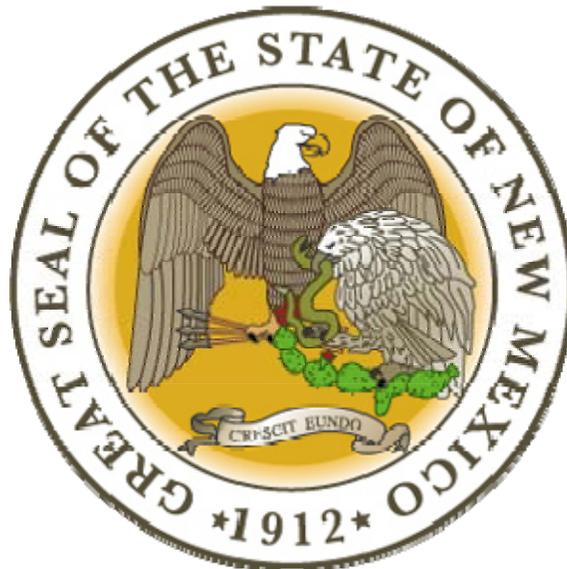


STATE OF NEW MEXICO

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011



SUSANA MARTINEZ, GOVERNOR

PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

*THOMAS E. CLIFFORD, PHD.
CABINET SECRETARY*

*RICKY A. BEJARANO, CPA
DIRECTOR/STATE CONTROLLER*

STATE OF NEW MEXICO

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COVER IMAGE CREDITS

All images are courtesy of the New Mexico Tourism Department. Descriptions of images are from left to right.

Red Rock Balloon Rally 2010, Gallup, New Mexico

Albuquerque Downs, Albuquerque, New Mexico

Picuris Pueblo, New Mexico, Mike Stauffer

Vietnam Veteran's Memorial, Angel Fire, New Mexico, Dan Monaghan

Zozobra, Santa Fe, New Mexico

Abiquiu Lake, New Mexico, Mike Stauffer

Cumbres and Toltec, Chama, New Mexico

BioPark, Albuquerque, New Mexico

Sitting Bull Falls, Lincoln National Forest, New Mexico, Mike Stauffer

STATE OF NEW MEXICO

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For the Year Ended June 30, 2011

INTRODUCTORY SECTION



State Capitol, Santa Fe, New Mexico
Source: New Mexico Tourism Department, Mike Stauffer



**STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
FINANCIAL CONTROL DIVISION**

**407 GALISTEO STREET
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(505) 827-3681 FAX (505) 827-3692**

**Susana Martinez
Governor**

**Thomas E. Clifford, PhD.
Cabinet Secretary**

**Ricky A. Bejarano, CPA
Director/State Controller**

June 20, 2012

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, 2011. 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
 June 20, 2012

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.
- New Mexico Lottery Authority

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	22nd	-3.0%	Nov 2009
Fertility Rate ³	10th	76.4	2007	Unemployment Rate ⁴	19th	7.8%	Nov 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)	10th	-1.1%	Q3 2009
Social Indicators							
Poverty Rate	45th	17.1%	2008	<small>Notes: 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.</small>			
Educational Attainment of Persons 25+							
High School Degree	43rd	82.4%	2008				
Bachelor's Degree	35th	24.7%	2008				

Source: February 2010 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
Legislature, and the Citizens of the State of New Mexico
June 20, 2012

Structure. As shown in the organizational chart on page xviii, 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 *Appropriations Act* also identifies 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 services, 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 185.

ECONOMIC CONDITIONS AND OUTLOOK

Economy. After growing by 2.3 percent in the fourth quarter of 2010, the United States economy as measured by Gross Domestic Product (GDP) growth slowed to 0.4 percent during the first quarter of 2011, and increased to an estimated 1.3 percent growth for the second quarter of 2011. Various releases of economic statistics since July indicate the nation's economic recovery continues to be uneven. Because of recent weakness, the consensus of most forecasters is that GDP will grow by only 1.3 percent during fiscal year 2012, down from 3.0 percent in previous forecasts. None of the models forecast a recession for fiscal year 2012. Nationally, the unemployment rate is expected to fall from 9.1 percent in 2011, second quarter to 8.9 percent by year-end 2012. Projected GDP growth in fiscal year 2013 is now 2.0 percent. Inflation is expected to reach 2.6 percent by the end of fiscal year 2012 before moderating. The Federal Reserve Board has announced that it will maintain short-term interest rates at essentially zero percent through the end of 2012. The federal government budget deficit is predicted to be about \$1.3 trillion in the third quarter fiscal year 2011, 8.5 percent of GDP.

