,555)	276,242	(264,596)
Transfers	(723,795)	(763,662)	(692,490)	(560,187)	(533,035)
Total Governmental Activities	<u>5,079,604</u>	<u>3,804,211</u>	<u>5,566,709</u>	<u>6,709,451</u>	<u>5,114,421</u>
Business-type Activities:					
Taxes					
Other Taxes	188,465	193,380	-	-	-
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	220,917	(188,463)	170,050	318,922	129,014
Other Revenue	103,066	93,204	424,018	299,983	259,303
Transfers	723,795	763,662	692,490	560,187	533,035
Total Business-type Activities	<u>1,236,243</u>	<u>861,783</u>	<u>1,286,558</u>	<u>1,179,092</u>	<u>921,352</u>
Total Primary Government	<u>\$ 6,315,847</u>	<u>\$ 4,665,994</u>	<u>\$ 6,853,267</u>	<u>\$ 7,888,543</u>	<u>\$ 6,035,773</u>
Change in Net Assets					
Governmental Activities	(575,517)	(2,117,312)	(260,312)	500,190	172,142
Business-type Activities	162,041	(341,290)	(270,492)	439,574	260,950
Total Primary Government	<u>\$ (413,476)</u>	<u>\$ (2,458,602)</u>	<u>\$ (530,804)</u>	<u>\$ 939,764</u>	<u>\$ 433,092</u>

*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor propriety fund.

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

^Beginning in 2009, the State further broke down the business-type activities by identifiable data. At the time of publication, the State was unable to break down the data for 2002 – 2008.

Note: The State implemented GASB 34 in fiscal year 2002. The government-wide schedules are effective beginning in fiscal year 2002.

SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

Fiscal Year			
2005	2004	2003	2002
\$ 1,089,031	\$ 1,090,733	\$ 980,326	\$ 1,009,224
244,371	131,897	102,846	138,078
368,716	327,878	275,873	303,615
1,970,239	1,821,396	1,684,150	1,305,730
-	-	-	194,347
507,381	360,940	301,555	381,209
-	-	-	107,339
994,872	1,071,990	639,731	169,647
239,724	181,707	139,060	27,775
<u>(495,101)</u>	<u>(481,507)</u>	<u>(473,007)</u>	<u>(484,860)</u>
<u>4,919,233</u>	<u>4,505,034</u>	<u>3,650,534</u>	<u>3,152,104</u>
-	-	-	-
-	-	-	534,293
115,187	134,001	77,334	(55,987)
154,389	186,383	160,058	115,727
495,101	481,507	473,007	484,860
<u>764,677</u>	<u>801,891</u>	<u>710,399</u>	<u>1,078,893</u>
<u>\$ 5,683,910</u>	<u>\$ 5,306,925</u>	<u>\$ 4,360,933</u>	<u>\$ 4,230,997</u>
188,753	31,167	(470,263)	(958,057)
<u>116,432</u>	<u>137,113</u>	<u>37,729</u>	<u>(6,177)</u>
<u>\$ 305,185</u>	<u>\$ 168,280</u>	<u>\$ (432,534)</u>	<u>\$ (964,234)</u>

STATE OF NEW MEXICO

FUND BALANCES, GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007	2006
General Fund					
Reserved	\$ 32,572	\$ 13,478	\$ 33,455	\$ 72,979	\$ 76,990
Unreserved	355,267	464,260	804,311	681,061	859,338
Total General Fund	<u>387,839</u>	<u>477,738</u>	<u>837,766</u>	<u>754,040</u>	<u>936,328</u>
All Other Governmental Funds					
Reserved	5,957,085	5,544,836	7,961,168	6,672,312	5,516,982
Unreserved, Reported in:					
Special Revenue Funds	394,716	593,975	576,290	898,371	685,478
Capital Projects Funds (Deficit)	(588)	5,962	(61,482)	114,637	224,278
Debt Service Funds	-	255,285	55,977	1,542	1,147
Total All Other Governmental Funds	<u>\$ 6,351,213</u>	<u>\$ 6,400,058</u>	<u>\$ 8,531,953</u>	<u>\$ 7,686,862</u>	<u>\$ 6,427,885</u>

Note: Due to changes in the State's fund structure initiated when GASB 34 was implemented, the changes in fund balance information are only available beginning in fiscal year 2002.

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

Fiscal Year			
2005	2004	2003	2002
\$ 69,687	\$ 186,655	\$ 230,781	\$ 197,938
732,395	427,605	172,240	298,084
<u>802,082</u>	<u>614,260</u>	<u>403,021</u>	<u>496,022</u>
5,253,182	5,183,451	4,507,256	4,890,316
422,245	116,023	196,816	221,350
36,745	105,151	12,497	4,569
<u>621,143</u>	<u>889,304</u>	<u>177,355</u>	<u>11,486</u>
<u>\$ 6,333,315</u>	<u>\$ 6,293,929</u>	<u>\$ 4,893,924</u>	<u>\$ 5,127,721</u>

STATE OF NEW MEXICO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007	2006
Revenues					
Taxes	\$ 4,407,236	\$ 4,769,862	\$ 5,778,291	\$ 5,360,317	\$ 4,701,612
Licenses, Fees, and Permits	212,328	288,697	218,066	202,897	212,590
Interest and Other Investment Income (Loss)	1,252,709	(375,149)	572,015	1,617,035	1,200,119
Rentals and Royalties	445,547	654,578	730,175	571,919	623,131
Charges for Services	241,411	69,934	66,159	57,883	151,759
Federal	5,707,738	4,661,734	4,027,357	3,708,912	3,606,240
Other Revenues	179,906	129,301	224,605	148,132	220,093
Total Revenues	12,446,875	10,198,957	11,616,668	11,667,095	10,715,544
Expenditures					
Current:					
General Control	421,810	430,195	592,814	546,890	488,674
Culture, Recreation, and Natural Resources	210,552	200,747	201,324	249,460	190,662
Highways and Transportation	429,522	372,406	409,321	623,619	515,262
Judicial	238,608	246,565	226,465	209,601	188,703
Legislative	24,128	26,401	20,876	20,564	13,940
Public Safety	442,777	485,937	438,744	437,857	373,973
Regulation and Licensing	110,411	129,504	118,611	112,887	96,071
Health and Human Services	5,907,586	5,291,005	4,851,140	4,527,036	4,043,961
Education	3,325,183	3,276,575	3,214,688	3,083,174	2,901,712
Unemployment Benefits	11,537 +	1,986 +	-	-	-
Land Grant	1,673 ^	-	-	-	-
Severance Tax	2,772 ^	-	-	-	-
Capital Outlay	675,978	864,676	727,171	502,040	491,493
Debt Service:					
Interest	139,666	113,284	171,673	547,366	92,556
Principal	332,447	230,504	175,043	903,289	1,106,838
Bond Issuance Costs	1,958	984	932	397	445
Advance Refunding Escrow	-	-	-	-	-
Total Expenditures	12,276,608	11,670,769	11,148,802	11,764,180	10,504,290
Excess (Deficiency) of Revenues Over Expenditures	170,267	(1,471,812)	467,866	(97,085)	211,254
Other Financing Sources (Uses)					
Bonds Issued	432,693	196,330	220,270	1,468,650	795,012
Bond Premium	56,025	28,082	9,120	-	-
Note Proceeds	80,534 ^	-	-	-	-
Refunding Bond Issue	174,990	-	490,950	-	-
Payment to Refunded Bond Escrow Agent	(72,570)	(95,290)	(498,480)	-	-
Proceeds from the Sale of Capital Assets	1,154 ^	-	-	-	-
Nonoperating Revenues (Expenditures)	-	-	-	137,964	6,885
Operating Transfers In	7,355,123	8,119,988	7,191,186	6,179,320	5,888,308
Operating Transfers Out	(8,336,960)	(9,269,658)	(7,906,532)	(6,746,776)	(6,425,666)
Total Other Financing Sources (Uses)	(309,011)	(1,020,548)	(493,486)	1,039,158	264,539
Net Change in Fund Balances	\$ (138,744)	\$ (2,492,360)	\$ (25,620)	\$ 942,073	\$ 475,793
Debt Service as a Percentage of Noncapital Expenditures	4.1%	3.2%	3.3%	12.9%	12.0%

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

SCHEDULE A-4

(Modified Accrual Basis of Accounting)

Fiscal Year			
2005	2004	2003	2002
\$ 4,122,934	\$ 3,957,290	\$ 3,366,514	\$ 3,217,911
98,114	79,069	113,421	92,360
991,789	1,069,187	639,731	163,936
499,319	370,014	302,101	275,350
229,816	190,945	88,386	85,089
3,543,855	3,474,722	3,090,476	2,792,421
233,804	173,300	139,060	497,998
9,719,631	9,314,527	7,739,689	7,125,065
852,544	343,036	272,941	359,439
175,341	173,455	199,287	163,326
374,151	291,302	208,190	478,520
178,863	164,519	154,441	148,217
12,313	11,935	22,121	11,474
359,980	325,687	330,397	312,982
87,008	79,517	73,338	96,649
3,790,976	3,639,440	3,383,743	3,042,898
2,636,367	2,610,544	2,321,789	2,258,083
-	-	-	-
-	-	-	-
-	-	-	-
371,535	364,113	563,652	392,205
125,476	133,740	246,340	92,062
1,190,529	364,460	176,328	270,071
3,870	10,597	-	-
651	7,286	-	-
10,159,604	8,519,631	7,952,567	7,625,926
(439,973)	794,896	(212,878)	(500,861)
1,535,043	1,103,469	336,653	513,880
18,977	59,904	-	-
-	-	-	-
-	437,950	-	-
(75,077)	(408,856)	-	-
-	-	-	-
-	-	-	-
5,217,701	4,697,378	4,628,455	4,195,209
(5,725,723)	(5,180,257)	(5,103,650)	(4,681,988)
970,921	709,588	(138,542)	27,101
\$ 530,948	\$ 1,504,484	\$ (351,420)	\$ (473,760)
13.4%	6.1%	5.7%	5.0%

^These are new expenditure categories beginning in fiscal year 2010.

Note: Due to changes in the State's fund structure initiated when GASB 34 was implemented, the changes in fund balance information are only available beginning in fiscal year 2002.

STATE OF NEW MEXICO

REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL FUND TYPES

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006
Revenues by Source					
Taxes	\$ 4,555,770	\$ 5,000,741	\$ 5,805,490	\$ 5,405,246	\$ 4,727,838
Licenses, Fees, and Permits	-	-	-	361,099	212,590
Interest and Other Investment Income (Loss)	5,381,994	(7,426,625)	(1,246,963)	7,108,548	4,477,484
Rentals and Royalties	-	-	-	791,019	842,823
Charges for Services	3,151,937	3,233,328	3,041,802	3,257,602	3,224,728
Intergovernmental	7,056,708	5,595,536	4,746,377	3,893,922	3,759,989
Contributions	2,205,582	2,292,863	3,803,498	1,076,626	900,114
Other Sources	327,027	250,951	361,170	669,846	407,193
Total Revenues	\$ 22,679,018	\$ 8,946,794	\$ 16,511,374	\$ 22,563,908	\$ 18,552,759
Expenditures by Function					
Legislative	\$ 25,474	\$ 27,766	\$ 22,237	\$ 22,079	\$ 14,052
Judicial	244,824	498,750	231,577	215,954	194,452
General Control	5,779,890	5,574,427	4,722,551	4,847,573	3,670,838
Regulation and Licensing	117,728	132,021	119,868	115,717	97,956
Culture, Recreation and Natural Resources	227,367	216,328	215,416	263,457	202,330
Health and Human Services	6,007,077	5,299,954	4,746,873	4,534,851	4,055,602
Public Safety	456,583	505,599	453,309	451,320	390,557
Highway and Transportation	1,007,714	939,111	999,418	1,126,085	1,027,618
Education	7,245,271	5,945,646	6,102,434	5,357,146	5,118,191
Total Expenditures	\$ 21,111,928	\$ 19,139,602	\$ 17,613,683	\$ 16,934,182	\$ 14,771,596

*As a result of adopting GASB 34, certain revenue and expenditure amounts are not comparable to years prior to 2002.

Note: The amounts above include balances from 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.

SCHEDULE B-1

FISCAL YEAR				
2005	2004	2003	2002*	2001
\$ 4,179,738	\$ 3,653,775	\$ 3,275,713	\$ 3,283,859	\$ 3,504,194
98,114	79,069	113,421	92,360	81,523
3,539,435	4,521,673	1,545,064	(1,112,306)	(1,239,950)
792,131	558,013	182,946	484,890	421,409
2,688,146	1,926,916	1,579,478	2,045,448	462,562
3,640,312	3,992,434	3,695,529	3,334,171	2,411,266
832,132	849,577	805,552	674,600	728,773
399,677	187,348	80,286	121,375	310,404
<u>\$ 16,169,685</u>	<u>\$ 15,768,805</u>	<u>\$ 11,277,989</u>	<u>\$ 8,924,397</u>	<u>\$ 6,680,181</u>
\$ 12,412	\$ 12,036	\$ 22,424	\$ 11,874	\$ 19,280
184,319	168,013	158,362	153,391	174,901
3,271,862	2,741,228	2,392,404	2,589,502	2,203,032
88,722	81,551	75,894	100,022	88,126
185,303	183,074	203,607	169,027	179,171
3,729,641	3,732,015	3,424,129	3,148,466	2,847,600
378,394	345,779	338,676	323,909	290,413
877,638	785,042	585,187	875,972	951,306
4,633,879	4,488,043	4,182,628	4,070,219	4,210,928
<u>\$ 13,362,170</u>	<u>\$ 12,536,781</u>	<u>\$ 11,383,311</u>	<u>\$ 11,442,382</u>	<u>\$ 10,964,757</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2010	2009	2008	2007	2006
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,634,367	\$ 1,831,946	\$ 1,835,572	\$ 1,840,489	\$ 1,689,838
Compensating	50,935	69,947	63,778	61,352	51,835
Tobacco (Luxury)	45,731	49,580	48,115	46,775	48,405
Alcoholic Beverage	25,593	25,837	25,093	26,726	29,340
Insurance	130,347	121,893	109,825	108,044	103,081
Fire Protection	4,995	30,809	21,109	19,929	24,589
Racing	564	614	660	1,378	362
Private Car	382	532	936	384	411
Motor Vehicle and Other Excise Tax	92,264	100,497	127,622	131,254	121,870
Gaming Tax	65,116	69,207	56,149	70,893	56,677
Leased Vehicles Gross Receipts and Surcharge	5,663	4,901	7,541	6,036	19,948
Bed Surcharge Tax	-	-	-	560	-
Gasoline Tax	1,472	(1,241)	1,957	410	-
Telecommunications Relay Surcharge	114	104	104	101	99
Boat Excise Tax	543	534	652	751	581
Franchise Receipts**	88	112	152	22	33
Total General and Selective Sales Tax	2,058,174	2,305,272	2,299,265	2,315,104	2,147,069
Income Taxes					
Gross Withholding	1,020,104	982,766	1,014,975	972,374	942,470
Final Settlements	337,782	387,901	546,498	516,122	471,952
Less:					
Transfer - Retiree Health Care	(15,935)	(14,996)	(15,704)	(9,647)	(8,453)
Transfer - PIT Suspense and Others	(384,055)	(450,902)	(344,184)	(299,375)	(373,974)
Refunds - TAA Suspense	-	(365)	(16,206)	(7,868)	(13,784)
Net Personal Income Taxes	957,896	904,404	1,185,379	1,171,606	1,018,211
Corporate Taxes	125,101	253,345	479,447	498,413	410,377
Less Refunds	-	(60,858)	(75,922)	(38,533)	(33,192)
Net Corporate Income Taxes	125,101	192,487	403,525	459,880	377,185
Estate Taxes	(1)	36	40	78	3,138
Fiduciary Taxes	(1,336)	13,650	13,011	8,597	12,960
Total Income Taxes	1,081,660	1,110,577	1,601,955	1,640,161	1,411,494
Severance Taxes					
Oil and Gas School Tax	324,544	370,354	557,332	420,254	483,240
7% Oil Conservation	16,353	18,260	24,065	19,916	22,564
Resources Excise	9,368	11,237	11,641	10,767	9,151
Natural Gas Processors	40,437	40,341	30,618	35,627	26,841
Total Severance Taxes	390,702	440,192	623,656	486,564	541,796
Total Taxes	3,530,536	3,856,041	4,524,876	4,441,829	4,100,359

** In previous years, Franchise Receipts was reported in the section License Fees under the heading Taxes and License Fees. For fiscal year 2009, this line item is properly classified as General and Selective Sales Taxes under the heading Taxes and License Fees.

SCHEDULE B-2

FISCAL YEAR					
2005	2004	2003	2002	2001	
\$ 1,512,483	\$ 1,556,015	\$ 1,340,369	\$ 1,274,281	\$ 1,253,424	
44,117	36,718	38,398	36,009	36,593	
48,477	51,828	18,318	17,985	18,422	
25,173	28,472	25,376	24,688	26,687	
95,464	102,201	53,763	50,690	44,562	
27,157	25,765	20,756	24,587	19,953	
897	1,188	1,150	1,154	1,146	
537	476	661	336	579	
118,919	115,730	111,142	106,966	97,440	
46,353	41,646	38,997	28,920	23,353	
26,018	6,556	6,067	6,362	6,352	
-	-	-	-	-	
-	-	-	-	-	
100	108	94	76	68	
219	307	366	537	574	
82	121	57	17	3	
<u>1,945,996</u>	<u>1,967,131</u>	<u>1,655,514</u>	<u>1,572,608</u>	<u>1,529,156</u>	
888,168	950,904	832,687	798,038	760,579	
446,945	420,278	346,920	460,162	326,820	
(7,623)	(7,368)	(6,017)	(5,373)	(5,068)	
(247,158)	(281,740)	(248,067)	(234,204)	(194,357)	
(6,142)	(2,684)	(1,112)	(2,207)	9,513	
<u>1,074,190</u>	<u>1,079,390</u>	<u>924,411</u>	<u>1,016,416</u>	<u>897,487</u>	
265,999	172,712	154,669	178,758	240,112	
(23,537)	(49,269)	(51,823)	(37,085)	(20,325)	
<u>242,462</u>	<u>123,443</u>	<u>102,846</u>	<u>141,673</u>	<u>219,787</u>	
4,925	8,764	28,443	21,185	24,228	
11,825	11,033	7,003	9,331	8,607	
<u>1,333,402</u>	<u>1,222,630</u>	<u>1,062,703</u>	<u>1,188,605</u>	<u>1,150,109</u>	
381,302	366,056	229,639	205,121	329,031	
17,822	16,689	11,939	10,763	16,687	
6,547	6,182	5,756	5,356	5,691	
21,728	16,513	21,077	20,270	12,111	
<u>427,399</u>	<u>405,440</u>	<u>268,411</u>	<u>241,510</u>	<u>363,520</u>	
<u>3,706,797</u>	<u>3,595,201</u>	<u>2,986,628</u>	<u>3,002,723</u>	<u>3,042,785</u>	