New Mexico's seasonally adjusted unemployment rate was 6.7 percent in July 2011, down from 6.8 percent in June and 8.5 percent a year ago. The national unemployment rate dropped to 9.1 percent. July marked the fifth straight monthly decrease in unemployment since the state's jobless rate peaked at 8.7 percent earlier this year. The recent declines resulted in part from workers leaving the labor force, not an increase in employment.

Total employment in New Mexico began increasing in the late spring of 2011 as measured by a comparison with the year-ago period. July continued the trend with further gradual improvement and a second month of positive over-the-year job growth. The State added jobs in the following sectors: educational and health services (7,000 jobs), retail trade (3,300), wholesale trade (1,500), mining (1,500), financial activities (1,300), and transportation, warehousing and utilities (500). The manufacturing industry reported employment levels that were unchanged from

To the Honorable Governor Susana Martinez, the New Mexico State
 Legislature, and the Citizens of the State of New Mexico
 June 20, 2012

last year, following a mixed performance earlier this year and previous steep losses. The following private-sector industries each recorded declining employment: professional and business services (down 6,000 jobs), construction (down 3,600 jobs), information services (down 100 jobs), leisure and hospitality (down 300 jobs) and miscellaneous other services (down 600 jobs). Government employment registered a net loss of 1,000 jobs from the year-ago total. Declining employment at the federal level was primarily due to the completion of temporary U.S. Census Bureau jobs. State and local government entities reported very minor increases.

U.S. AND NEW MEXICO ECONOMIC OUTLOOK			
	FY 2010	FY 2011	FY 2012
NATIONAL ECONOMIC INDICATORS			
U.S. Real GDP Growth (level annual avg., % year over year)*	1.2	2.6	1.3
U.S. Inflation Rate (CPI, annual avg., % year over year)**	1.0	2.2	2.3
Federal Funds Rate (%)	0.2	0.2	0.1
NEW MEXICO LABOR MARKET AND INCOME DATA			
NM Non-Agricultural Employment Growth (%)	(3.2)	0.2	0.5
NM Personal Income Growth (%)***	0.1	4.3	4.3
NM Private Wages and Salaries Growth (%)	(2.4)	2.6	2.6
CRUDE OIL AND NATURAL GAS OUTLOOK			
NM Oil Price (\$ per barrel)	\$71.29	\$84.20	\$82.00
NM Taxable Oil Volumes (million barrels)	62.7	67.4	69.7
NM Gas Price (\$ per thousand cubic feet)****	\$5.18	\$5.50	\$5.35
NM Taxable Gas Volumes (billion cubic feet)	1,285	1,224	1,184

*Real GDP is BEA chained 2005 dollars, billions, annual rate.

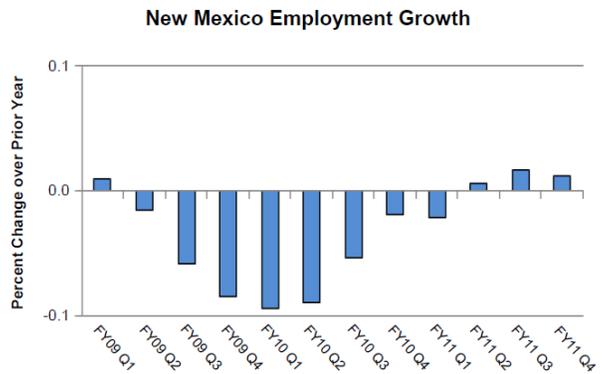
**CPI is all urban, BLS 1982-84 = 1.00 base.