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2010	2009	2008	2007	2006
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 579	\$ 590	\$ 648	\$ 652	\$ 674
Corporate Filing	2,777	2,821	2,997	2,955	2,841
Alcoholic Beverages and Gaming	4,419	3,627	3,593	4,195	3,509
Financial Institutions	3,082	3,148	3,046	3,011	3,073
Corporate Special	3,512	4,883	5,393	4,014	8,339
Construction Industries	6,580	6,052	7,648	7,369	6,825
Gaming License and Permit Fees	387	420	609	302	327
Securities Receipts	17,838	17,031	16,946	15,824	14,840
Public Utilities*	10,892	11,333	9,407	10,182	8,064
Health Facilities Fees	-	-	158	172	290
Pipeline Fees	60	34	75	137	11
Motor Vehicles Miscellaneous Fees	139	159	156	146	139
Drivers Training Fees	-	-	-	-	39
State Engineers Fees	-	-	-	-	-
Total License Fees	50,265	50,098	50,676	48,959	48,971
Total Taxes and License Fees	3,580,801	3,906,139	4,575,552	4,490,788	4,149,330
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	437,128	433,497	390,484	364,697	354,156
Earnings on State Balances	22,126	67,754	114,975	87,307	77,935
Severance Tax Permanent Fund Earnings	187,072	191,292	177,172	170,973	171,798
Total Interest Earnings	646,326	692,543	682,631	622,977	603,889
Rents and Royalties					
Federal Mineral Leasing	355,302	507,229	45,085	501,124	556,541
Land Office	67,702	36,442	611,182	50,410	52,696
Total Rents and Royalties	423,004	543,671	656,267	551,534	609,237
Miscellaneous Receipts and Fees					
Miscellaneous	-	-	-	-	-
Environment Department Filing Fees	4,412	8,551	2,253	1,237	1,272
Tribal Revenue Sharing	64,118	65,385	66,560	56,158	49,520
Media Lease Payments	31	23	20	18	18
MVD Penalty Assessments	6,078	6,873	7,019	6,053	5,704
Fines and Forfeitures	7,276	8,756	9,110	8,086	8,425
Birth and Death Certificates	1,032	1,068	1,170	865	661
District Judge Receipts	1,260	1,202	1,208	1,042	986
Notary Public Fees	580	614	686	56	728

* In previous years, Public Utilities were reported in the section General Selective Sales Taxes under the heading Taxes and License Fees of this schedule. For fiscal year 2009, this line item is properly classified as section License Fees under the heading of Taxes and License Fees.

SCHEDULE B-2 (Continued)

FISCAL YEAR				
2005	2004	2003	2002	2001
\$ 728	\$ 623	\$ 440	\$ 485	\$ 610
2,810	2,651	2,540	2,239	2,402
3,541	4,075	3,480	3,471	4,105
2,845	2,585	2,288	2,123	2,029
4,070	4,620	4,356	4,267	7,319
6,800	6,432	4,881	4,846	6,315
322	267	246	263	306
13,830	16,273	12,307	12,454	12,749
8,923	8,320	7,347	8,326	4,521
175	271	329	391	75
38	55	56	71	54
142	141	123	124	402
41	46	27	31	18
-	-	-	110	-
<u>44,265</u>	<u>46,359</u>	<u>38,420</u>	<u>39,201</u>	<u>40,905</u>
<u>3,751,062</u>	<u>3,641,560</u>	<u>3,025,048</u>	<u>3,041,924</u>	<u>3,083,690</u>
350,285	292,235	275,684	258,049	234,280
34,386	25,374	40,504	67,162	98,707
173,249	172,434	170,955	159,183	144,650
<u>557,920</u>	<u>490,043</u>	<u>487,143</u>	<u>484,394</u>	<u>477,637</u>
445,004	334,883	268,366	229,323	374,464
42,044	22,061	20,727	19,919	31,239
<u>487,048</u>	<u>356,944</u>	<u>289,093</u>	<u>249,242</u>	<u>405,703</u>
-	-	-	130	-
1,181	1,492	1,449	2,300	342
41,263	58,634	33,096	107,339	53
19	18	19	-	-
5,894	5,933	6,597	6,081	5,753
8,243	8,041	8,443	8,223	8,605
576	572	709	533	561
1,032	986	968	978	1,173
721	783	751	808	574

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years

(In Thousands)

	FISCAL YEAR				
	2010	2009	2008	2007	2006
REVENUES (CONTINUED)					
Other Revenue Sources (Continued)					
Miscellaneous Receipts and Fees (Continued)					
Court of Appeals	\$ -	\$ -	\$ -	\$ -	\$ -
Legislative Receipts	29	54	44	59	38
Workmen's Compensation Fees	-	70	80	67	10
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	9,920	6,953	6,699	6,838	8,593
Small County Assistance	-	4,013	7,943	-	-
Supreme Court Fees	-	-	-	-	-
Unclaimed Property	11,757	13,538	-	12,291	12,501
Public Defender Reimbursement	429	533	430	404	389
Small Cities Assistance	1,546	-	-	-	-
Total Miscellaneous Receipts and Fees	108,468	117,633	103,222	93,174	88,845
Other Revenues					
Miscellaneous Nonrecurring	55,039	33,942	45,024	51,210	42,209
Transfers - Reversions	394,354	331,995	66,000	38,880	45,030
Total Other Revenues	449,393	365,937	111,024	90,090	87,239
Total Other Revenue Sources	1,627,191	1,719,784	1,553,144	1,357,775	1,389,210
Total Revenues	\$ 5,207,992	\$ 5,625,923	\$ 6,128,696	\$ 5,848,563	\$ 5,538,540

SCHEDULE B-2 (Continued)

FISCAL YEAR				
2005	2004	2003	2002	2001
\$ -	\$ -	\$ -	\$ -	\$ 566
59	44	61	40	65
21	2	29	-	39
-	-	-	-	-
7,042	-	669	1,096	339
1,563	1,669	2,561	3,170	2,714
-	-	-	-	2
13,456	7,463	6,201	7,415	4,823
595	260	223	207	192
447	371	1,851	559	1,357
82,112	86,268	63,627	138,879	27,158
44,653	4,896	93	-	-
82,589	45,984	50,340	42,119	-
127,242	50,880	50,433	42,119	-
1,254,322	984,135	890,296	914,634	910,498
\$ 5,005,384	\$ 4,625,695	\$ 3,915,344	\$ 3,956,558	\$ 3,994,188

STATE OF NEW MEXICO

REVENUE BASE

Last Nine Fiscal Years
(In Thousands)

	Calendar Year				
	2010 ²	2009, as Restated	2008	2007	2006
Taxable Gross Receipts					
Agriculture, Forestry and Fishing	\$ 51,681	62,842	\$ 83,216	\$ 84,941	\$ 81,043
Mining	1,860,940	1,866,669	2,473,548	2,162,156	2,063,727
Construction	3,982,945	6,019,441	7,407,837	7,546,822	7,402,413
Manufacturing	1,038,527	1,110,799	1,340,101	1,373,810	1,296,135
Transportation	546,715	625,733	646,162	577,428	500,233
Communications and Utilities	3,445,649	3,470,163	3,396,282	3,298,025	3,166,151
Wholesale Trade	1,573,254	1,926,673	2,632,017	2,583,579	2,702,003
Retail Trade	9,292,428	11,883,094	12,610,702	12,884,778	11,826,522
Finance, Insurance and Real Estate	784,486	1,107,662	1,106,311	1,198,885	1,047,208
Services and Other	14,674,794	21,364,218	18,953,106	17,201,063	16,085,796
Public Administration	151,857	180,217	191,262	521,733	460,533
Total Taxable Gross Receipts	\$ 37,403,276	49,617,511	\$ 50,840,544	\$ 49,433,220	\$ 46,631,764
State Gross Receipts Tax Rate	5.3%	5.0%	5.0%	5.0%	5.0%
Personal Income by Industry					
Federal Civilian	\$ 3,395	3,166	\$ 2,999	\$ 2,900	\$ 2,768
Federal Military	1,447	1,250	1,087	1,129	1,125
State and Local Government	8,643	8,678	7,660	7,497	7,584
Farm Earnings	1,034	575	812	581	414
Forestry, Fishing, and Related Activities	115	108	112	124	127
Mining	2,040	1,891	2,037	1,904	1,820
Utilities	460	468	431	395	372
Construction	2,651	2,840	3,390	3,050	3,102
Manufacturing	2,197	2,094	2,341	2,658	2,468
Wholesale Trade	1,482	1,426	1,565	1,442	1,373
Retail	3,219	3,190	3,442	3,194	3,053
Transportation and Warehousing	1,221	1,220	1,346	1,249	1,201
Information	862	1,220	914	865	834
Financial, Insurance, Real Estate, Rental, and Leasing	2,036	2,065	2,211	2,316	2,250
Services	9,215	9,077	11,367	9,181	8,906
Other ¹	27,694	27,407	24,370	21,164	20,734
Total Personal Income	\$ 67,711	66,675	\$ 66,084	\$ 59,649	\$ 58,131
Highest Income Tax Rate	4.9%	4.9%	4.9%	5.3%	5.3%

¹Other personal income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deduction for social insurance contributions.

²Data available as of October 2010 for taxable gross receipts and as September 2010 for personal Income by industry.

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version, <http://www.tax.state.nm.us/pubs/rp806d.htm>
Department of Commerce Bureau of Regional Economic Analysis, Report SA05,
<http://www.bea.gov/regional/spi/default.cfm?satable=SA05N&series=NAICS>

Note: 2009 Personal income by industry information was updated as of December 2010.

Note: Taxable gross receipts and personal income by industry are only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE B-3

Calendar Year			
2005	2004	2003	2002
\$ 83,895	\$ 73,783	\$ 66,610	\$ 62,817
1,626,594	1,238,262	1,089,119	1,098,102
6,038,563	5,299,913	4,585,905	4,202,590
1,058,988	964,158	795,101	841,759
399,323	291,512	226,665	605,369
2,953,396	2,740,597	2,362,770	1,894,213
2,419,634	2,184,839	1,982,751	1,694,814
11,067,204	12,511,302	11,791,656	11,381,575
955,373	847,706	756,685	751,295
14,679,218	14,195,843	13,445,195	12,677,159
469,556	452,731	344,280	450,910
<u>\$ 41,751,744</u>	<u>\$ 40,800,646</u>	<u>\$ 37,446,737</u>	<u>\$ 35,660,603</u>
5.0%	5.0%	5.0%	5.0%
\$ 2,580	\$ 2,451	\$ 2,254	\$ 2,185
1,125	1,115	1,036	931
7,692	7,264	6,788	6,399
659	681	528	498
120	114	113	115
1,477	1,258	1,230	1,115
360	338	305	295
2,776	2,456	2,239	2,113
2,264	2,188	2,117	2,090
1,249	1,161	1,100	1,096
2,940	2,824	2,711	2,633
1,125	1,056	929	904
753	725	733	741
2,150	2,036	1,932	1,900
7,827	7,403	6,934	6,549
18,896	16,743	15,701	15,421
<u>\$ 53,993</u>	<u>\$ 49,813</u>	<u>\$ 46,650</u>	<u>\$ 44,985</u>
5.7%	6.8%	7.7%	8.2%

STATE OF NEW MEXICO

REVENUE PAYERS BY INDUSTRY – TAXABLE SALES, SERVICES, AND USE TAX PURCHASES

SCHEDULE B-4

Most Current Calendar Year and Historical Comparison
(In Thousands)

	Calendar Year 2002				Calendar Year 2010 ¹			
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total
Agriculture, Forestry and Fishing	3,853	0.6%	\$ 62,817	0.2%	3,952	0.4%	\$ 51,681	0.1%
Mining	5,085	0.7%	1,098,102	3.1%	7,664	0.8%	1,860,940	5.0%
Construction	77,931	11.2%	4,202,590	11.8%	94,042	9.8%	3,982,945	10.6%
Manufacturing	29,293	4.2%	841,759	2.4%	36,834	3.9%	1,038,527	2.8%
Transportation	13,791	2.0%	605,369	1.7%	13,331	1.4%	546,715	1.5%
Communications and Utilities	8,718	1.2%	1,894,213	5.3%	61,420	6.4%	3,445,649	9.2%
Wholesale Trade	34,377	4.9%	1,694,814	4.8%	54,639	5.7%	1,573,254	4.2%
Retail Trade	142,234	20.4%	11,381,575	31.9%	190,156	19.9%	9,292,428	24.8%
Finance, Insurance and Real Estate	22,155	3.2%	751,295	2.1%	44,167	4.6%	784,486	2.1%
Services and Other	358,349	51.4%	12,677,159	35.5%	448,553	46.9%	14,674,794	39.2%
Public Administration	2,010	0.2%	450,910	1.2%	908	0.2%	151,857	0.5%
Total Number of Outlets and Total Taxable Gross Revenues	<u>697,796</u>	<u>100.0%</u>	<u>\$ 35,660,603</u>	<u>100.0%</u>	<u>955,666</u>	<u>100.0%</u>	<u>\$ 37,403,276</u>	<u>100.0%</u>
State Gross Receipts Tax Rate	5.0%			5.3%				

¹Data available as of October 2010

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version, <http://www.tax.state.nm.us/pubs/rp806d.htm>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

Note: Revenue payers by industry are only available beginning with fiscal year 2002 when the State implemented GASB 34.

STATE OF NEW MEXICO

REVENUE PAYERS – PERSONAL INCOME TAX

SCHEDULE B-5

Most Current Calendar Year and Historical Comparison
(Dollars, Except for Income Level, in Thousands)

Income Level	2002				2008*			
	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total
\$200,000 and higher	8,097	1.0%	\$ 876,946	26.0%	17,028	1.8%	\$ 1,724,643	37.8%
\$100,000 - \$199,999	36,026	4.5%	781,752	23.2%	68,629	7.4%	1,198,608	26.3%
\$75,000 - \$99,999	43,361	5.4%	475,407	14.1%	65,298	7.0%	543,243	11.9%
\$50,000 - \$74,999	91,317	11.3%	562,587	16.7%	113,258	12.3%	566,602	12.4%
\$49,999 and lower	626,050	77.8%	679,431	20.0%	659,218	71.5%	525,015	11.6%
Total	804,851	100.0%	\$ 3,376,123	100.0%	923,431	100.0%	\$ 4,558,111	100.0%

*At the time of the issuance of the 2010 New Mexico State CAFR, the 2009 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, <http://www.irs.gov/taxstats/article/0,,id=171535.00.html>

STATE OF NEW MEXICO

PERSONAL INCOME TAX RATES

Last Nine Fiscal Years

SCHEDULE B-6

Year	Top Tax Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Effective Rate, As Restated
		Single	Married Filing Jointly	Head of Household	
2010	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
2009*	4.9%	16,000	24,000	24,000	3.4%
2008	4.9%	16,000	24,000	24,000	1.7%
2007	5.3%	16,000	24,000	24,000	1.8%
2006	5.3%	16,000	24,000	24,000	1.6%
2005	5.7%	16,000	24,000	24,000	2.2%
2004	6.8%	26,000	40,000	33,000	2.1%
2003	7.7%	42,000	64,000	53,000	2.6%
2002	8.2%	65,000	100,000	83,000	N/A

*Only partial data was available at time of publication of the New Mexico Comprehensive Annual Financial Report

Source: New Mexico Department of Taxation and Revenue, Income Tax Facts annual publications,
<http://www.tax.state.nm.us/pubs/TaxreseStat/personal.htm>

Note: Personal income tax rates are only available beginning with fiscal year 2002 when the State implemented GASB 34.

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STATE OF NEW MEXICO

Ratios of Outstanding Debt by Type

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, As Restated	2008, As Restated	2007	2006
Governmental Activities					
General Obligation	\$ 398,580	\$ 453,730	\$ 388,318	\$ 371,129	\$ 273,280
Enhanced E-911 Revenue Bonds	-	-	-	745	1,455
Severance Tax Bonds	964,525	626,715	738,687	669,686	577,935
Revenue Bonds	1,629,402	1,707,996	1,790,900	1,829,528	1,453,057
Total Government	<u>2,992,507</u>	<u>2,788,441</u>	<u>2,917,905</u>	<u>2,871,088</u>	<u>2,305,727</u>
Business-type Activities					
Revenue Bonds	863,061	802,924	833,836	699,319	719,799
NMFA Bonds	1,196,530	1,094,765	1,166,862	810,183	730,391
NMMFA Bonds	1,421,604	1,362,528	1,046,225	1,491,035	1,290,949
Capital Leases	248	2,025	1,711	2,330	2,713
Total Primary Government	<u>3,481,443</u>	<u>3,262,242</u>	<u>3,048,634</u>	<u>3,002,867</u>	<u>2,743,852</u>
Total Debt	<u>\$ 6,473,950</u>	<u>\$ 6,050,683</u>	<u>\$ 5,966,539</u>	<u>\$ 5,873,955</u>	<u>\$ 5,049,579</u>
New Mexico Personal Income	\$ 69,435,000	\$ 65,648,333	\$ 66,337,250	\$ 62,001,991	\$ 58,131,416
Debt as a Percentage of Personal Income	9.3%	9.2%	9.0%	9.5%	8.7%
New Mexico Population	2,059	2,010	1,984	2,059	2,014
General Obligation Debt Per Capita	\$ 194	\$ 226	\$ 196	\$ 180	\$ 136
Total Long-Term Debt Per Capita	\$ 3,144	\$ 3,010	\$ 3,007	\$ 2,853	\$ 2,507

Source: State of New Mexico Comprehensive Annual Financial Report for outstanding bonded and non-bonded debt.

Note: See Schedule for Demographics and Economic Statistics for personal income and population data. Ratios are calculated based upon personal income and population, which are reported for the prior calendar year.

Note: In the past, we were using total debt to calculate our ratios; starting 2009, we are using outstanding debt to do ratio calculation; therefore, we are changing prior year numbers to reflect the change.

Note: Outstanding debt by type is only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE C-1

Fiscal Year			
2005	2004	2003	2002
\$ 315,925	\$ 246,375	\$ 287,310	\$ 200,287
2,130	2,775	3,390	3,980
512,180	486,840	473,405	416,311
<u>1,559,535</u>	<u>1,696,603</u>	<u>841,781</u>	<u>891,465</u>
<u>2,389,770</u>	<u>2,432,593</u>	<u>1,605,886</u>	<u>1,512,043</u>
594,685	354,639	341,259	298,802
594,734	399,059	397,368	322,541
1,324,844	1,244,522	1,195,039	1,228,013
<u>3,042</u>	<u>2,882</u>	<u>3,433</u>	<u>5,483</u>
<u>2,517,305</u>	<u>2,001,102</u>	<u>1,937,099</u>	<u>1,854,839</u>
<u>\$ 4,907,075</u>	<u>\$ 4,433,695</u>	<u>\$ 3,542,985</u>	<u>\$ 3,366,882</u>
\$ 53,992,896	\$ 49,813,042	\$ 46,650,275	\$ 44,986,517
9.1%	8.9%	7.6%	7.5%
1,969	1,930	1,900	1,876
\$ 160	\$ 128	\$ 151	\$ 107
\$ 2,492	\$ 2,297	\$ 1,865	\$ 1,795