***Personal income growth rates are for the calendar year in which each fiscal year begins.

****Gas prices are estimated using a formula of NYMEX, PIRA and Global Insight future prices as well as liquid premium based on oil price.

Sources: September Global Insight and September BBER and the December 2011 New Mexico Economic Summary published by the New Mexico Legislative Council Service and the New Mexico Legislative Finance Committee.

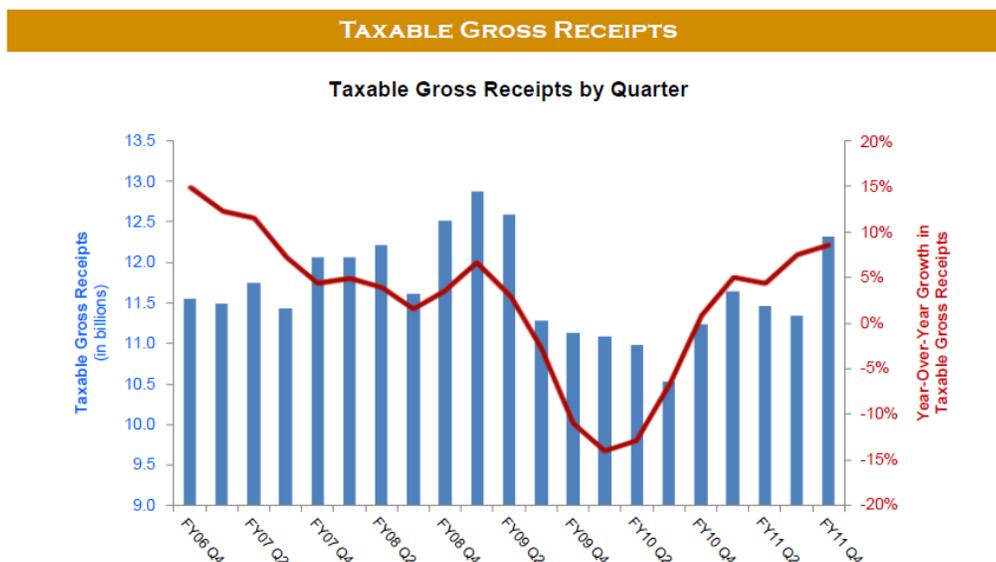
EMPLOYMENT



Sources: December 2011 New Mexico Economic Summary published by the New Mexico Legislative Council Service and the New Mexico Legislative Finance Committee.

Outlook. After declining by 20.0 percent over fiscal year 2009 and fiscal year 2010, General Fund revenue growth turned positive in fiscal year 2011, growing by 10.0 percent. Approximately 3.7 percent of the fiscal year 2011 growth was due to statutory tax increases adopted by the 2010 Legislature, so underlying growth due to the economic recovery was about 6.3 percent. The latest consensus revenue estimating group forecast prepared in July 2011 projects growth of 4.9 percent in both fiscal year 2012 and fiscal year 2013. These projections are up significantly from those prepared last winter.