STATE OF NEW MEXICO

OTHER LONG-TERM LIABILITIES

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, As Restated	2008, As Restated	2007	2006
Governmental Activities					
General Obligation Bonds, Net	\$ 423,854	\$ 481,812	\$ 388,318	\$ 371,874	\$ 273,280
Severance Tax Bonds	1,020,550	626,715	738,687	669,686	577,935
Revenue Bonds	1,647,617	1,729,205	1,790,900	1,829,528	1,453,057
Notes Payable	124,205	43,781	2,943	-	-
Claims and Judgments	222,821	217,426	238,714	44,826	48,466
Reserve for Losses	-	-	-	13,305	13,743
Compensated Absences	73,483	73,757	68,898	62,658	60,194
Pollution Remediation Obligation	86,289	7,992	8,813	-	-
Other	501	100	251	75,393	63,318
Total Governmental Activities	<u>3,599,320</u>	<u>3,180,788</u>	<u>3,237,524</u>	<u>3,067,270</u>	<u>2,489,993</u>
Business-type Activities					
Revenue Bonds, Net	866,692	809,215	833,836	699,453	719,799
Capital Leases	238	2,075	1,711	2,330	2,713
Compensated Absences	80,404	87,747	67,466	61,211	57,648
Reserve for Losses	63,901	70,286	63,090	-	-
Other	65,364	50,538	29,705	97,657	95,072
Total Business-type Activities	<u>1,076,599</u>	<u>1,019,861</u>	<u>995,808</u>	<u>860,651</u>	<u>875,232</u>
Total Primary Government					
Other Long-term Liabilities	<u>\$ 4,675,919</u>	<u>\$ 4,200,649</u>	<u>\$ 4,233,332</u>	<u>\$ 3,927,921</u>	<u>\$ 3,365,225</u>

Note: Details regarding the liabilities listed above can be found in Note 2.E Changes in Long-term Liabilities in the financial statements.

Note: Other long-term liability information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE C-2

Fiscal Year			
2005	2004	2003	2002
\$ 315,925	\$ 246,375	\$ 287,310	\$ 200,287
512,180	486,840	473,405	416,311
1,559,535	1,696,603	841,781	891,465
-	-	-	-
44,666	37,000	36,555	36,043
71,466	51,157	43,613	38,753
56,040	54,006	51,968	52,270
-	-	-	-
7,155	65,322	116,060	123,471
<u>2,566,967</u>	<u>2,637,303</u>	<u>1,850,692</u>	<u>1,758,600</u>
594,685	354,639	341,259	298,561
3,042	2,882	3,433	5,483
49,118	48,159	42,699	65,669
-	-	-	-
27,366	30,844	51,979	104,108
<u>674,211</u>	<u>436,524</u>	<u>439,370</u>	<u>473,821</u>
<u>\$ 3,241,178</u>	<u>\$ 3,073,827</u>	<u>\$ 2,290,062</u>	<u>\$ 2,232,421</u>

STATE OF NEW MEXICO

LEGAL DEBT MARGIN

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009, As Restated	2008	2007	2006
Net Taxable Value of Property	\$ 55,046,209	\$ 50,463,804	\$ 47,261,516	\$ 42,985,028	\$ 38,910,768
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	550,462	504,638	472,615	429,850	389,108
General Obligation Bonds	398,580	453,730	388,318	371,874	274,735
Enhanced E-911 Bonds	-	-	-	762	1,521
Total General Debt Outstanding	398,580	453,730	388,318	372,636	276,256
Legal Debt Margin	\$ 151,882	\$ 50,908	\$ 84,297	\$ 57,214	\$ 112,852
Legal Debt Margin as a Percentage of the Debt Limit	27.6%	10.1%	17.8%	13.3%	29.0%

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's comprehensive annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division Financial and Property Tax Data by County and Municipality. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule. The legal debt margin is the remaining from the legal debt limit as calculated per regulation requirements. The *Constitution of the State of New Mexico* Article IX, Section 8 limits the State's outstanding general debt to a maximum of 1.0 percent of the net taxable value of all property subject to taxation within the State.

Note: Net taxable value of property and legal debt margin information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE C-3

Fiscal Year			
2005	2004	2003	2002
\$ 35,890,023	\$ 32,149,435	\$ 31,750,454	\$ 30,901,933
1.0%	1.0%	1.0%	1.0%
<u>358,900</u>	<u>321,494</u>	<u>317,505</u>	<u>309,019</u>
318,055	249,150	290,700	204,267
2,277	3,032	3,785	4,543
<u>320,332</u>	<u>252,182</u>	<u>294,485</u>	<u>208,810</u>
<u>\$ 38,568</u>	<u>\$ 69,312</u>	<u>\$ 23,020</u>	<u>\$ 100,209</u>
10.7%	21.6%	7.3%	32.4%

STATE OF NEW MEXICO

PLEDGED REVENUE BOND COVERAGE

SCHEDULE C-4

Last Nine Fiscal Years
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service (Total Debt Outstanding)		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2010	\$ 353,559	\$ 964,525	\$ 188,848	30.7%
2009	550,222	688,480	133,643	66.9%
2008	573,595	626,715	118,654	77.0%
2007	1,097,517	669,686	117,345	139.5%
2006	996,911	577,935	105,736	145.8%
2005	817,872	512,180	91,120	135.6%
2004	629,339	486,840	89,988	109.1%
2003	614,828	473,405	86,620	109.8%
2002	463,859	416,311	80,497	93.4%
Highway Infrastructure Bonds				
2010	\$ 719,811	\$ 1,608,115	\$ 762,853	30.4%
2009	726,430	1,687,175	846,881	28.7%
2008	5,558,581	1,761,675	835,250	214.0%
2007	5,558,581	1,432,834	602,912	273.0%
2006	4,857,704	1,424,629	599,736	240.0%
2005	5,095,626	1,504,043	668,971	234.5%
2004	3,352,441	1,576,463	740,558	144.7%
2003	2,766,794	928,280	297,300	225.8%
2002	2,452,589	982,060	343,579	185.0%
Energy and Minerals Bonds				
2010	\$ 2,578	\$ 16,710	\$ 3,917	12.5%
2009	3,730	17,373	4,934	16.7%
2008	4,085	18,825	5,451	16.8%
2007	3,911	20,223	6,316	14.7%
2006	4,369	21,574	7,222	15.2%
2005	3,527	22,890	8,009	11.4%
2004	3,064	24,161	8,680	9.3%
2003	3,416	17,750	7,668	13.4%
2002	3,092	18,603	8,579	11.4%

Source: New Mexico Taxation and Revenue Department, Financial Distributions Bureau
 New Mexico Department of Finance and Administration, Board of Finance
 New Mexico Department of Transportation audited financial statements
 New Mexico Energy, Minerals and Natural Resources audited financial statements
 New Mexico Department of Finance and Administration, Administrative Services Division

Note: Pledged revenue information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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STATE OF NEW MEXICO

STATUTORY DEBT LIMIT

Last Nine Fiscal Years
(In Thousands)

	Fiscal Year				
	2010	2009	2008	2007	2006
Annual Deposits into Severance Tax Bonding Fund	374,228	\$ 550,222	\$ 573,595	\$ 508,508	\$ 532,386
50.0% of Annual Deposits	187,114	275,111	286,798	254,254	266,193
Statutory Debt Limit Amount	<u>187,114</u>	<u>275,111</u>	<u>286,798</u>	<u>254,254</u>	<u>266,193</u>
Annual Bond Servicing Amount	<u>174,043</u>	<u>203,150</u>	<u>200,633</u>	<u>93,005</u>	<u>107,154</u>
Statutory Debt Margin Amount	<u>13,071</u>	<u>\$ 71,961</u>	<u>\$ 86,165</u>	<u>\$ 161,249</u>	<u>\$ 159,039</u>
Statutory Debt Margin as a Percentage of Debt Limit	7.0%	26.2%	30.0%	63.4%	59.7%

Source: New Mexico Office of the State Treasurer audited financial statements
State of New Mexico continuing disclosure annual financial information filing/New Mexico Board of Finance

Note: Statutory Debt Limit information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE C-5

Fiscal Year			
2005	2004	2003	2002
\$ 405,541	\$ 319,337	\$ 257,157	\$ 246,046
<u>202,771</u>	<u>159,669</u>	<u>128,579</u>	<u>123,023</u>
<u>202,771</u>	<u>159,669</u>	<u>128,579</u>	<u>123,023</u>
<u>87,348</u>	<u>86,869</u>	<u>80,751</u>	<u>77,016</u>
<u>\$ 115,423</u>	<u>\$ 72,800</u>	<u>\$ 47,828</u>	<u>\$ 46,007</u>
56.9%	45.6%	37.2%	37.4%

STATE OF NEW MEXICO

DEMOGRAPHIC AND ECONOMIC INDICATORS

SCHEDULE D-1

Last Nine Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling (Pop=25 Yrs & >)	Public School Enrollment
2010	2,059,179	\$ 69,435,000,000	\$ NA	NA	N/A	330,142
2009	2,009,671	66,745,000,000	33,212	35.5	12.35	323,882
2008	1,984,356	66,337,250,000	33,430	35.8	12.34	329,261
2007	2,059,075	62,001,991,000	31,474	35.7	12.33	326,525
2006	2,014,006	58,131,416,000	29,929	35.3	12.31	321,663
2005	1,969,291	53,992,896,000	28,175	36.1	12.31	320,452
2004	1,929,713	49,813,042,000	26,326	35.7	12.26	315,543
2003	1,899,846	46,650,275,000	24,945	35.4	12.23	313,037
2002	1,876,287	44,986,517,000	24,310	35.1	12.20	312,209

Source: Population, Personal Income, Per Capita Personal Income and Median Age provided through the New Mexico Bureau of Business and Economic Research, University of New Mexico. Education level in years of schooling sourced from the U.S. Census Bureau. School enrollment provided by the New Mexico Department of Finance and Administration, Office of Education and Accountability.

Note: Personal Income data as of 2010, 3rd quarter.
2010 population data is through April 2010

Note: Demographic and economic indicators information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

STATE OF NEW MEXICO

PRINCIPAL EMPLOYERS

SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2002			Calendar Year 2009		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Wal-Mart Associates	11,269	1	1.5%	14,877	1	1.7%
Sandia Corporation/Lockheed Martin Corporation	7,928	2	1.1%	10,200	2	1.1%
Presbyterian Healthcare	5,671	3	0.8%	9,000	3	1.0%
Intel Corporation	5,196	4	0.7%	3,000	7	0.3%
Lovelace Health Systems	3,224	5	0.4%	3,500	6	0.4%
University of New Mexico Hospital	N/A	N/A	N/A	5,797	4	0.7%
Atlas Resources	2,997	6	0.4%	N/A	N/A	N/A
Public Service Company of New Mexico	2,325	7	0.3%	3,864	5	0.4%
Albertsons	2,264	8	0.3%	N/A	N/A	N/A
Ladera Nursing	2,137	9	0.3%	N/A	N/A	N/A
Smith's Food and Drugs	2,129	10	0.3%	2,441	8	0.3%
St. Vincent Regional Medical Center	N/A	N/A	N/A	2,010	9	0.2%
T-Mobile	N/A	N/A	N/A	1,500	10	0.2%
Total Employees of Principal Employers	45,140		6.1%	56,189		6.2%

Source: 2010 Book of Business List

Wal-Mart's corporate web page <http://walmartstores.com/FactsNews/StateByState.aspx?st=NM>

Smith's Food and Drugs Corporate Human Resources Department

Note: Data for 2010 was not available at the time of publication of the 2010 State of New Mexico CAFR

Note: Number of employees is based on a calendar year average.

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

Last Nine Fiscal Years
(In Millions)

	Calendar Year				
	2010	2009, as Restated	2008, as Restated	2007	2006
Nonagricultural Jobs					
Government	192,746	189,470	187,723	186,955	183,436
Mining	17,834	17,581	21,078	19,347	18,624
Construction	43,509	47,731	57,356	59,966	59,191
Manufacturing	28,693	30,013	35,035	37,606	37,659
Trade, Transportation and Utilities	130,652	134,337	143,162	142,935	139,875
Information	14,720	14,721	15,970	17,327	15,859
Financial Activity	21,813	22,144	33,350	33,822	33,870
Professional and Business Services	109,360	112,599	108,484	109,233	102,361
Education and Health Services	108,458	106,613	102,859	99,639	96,060
Leisure and Hospitality	83,079	84,167	86,625	89,249	86,621
Other Services	20,810	21,413	22,846	21,869	21,817
Total Nonagricultural Jobs	771,674	780,789	814,488	817,948	795,373
Civilian Labor Force	961,006	956,124	959,458	863,518	846,790
Total Employed	879,921	887,667	919,466	830,424	807,063
Unemployed	81,084	68,457	39,992	33,094	39,727
Unemployment Rate	7.0%	7.2%	4.2%	3.5%	4.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics Data, <http://www.data.bls.gov>

Note: Employment information is available as of October of the same year.

Note: Composition of labor force information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE D-3

Calendar Year			
2005	2004	2003	2002
181,088	178,280	175,067	171,687
16,860	15,010	14,221	13,945
54,356	50,301	47,166	45,746
36,306	35,870	36,472	38,365
138,417	136,223	134,167	133,918
14,651	14,816	15,906	16,864
33,617	33,171	32,643	32,452
92,472	89,996	88,553	89,033
93,236	90,856	86,713	82,116
83,763	82,443	81,447	80,051
21,362	21,133	20,802	20,293
<u>766,128</u>	<u>748,099</u>	<u>733,157</u>	<u>724,470</u>
826,405	812,365	798,594	785,739
778,233	760,449	745,935	737,418
48,172	51,916	52,659	48,321
5.3%	5.8%	5.9%	5.5%

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT

Last Ten Fiscal Years

	Academic Year				
	2010-11	2009-10	2008-09	2007-08	2006-07
Eastern New Mexico University	6,523	5,639	4,300	4,180	8,863
Highlands University	4,723	4,688	3,524	3,457	3,726
New Mexico Institute of Mining and Technology	2,420	2,550	1,912	1,844	1,868
New Mexico State University	21,566	20,411	17,200	16,726	27,507
Northern New Mexico College ²	3,256	3,717	3,303	N/A	2,250
University of New Mexico	31,902	30,156	25,820	25,749	32,506
Western New Mexico University	4,429	4,052	2,820	2,727	2,738
Total All Four-Year Institutions	74,819	71,213	58,879	54,683	79,458

	Academic Year				
	2010-11	2009-10	2008-09	2007-08	2006-07
Albuquerque Technical Vocational Institute ¹	N/A	N/A	N/A	N/A	N/A
Central New Mexico Community College ¹	43,099	38,842	35,553	34,722	23,607
Clovis Community College	6,943	6,198	5,876	5,703	3,652
Luna Community College	2,854	2,970	3,078	2,870	1,807
Mesalands Community College	1,877	1,783	1,431	1,137	692
New Mexico Junior College	5,259	4,887	4,691	4,553	3,106
New Mexico Military Institute	607	549	564	588	513
Northern New Mexico College ²	N/A	N/A	N/A	N/A	N/A
San Juan Community College	18,308	20,736	17,050	15,541	9,941
Santa Fe Community College	9,806	9,397	9,040	8,960	5,450
Total All Two-Year Institutions	88,753	85,362	77,283	74,074	48,768
Total All Institutions	163,572	156,575	136,162	128,757	128,226

¹Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

²In the 2005 - 2006 year, Northern New Mexico College was accredited as a four-year institution

Source: New Mexico Higher Education Department, Condition of Higher Education in New Mexico Report, <http://hed.state.nm.us/content.asp?CustComKey=193252&CategoryKey=193253&pn=Page&DomName=hed.state.nm.us>
 NM Council of University Presidents, Annual Performance Effectiveness Report, <http://www.unm.edu/~cup/Reports.htm>

Note: Public higher education enrollment information is only available beginning with academic year 2001-2002 when the State implemented GASB 34.

SCHEDULE D-4

Academic Year				
2005-06	2004-05	2003-04	2002-03	2001-02
8,945	8,914	7,973	7,332	7,083
3,484	3,551	3,207	3,024	3,190
1,888	1,829	1,800	1,747	1,562
26,902	26,645	25,757	24,305	23,485
2,196	N/A	N/A	N/A	N/A
33,108	33,614	32,953	32,102	30,505
2,844	2,858	2,982	2,551	2,441
<u>79,367</u>	<u>77,411</u>	<u>74,672</u>	<u>71,061</u>	<u>68,266</u>

Academic Year				
2005-06	2004-05	2003-04	2002-03	2001-02
N/A	22,927	22,002	20,017	18,880
24,057	N/A	N/A	N/A	N/A
3,937	4,195	4,126	3,763	3,807
2,034	2,041	1,655	1,651	1,394
648	574	498	407	474
3,104	3,546	3,280	3,258	3,222
493	483	435	458	508
N/A	2,121	1,822	1,961	1,879
8,993	9,128	7,585	6,604	6,001
5,412	5,170	4,405	4,470	4,095
<u>48,678</u>	<u>50,185</u>	<u>45,808</u>	<u>42,589</u>	<u>40,260</u>
<u>128,045</u>	<u>127,596</u>	<u>120,480</u>	<u>113,650</u>	<u>108,526</u>

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Nine Fiscal Years

	Fiscal Year				
	2010	2009	2008	2007	2006
General Government					
Government Operations	1,314.3	1,315.3	1,311.3	1,231.1	1,220.8
Taxation and Revenue	1,280.0	1,206.0	1,241.7	1,124.7	1,109.7
Human Services and Youth Corrections	4,404.6	4,325.1	4,375.1	4,100.1	3,985.1
Adult Corrections	2,538.5	2,538.5	2,538.5	2,473.5	2,326.0
Public Safety	1,578.5	1,574.5	1,595.6	1,520.1	1,476.1
State Courts	3,502.5	3,477.0	3,481.0	3,175.3	2,988.3
Health and Environment					
Department of Health	4,182.0	4,138.0	4,141.0	4,065.5	4,014.5
Department of Environment	720.5	720.5	720.5	664.5	647.5
Miners Colfax Community Hospital	225.0	225.0	225.0	225.0	225.0
Employment and Family Services	698.5	696.5	696.5	674.0	672.0
Natural Resources	1,001.3	993.3	1,041.3	1,002.8	957.7
Cultural Affairs	572.0	551.0	586.0	565.5	561.5
Business, Labor and Agriculture	1,910.7	1,955.3	1,960.1	2,110.2	1,893.7
Education	435.2	423.2	427.8	391.8	386.3
Transportation	2,756.5	2,756.5	2,756.5	2,673.5	2,673.5
Total Full-Time Equivalent State Employees	27,120.1	26,895.7	27,097.9	25,997.6	25,137.7
Change	0.8%	(0.8)%	4.1%	3.3%	3.0%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation, <http://legis.state.nm.us/lcs/lfbudget.asp>

Note: During 2006, Adult Protective Services Division was moved to Aging and Long-Term Services Department from Children, Youth, and Families Department.