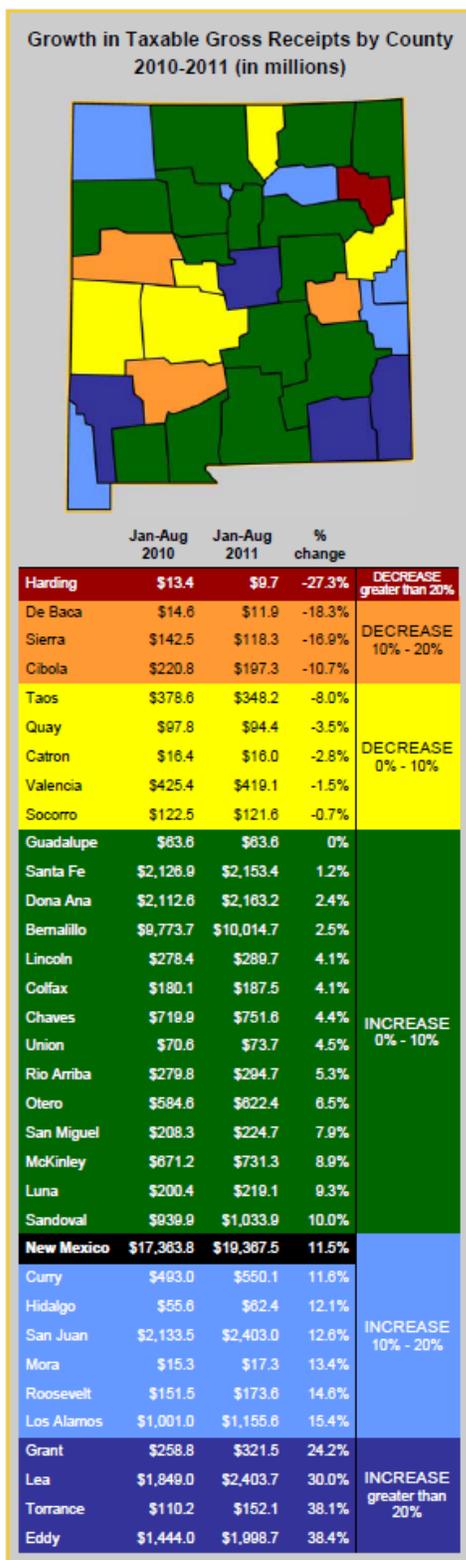
The Gross Receipts Tax (GRT) is the state’s largest single revenue source, contributing 34.0 percent of recurring revenue. GRT collections increased 10.0 percent in fiscal year 2011, with about one-third of that growth due to statutory tax increases. In addition to the mining industry, the services sectors are showing significant growth compared with the prior year. The retail trade sector has remained mixed in fiscal year 2011. Other than a very good December growth has remained subdued or even negative. The benefits of the payroll tax holiday to New Mexican’s paychecks appear to have been mostly cancelled out by the burden of higher gas prices at the pump.



Sources: December 2011 New Mexico Economic Summary published by the New Mexico Legislative Council Service and the New Mexico Legislative Finance Committee.

- ▶ Growth in taxable growth receipts (TGR) increased to 8.6 percent in the fourth quarter of fiscal year 2011, up from 7.6 percent during the third quarter of fiscal year 2011.
- ▶ Strong fiscal year 2011 growth compares to a decline in TGR of 6.6 percent in the third quarter of fiscal year 2010.
- ▶ TGR in the fourth quarter of fiscal year 2011 was 4.3 percent lower than the peak level in the first quarter of fiscal year 2009.

Cigarette excise tax collections increased by an estimated \$42 million in fiscal year 2011. This was due to 2010 legislation that increased the tax rate by 75 cents, from 91 cents a pack to \$1.66 a pack. The unique feature of this cigarette tax increase was that tribes were required to impose a qualifying tribal cigarette tax themselves of at least 75 cents. The tax increase was forecast to raise an additional \$33 million in fiscal year 2011. It appears that the tribal tax requirements have largely been implemented correctly and are working as planned. Even though taxable sales volumes did drop the reduction in sales and shift to tribal sales was not as large as anticipated. Cigarette revenue is now expected to be about \$6 million higher than in the December estimate.



Sources: December 2011 New Mexico Economic Summary published by the New Mexico Legislative Council Service and the New Mexico Legislative Finance Committee.

General Fund revenue from oil and gas production taxes and royalty payments totaled \$867 million in fiscal year 2011, equal to 16.0 percent of General Fund revenue. This was a 6.5 percent increase from fiscal year 2010, a reflection of higher prices for both oil and gas, and also of higher bonus payments for new wells. The consensus group expects prices to remain relatively stable in fiscal year 2012, and to increase slightly in fiscal year 2013, causing these revenues to grow by a cumulative 10.0 percent over two years. Oil production has resumed growth in New Mexico, but natural gas production continues to decline. This reflects the decline in gas prices relative to oil prices over the last two years.

There are negative and positive risks to the forecast:

Negative Risks:

Housing markets remain depressed as foreclosures and short sales continue to push prices down and reduce the incentive to construct new homes. Employment growth is below levels needed to reduce the unemployment rate. High unemployment prevents significant wage gains and holds down growth of consumer spending. The sovereign debt crisis is still far from resolution. It poses significant risks to worldwide growth.

Positive Risks:

Reversal of food and energy price spikes from the spring could trigger faster consumer spending growth in the second half of this year. Falling gasoline prices and recovery of Japan's auto parts supplies could stimulate vehicle sales and domestic production. Improved business confidence and easier credit could stimulate investment, including a boost to the construction sector. Although further stimulus actions are being contemplated, their impacts will be offset over time by the need to reduce federal indebtedness and to avoid long-term inflationary impacts.

To the Honorable Governor Susana Martinez, the New Mexico State
Legislature, and the Citizens of the State of New Mexico
June 20, 2012

LONG-TERM FINANCING PLANNING

Debt Administration. 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 recession have placed considerable stress on state and municipal government credit ratings including the State of New Mexico. Last year, this report emphasized the importance of the new administration meeting the challenge of weighing competing budget demands in a time of continuing economic uncertainty, and placing a priority on stabilizing and rebuilding the State's operating reserve funds. Over the past year, the State has been successful in taking the necessary actions to restore operating reserve levels to healthy levels. The State's determination to restore its reserve balances toward historical levels will be a positive credit factor.

New Mexico bond ratings, like those of all state and local governments, are under increased scrutiny. Pressure on state and local government bond ratings is significant due to (i) diminished revenues, (ii) reduced reserves, (iii) sustained higher levels of unemployment, (iv) budget pressures to sustain and increase social services and support, (v) pension fund and other investment losses, and (vi) deteriorating wealth measures. Consistent with recommendations made in previous years in the context of the annual Debt Affordability Study, the State continues to take important steps to improve management practices and policies that underpin the quality of its bond ratings. This effort to continually improve management practices and the new administration's success in rebuilding fund balances will be important for maintaining the State's high quality ratings in the face of continuing financial challenges.

The State's key debt ratios are at the high end of its peer group and above national median levels. This is primarily a function of the infrastructure requirements of being one of the largest states in the nation in terms of land area while having a small population base. The State retires its debt rapidly and funds a significant portion of its annual capital expenditures utilizing cash resources from the State General Fund and from the Severance Tax Bonding Fund. The State's historically strong General Fund reserves are central to its strong credit ratings, and will be particularly important in addressing Moody's concerns regarding vulnerability to federal fiscal issues, as are its transparent policies with respect to investments, debt and derivatives.

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,



Thomas E. Clifford



Ricky A. Bejarano

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2011

Executive

Susana Martinez, Governor • **John A. Sanchez**, Lieutenant Governor • **Dianna J. Duran**, Secretary of State • **Hector H. Balderas**, State Auditor • **James B. Lewis**, State Treasurer • **Gary K. King**, Attorney General • **Ray Powell**, Commissioner of Public Lands • **Jason A. Marks**, Public Regulation Commission • **Patrick H. Lyons**, Public Regulation Commission • **Douglas J. Howe**, Public Regulation Commission • **Theresa Becenti-Aguilar**, Public Regulation Commission • **Ben L. Hall**, Public Regulation Commission

Judicial

Charles W. Daniels, Chief Justice of the Supreme Court • **Patricio M. Serna**, Justice of the Supreme Court • **Petra Jimenez Maes**, Justice of the Supreme Court • **Richard C. Bosson**, Justice of the Supreme Court • **Edward L. Chavez**, Justice of the Supreme Court

Cecilia Foy Castillo, Chief Judge of the Court of Appeals • **Cynthia A. Fry**, 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 • **J. Miles Hanisee**, 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 • **Steve Neville**, 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 • **Donald E. Bratton**, Minority Whip • **Patricia Lundstrom**, Majority Caucus Chair • **Anna M. Crook**, Minority Caucus Chair

STATE OF NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2011

Citizens of New Mexico



GOVERNOR'S CABINET

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
Department of Finance and Administration	General Services Department
Department of Health	Higher Education Department
Department of Homeland Security and Emergency Management	Indian Affairs Department
Public Defender Department	Human Services Department
Regulation and Licensing Department	Department of Workforce Solutions
Department of Public Safety	State Personnel Office
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, 2011

FINANCIAL SECTION



White Sands

Source: New Mexico Tourism Department, Dan Monaghan

Review Report of Independent Accountants

The Honorable Susana Martinez, Governor of the State of New Mexico.