Note: Information on Full-time equivalent state employees by function information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

SCHEDULE E-1

Fiscal Year			
2005	2004	2003	2002
1,245.3	1,189.6	1,173.3	1,169.0
1,010.7	987.7	987.7	1,008.1
3,779.8	3,776.3	3,781.4	3,854.9
2,295.0	2,287.0	2,231.5	2,254.0
1,449.5	1,384.0	1,376.0	1,300.0
2,905.8	2,844.0	2,746.2	2,694.4
3,866.8	3,904.3	3,848.1	3,666.0
640.5	640.5	642.5	630.5
225.0	225.0	215.0	216.0
651.5	650.2	648.2	647.2
870.7	863.7	858.4	855.5
555.0	557.4	536.3	540.0
1,874.4	1,873.3	1,863.9	1,897.2
333.9	316.7	289.9	288.9
<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>	<u>2,675.5</u>
<u>24,377.4</u>	<u>24,173.2</u>	<u>23,871.9</u>	<u>23,697.2</u>
<u>0.8%</u>	<u>1.2%</u>	<u>0.7%</u>	<u>3.5%</u>

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Seven Fiscal Years

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Five-Year Annualized) ^{5 7}	81 st	49 th	49 th	41 st	82 nd
% Decrease in Workers' Compensation Claims ⁵	7%	14%	1%	21%	9%
Projected Financial Position of Workers' Comp Liability Funds (\$ Millions)	(26)	(28)	(29)	(25)	(23)
# of Newly Registered Voters ^{5 7}	25,520	129,062	71,971	45,907	46,614
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{5 6}	55%	51%	49%	37%	34%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{5 6}	91%	91%	89%	89%	87%
% of Delinquent Property Tax Accounts Resolved ^{5 6}	N/A ¹	N/A ¹	38%	66%	62%
Amount of Delinquent Property Tax Collected and Distributed to Counties (\$ Millions)	5.3	4.5	N/A	N/A	N/A
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{5 7}	434,061	437,495	742,395	740,931	693,583
Nursing Licenses Issued ^{5 7}	NA	13,897	13,930	13,281	11,885
Tri-Annual Physician Licenses Issued ^{5 7}	2,403	3,546	3,508	2,831	3,010
Biennial Physician Assistant Licenses Issued ^{5 7}	230	277	262	245	221
Annual Veterinarian Licenses Issued ^{5 7}	1,083	1,058	1,041	1,038	1,019
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7}	18,013	23,453	28,422	25,817	26,196
Attrition Rate of New Mexico Army National Guard ^{5 7}	17%	16%	16%	12%	16%
# of Traffic Fatalities ⁵	351	384	371	424	519
# of Driving While Intoxicated Fatalities ⁵	147	153	163	137	199
# of Driving While Intoxicated Arrests ^{5 7}	4,311	3,694	3,363	3,883	3,261
Pounds of Narcotics Seized by Motor Transportation ⁵	N/A ¹	N/A ¹	N/A	26,377	33,349
# of Dismantled Methamphetamine Laboratories ⁵	N/A ¹	N/A ¹	N/A	N/A	36
Number of Narcotics Seizures by Motor Transportation ⁵	46	74	N/A	N/A	N/A
Education					
Public					
# of High School Graduates ¹	NA	19,357	18,588	18,260	17,660
Student Dropout Rate for Grades 9 - 12 ²	NA	N/A	5%	6%	5%
Public School Capital Outlay Allocation (\$ Millions) ^{3 4}	NA	152.9	137.3	159.5	242
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion)	NA	43%	43%	42%	37%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{5 6}	NA	65%	66%	65%	65%

SCHEDULE E-2

Fiscal Year	
2005, as Restated	2004, as Restated
83 rd	87 th
37%	5%
(17)	(9)
317,000	112,000
30%	17%
86%	83%
89%	78%
N/A	N/A
623,855	664,528
11,099	11,586
2,787	1,668
411	201
997	1,014
48,774	20,250
24%	15%
469	521
146	217
3,879	4,314
51,770	N/A
71	83
N/A	N/A
17,830	18,080
5%	5%
280	248
39%	39%
64%	64%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Seven Fiscal Years

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated
Health and Human Services					
# of Blind/Visually Impaired Individuals Who Received Adaptive Training ^{5 7}	1,106	1,107	718	879	595
% of Children Receiving Services in Medicaid Managed Care ^{5 6}	60%	60%	64%	65%	55%
% of Child Support Collected of Support Owed ^{5 6}	58%	59%	58%	56%	54%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{5 7}	190	182	222	270	160
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7}	23%	28%	36%	38%	33%
% of Abused Children with Repeat Maltreatment ^{5 6}	NA	6%	8%	7%	8%
% of Preschoolers Fully Immunized ^{5 6}	70%	95%	81%	72%	78%
# Childhood Vaccines Distributed ⁵	1,191,117	806,970	847,419	N/A	N/A
New Mexico Teenage Birth Rate/1000 Population for Females Ages 15 - 17 ^{5 6}	NA	N/A	35%	35%	35%
U.S. Teenage Birth Rate/1000 Population for Females Ages 15 - 17 ⁵	NA	N/A	N/A	N/A	22%
Suicide Rate for Adults (Age 20 & Older)/100,000 Population ^{5 6}	NA	N/A	N/A	23%	22%
# of Operating School-Based Health Centers ^{5 6}	84	84	84	65	66
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7}	3.7	3.8	3.3	3.7	4.1
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	60%	38%	75%	84%	72%
% of Juveniles Who Complete Formal Probation ^{5 6}	90%	91%	90%	91%	90%
% of Juveniles Recommitted to a Youth Detention Facility ^{5 6}	8%	10%	4%	13%	14%
Adult					
Turnover Rate of Correctional Officers ^{5 7}	15%	10%	13%	15%	21%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7}	32%	40%	33%	38%	41%
% of Prisoners Reincarcerated within 12 Months After Release into Community Supervision Program ^{5 7}	N/A ¹	29%	29%	32%	30%
% of Prisoners Reincarcerated within 24 months After Release into Community Supervision Program ^{5 7}	N/A ¹	39%	42%	42%	38%
# of Inmates Enrolled in Adult Basic Education ^{5 7}	N/A ¹	N/A ¹	3,228	2,738	2,850
% of Participating Inmates Completing Adult Basic Education (New Measure) ^{5 7}	66%	31%	N/A	N/A	N/A
Judicial					
Medicaid Fraud Recoupments (\$ Millions) ⁷	NA	0.5	1.14	1.42	1.95

SCHEDULE E-2 (CONTINUED)

Fiscal Year	
2005, as Restated	2004, as Restated
560	580
45%	52%
52%	52%
840	72
35%	44%
7%	11%
84%	75%
870,365	825,000
36%	38%
21%	22%
24%	N/A
34	13
3.8	3.7
42%	N/A
80%	83%
17%	17%
11%	12%
38%	N/A
26%	N/A
42%	N/A
1,397	1,685
N/A	N/A
1.62	1.22

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Seven Fiscal Years

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ^{5 7}	1.3	1.3	0.68	0.51	1.05
# of Unique Website Visitor Sessions (Millions) ^{5 7}	1.7	1.4	3.28	5.26	5.09
Circulation Rate for New Mexico Magazine ^{5 7}	85,264	85,264	105,665	105,275	107,870
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7}	827,281	843,475	840,520	790,175	902,282
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7}	87%	83%	83%	83%	85%
Fish Output from Hatchery System (in Pounds) ^{5 7}	485,375	423,501	451,337	410,579	441,707
# of Visitors to State Parks (Millions) ^{5 6}	4.60	4.50	4.60	4.03	4.16
Natural Resources, Environment					
% of Annual Inspections Conducted of Oil and Gas Wells (Includes Reinspections)	N/A ¹	N/A ¹	N/A ¹	48%	42%
# of Inspections of Oil and Gas Wells and Associated Facilities	38,352	38,318	35,169	N/A	N/A
# of Projects Funded to Improve New Mexico's Natural Resources	27	33	31	32	35
# of Mine Inspections Conducted ^{5 7}	N/A ¹	N/A ¹	N/A ¹	220	324
% of Required Mine Inspection Conducted (New Measure) ^{5 7}	100%	100%	99%	N/A	N/A
# of Abandoned Mine Hazards Safeguarded ^{5 7}	N/A ¹	N/A ¹	N/A	52	42
% of Abandoned Uranium Mines with Current Site Assessments	70%	23%	N/A	N/A	N/A
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6}	NA	72%	61%	66%	71%
# of Wildlife Habitat Acres Conserved or Enhanced	106,138	76,861	132,00	110,621	106,921
# of Threatened/Endangered Species Monitored/Involved in Recovery Process ^{5 7}	46	82	77	69	58
Business, Labor, and Agriculture					
# of Individuals Served by Labor Market Services who Found Employment ^{5 7}	54,720	55,189	50,290	39,190	35,217
# of Individuals Served by Labor Market Services ^{5 7}	163,512	140,485	128,249	108,172	74,818
% of Adults who Entered Employment in 1 st Quarter of Receiving Training Services ⁵	57%	83%	86%	85%	80%
% of Disabled Persons Achieving Suitable Employment Outcomes ⁵	53%	55%	61%	61%	62%
# of Business Expansions Assisted in Urban Areas ^{5 6}	36	36	35	34	35
# of Rural Jobs Created ^{5 6}	1446	1,641	2,200	1,451	2,192
# of Media Industry Worker Days ^{5 6}	142,524	162,190	110,000	168,046	161,137
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6}	558.6	746.4	175.0	473.7	350.0
New Mexico Exports to Mexico (\$ millions) ^{5 7}	399	347.3	350	333	166

SCHEDULE E-2 (CONTINUED)

Fiscal Year	
2005, as Restated	2004, as Restated
1.06	0.90
2.59	N/A
106,758	113,333
886,812	808,457
84%	85%
477,665	312,625
4.20	3.84
42%	39%
N/A	N/A
35	35
278	282
N/A	N/A
126	78
N/A	N/A
80%	88%
N/A	N/A
49	42
35,522	51,935
338,928	367,901
74%	77%
59%	N/A
34	42
2,043	1,698
99,695	40,087
271.7	N/A
253	350

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Seven Fiscal Years

	Fiscal Year				
	2010	2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated
Highways and Transportation					
# of System wide Miles in Deficient Condition ^{5 6}	3,171	2,951	3,468	3,468	3,905
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7}	1.30	1.44	5.61	1.73	2.13
# of Statewide Improved Pavement Surface Miles ^{5 6}	2,393	3,764	4,321	2,424	4,144

Source: Various departments of the State of New Mexico

¹National Center for Education Statistics

²2004-2005 and 2005-2006 New Mexico Dropout Report published by New Mexico Public Education Department

³Report of the Legislative Finance Committee to the 47th Legislature First Session, January 2006, Vol. I, Pg. 105

⁴New Mexico Public Schools Finance Authority

⁵Report of the Legislative Finance Committee to the 47th Legislature Second Session, January 2006, Vol. II, Pgs. 57, 63-65, 93, 105, 113, 117, 127, 130, 132, 137, 139, 161, 164, 166, 181, 192-193, 198-199, 201, 227, 242, 244, 249, 255, 258, 268, 274-276, 288, 295, 300-301, 306, 310, 315, 318, 325, 331, 345

⁶Report of the Legislative Finance Committee to the 48th Legislature First Session, January 2007, Vol. I, Pgs. 123, 128, 130-131, 133-134, 137-139, 142, 144-146

⁷Report of the Legislative Finance Committee to the 48th Legislature Second Session, January 2007, Vol. II, Pg. 35, 55, 110, 114, 126, 129, 131, 136, 153, 157, 161, 163, 171, 181, 191-92, 200, 226, 250, 259, 269, 297, 302-3, 307, 316-17, 321, 328, 335

N/A¹ Measure deleted in fiscal year 2010 and replaced by different criteria.