Mr. Thomas E. Clifford, Ph.D, Secretary of the
New Mexico Department of Finance and Administration,
Mr. Ricky Bejarano, State Controller/FCD Director, 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 aggregate 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, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. We did not review the financial statements of the New Mexico Mortgage Finance Authority (MFA), a component unit of the State whose statements reflect total assets and revenues constituting 47% and 44%, respectively of the aggregate discretely presented component units or the 529 Higher Education Savings Plan (529 Plan) of the Education Trust Board, a private purpose trust fund of the State, whose statements reflect total assets and revenues constituting 2.1% and 3.6%, respectively, of the basic financial statements and 6% and 29%, respectively, of the aggregate remaining funds. These statements were audited and reviewed, respectively, 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 the MFA and the 529 Plan, are based solely upon the reports of other accountants. A review includes primarily applying analytical procedures to management's financial data and making inquiries of government personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the State of New Mexico is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the basic financial statements. We believe the results of our procedures provide a reasonable basis for our report.

As discussed in Note 2.H, the State has restated certain July 1, 2010 net asset and fund balances. Governmental activities net assets were increased by \$198 million due to correction of certain errors. Business-type activities net assets were decreased by \$25 million due to changes in the reporting entity and net assets were also decreased by \$4 million due to the correction of certain other errors. Component unit net assets were decreased by \$203 thousand due to the correction of errors. The fund balances of the Education fund and Health and Human Services fund were decreased by \$29 million and \$14 million, respectively, due to correction of certain other errors. Finally, the Educational Institution fund net assets were decreased by \$25 million due to a change in reporting entity.

Based on our review and the reports of other accountants, with the exception of the matter described in the following paragraph, 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 accounting principles generally accepted in the United States of America.

MOSS ADAMS LLP

The Honorable Susana Martinez, Governor of the State of New Mexico
Mr. Thomas E. Clifford, Ph.D, Secretary of the
New Mexico Department of Finance and Administration,
Mr. Ricky Bejarano, State Controller/FCD Director, and
Mr. Hector Balderas, New Mexico State Auditor

The State has excluded the University Medical Group (UMG) and the Sandoval Regional Medical Center (SRMC), component units of the University of New Mexico from presentation as discrete component units of the State. Accounting principles generally accepted in the United States of America require that the UMG and the SRMC be presented as discrete component units of the State of New Mexico. If accounting principles generally accepted in the United States of America had been followed, component unit total assets would have been increased by \$270 million and revenues would have been increased by \$97 million.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. 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 except for the effects of the departure from generally accepted accounting principles as described in the preceding paragraph, we are not aware of any material modifications that should be made to such information.

Management's Discussion and Analysis beginning on page 4, Schedule of Funding Progress for Employee Retirement Systems and Plans on pages 196-201, and Budgetary Comparison Schedules on pages 185-192 as listed in the table of contents, are presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic and historical context.

We have applied certain limited procedures, which consisted principally of inquiries of government personnel 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, but it has been compiled from information that is representation of management. We have not audited or reviewed the supplementary information and 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, but it has been compiled from information that is the representation of management. Accordingly, we do not express an opinion or any form of assurance on the introductory section and statistical information.

Moss Adams LLP

Albuquerque, New Mexico
June 20, 2012

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

▪ 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, 2011. 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 \$17 billion as of June 30, 2011, an increase of \$1,116 million or (7.1) percent from fiscal year 2010. Net assets of the governmental activities increased \$905 million or (7.7) percent due to projected revenues materializing. Net assets of business-type activities increased by \$211 million or 5.2 percent due to investment earnings rebounding and additional grant dollars.
- ✚ The State General Fund ended the year with reserves of 9.6 percent of recurring current year appropriations as compared to 5.2 percent in fiscal year 2010, which is 84.0 percent more than that of fiscal year 2010.