Note: 2010 Vehicular Port Traffic data is as July 2010.

Note: The State of New Mexico passed the Accountability in Government Act, Chapter 6-3A, NMSA 1978, in 1999. Efforts have been made in identifying and determining performance measurements since that time. Agencies began tracking and calculating these performance measurements beginning in fiscal year 2004; therefore, we are only able to provide five fiscal years of operating indicators at this time. These operating indicators will continue to be tracked in the future in order to reach a ten-year historical comparison.

SCHEDULE E-2 (CONTINUED)

Fiscal Year	
2005, as Restated	2004, as Restated
5,567	5,768
1.99	2.10
3,700	5,337

STATE OF NEW MEXICO

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Nine Fiscal Years

	Fiscal Year				
	2009	2008	2007	2006	2005
General Government					
Buildings	110	101	104	99	99
Public Safety					
Buildings	8	7	7	7	7
Vehicles	983	926	989	990	1,056
Ports of Entry	19	17	14	13	13
Health and Human Services					
Buildings - General Administrative	34	32	32	33	33
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	248	248	255	255
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	440	417	382	385	343
Corrections					
Buildings	330	326	322	321	321
Vehicles	369	379	300	353	370
Culture and Recreation					
Vehicles	57	57	61	69	77
Museums	8	8	8	8	8
Monuments	6	6	7	6	5
Natural Resources, Environment					
Vehicles	387	383	340	336	323
State Parks	35	34	34	33	32
Wildlife Management Areas (Acres)	171,241	171,241	166,000	166,000	166,000
Fish Hatcheries	6	6	6	6	6
Highways and Transportation					
Highway Lane Miles	26,688	30,417	30,417	29,952	29,456
Vehicles/Heavy Equipment	6,300	6,531	6,421	6,421	6,421

Source: New Mexico General Services Department, Property Control Division and Public Information Office; New Mexico Game and Fish Department, Administrative Services Division; New Mexico Energy and Minerals Department, Administrative Services Division; New Mexico Department of Transportation, Office of Employee Support and Development; New Mexico Health and Human Services Department, Administrative Services Division; New Mexico Corrections Department, Administrative Services Division; New Mexico Children, Youth and Families Department, Administrative Services Division; New Mexico Department of Cultural Affairs, Administrative Services Division; State of New Mexico Report of the Legislative Finance Committee to the 47th Legislature Second Session, Vol. III, January 2006, pg. 23.

Note: Capital asset information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE E-3

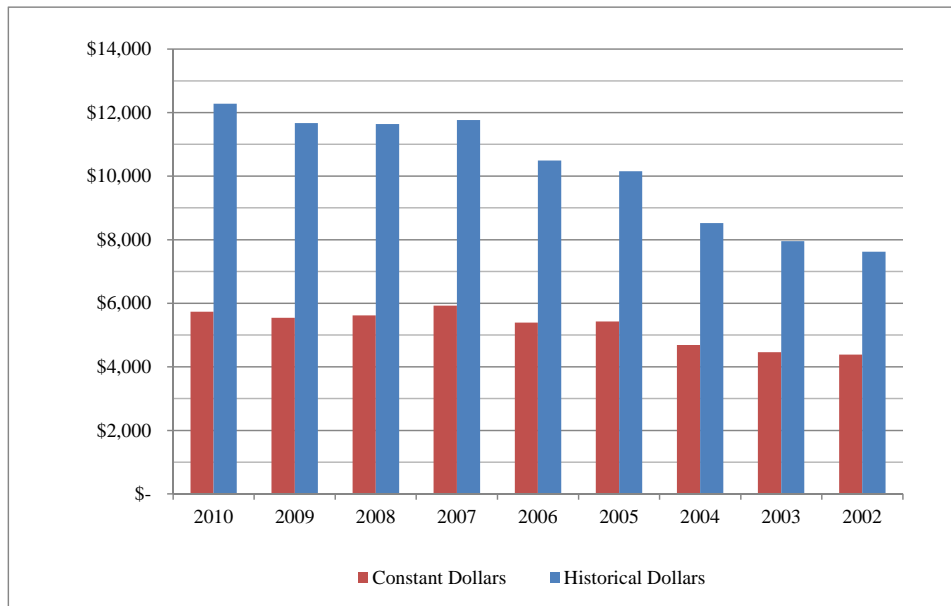
Fiscal Year		
2004	2003	2002
99	99	99
7	7	7
1,012	995	1,004
13	13	13
33	33	33
3	3	3
255	255	255
7	7	7
11	11	11
339	338	347
321	321	321
358	388	415
74	74	N/A
8	8	8
5	5	5
325	305	312
31	31	31
166,000	166,000	166,000
6	6	6
29,273	27,988	27,939
6,421	6,421	6,421

STATE OF NEW MEXICO

EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Nine Fiscal Years



Fiscal Year	Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2010	\$ 12,277	4.9%	\$ 5,738	3.4%
2009	11,671	0.3%	5,543	(1.8)%
2008	11,640	(1.1)%	5,619	(5.4)%
2007	11,764	10.8%	5,922	8.9%
2006	10,495	3.2%	5,393	(0.7)%
2005	10,160	16.1%	5,429	13.7%
2004	8,520	6.7%	4,688	4.9%
2003	7,953	4.1%	4,460	1.6%
2002	7,626	1.4%	4,388	0.2%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

Note: Expenditure information is only available beginning with fiscal year 2002 when the State implemented GASB Statement No. 34.

Note: 2009 amounts have been restated.

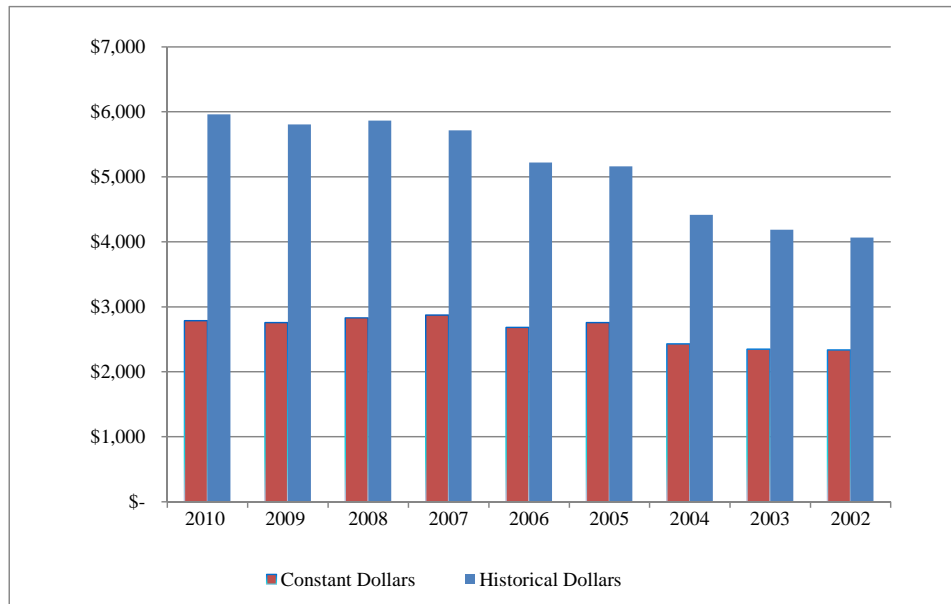
STATE OF NEW MEXICO

PER CAPITA EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS

SCHEDULE F-2

ALL GOVERNMENT FUND TYPES

Last Nine Fiscal Years



Fiscal Year	Per Capita Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2010	\$ 5,962	2.6%	\$ 2,787	1.0%
2009	5,807	(0.6)%	2,758	(3.1)%
2008	5,866	2.6%	2,832	(1.6)%
2007	5,713	8.6%	2,876	6.7%
2006	5,220	1.1%	2,682	(2.8)%
2005	5,161	14.5%	2,758	11.9%
2004	4,415	5.2%	2,429	3.4%
2003	4,186	2.9%	2,348	0.4%
2002	4,064	0.1%	2,339	(1.0)%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

Note: Expenditure information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

Note: 2009 amounts have been restated.



**Financial Control Division
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Source: New Mexico Tourism Department, Don Mongahan

Bosque Sky: Tens of thousands of Snow Geese call New Mexico's Bosque del Apache National Wildlife Refuge home each fall and winter. On El Camino Real National Scenic Byway.