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, 2011. Depreciation of SHARE has been recorded for all implementation and development costs through June 30, 2011.
- ✚ 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 and continues to add additional stops. 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 decreased a net of \$59 million or 1.5 percent through the payment on the prior year balance exceeding the issuance of new bonds. During the year, the State issued bonds totaling \$882 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, 2011

Fund Level

Governmental Funds

- ✦ As of June 30, 2011, the State's governmental funds reported a combined ending fund balance of \$7,482 million, an increase of \$753 million or 11.2 percent from fiscal year 2010. The State reported a positive unassigned fund balance of \$163 million in fiscal year 2011.
- ✦ Total net tax collections for fiscal year 2011 were \$7,100 million. Combined reporting system taxes (gross receipts, withholding, and compensating taxes) were the single largest category of collections at \$4,400 million, or 62.0 percent of total collections. Mineral extraction taxes were next at \$985 million or 14.0 percent. Income taxes were \$712 million or 10.0 percent. Motor vehicle taxes and fees were \$346 million or 5.0 percent and other state funds were \$612 million or 9.0 percent. Of the total tax collections, the Taxation and Revenue Department distributed a total of \$3,900 million to the State General Fund to finance the State's appropriations.

Proprietary Funds

- ✦ The proprietary funds reported net assets of \$4,237 million as of June 30, 2011, an increase of \$211 million or 5.2 percent from fiscal year 2010, mainly due a modest overall rebound of revenue collections and expenditure control.
- ✦ 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), Film and Digital Media Facility at Mesa del Sol, and the completion of the University Arena renovation. UNM increased its capital assets by approximately \$100 million.

■ 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, 2011

Reporting the State as a Whole

Government-wide Statements

The Statement of Net Assets and the Statement of Activities beginning on page 21 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 four separate legal entities in its report, as disclosed in Note 1.A 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.

Reporting the State's Most Significant Funds

Fund Financial Statements

The fund financial statements beginning on page 26 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 and the balances left at year-end that are available for future spending. This *short-term* view of the State's financial

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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 four organizations that provide services directly to the citizens of New Mexico. The financial position and activities of the New Mexico Finance Authority, the New Mexico Mortgage Finance Authority, the New Mexico Computing Applications Center, Inc. and the New Mexico Lottery Authority 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. Prior to fiscal year 2011, the financial position and activities of the New Mexico Lottery Authority had been blended within the Statement of Net Assets and Statement of Activities in the business-type activities column and in the proprietary fund. For fiscal year 2011, the Lottery Authority was changed to a discretely presented component in accordance with GASB standards. See Note 2.H.4 for additional information regarding the change in presentation.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 29 and 35 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.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

- Capital outlay spending results in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.
- 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 54 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.4, the State has restated certain July 1, 2010 net assets and fund balances. Governmental activities net assets, special revenue, capital projects, and debt service fund balances were increased by \$198 million due to errors made in certain revenue and expenditure accruals.

▪ FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets increased \$1,116 million or 7.1 percent in fiscal year 2011. In comparison, net assets in the prior year decreased \$374 million or (2.3) percent, as restated. Net assets invested in capital assets decreased approximately \$286 million as the State's investment in highways and buildings did not exceed depreciation. Only the outstanding debt applicable to the State's capital assets is included in the State's net investment in capital assets. Total restricted net assets increased by \$954 million or 14.2 percent more than the prior year. The increase of \$817 million in restricted net assets of the governmental activities was primarily due to an increase in charges for services and the aggressive solvency initiatives mandated by the current administration through efficiencies in the reduction of expenditures by agencies during the economic crisis of the past recent years. Restricted net assets in business-type activities increased \$137 million. The increase of \$412 million in unrestricted net assets of governmental activities was primarily due to the increased measures to control spending. The increase of \$36 million in unrestricted net assets of business-type activities was the result of 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010, as Restated</u>	<u>2011</u>	<u>2010, as Restated</u>	<u>2011</u>	<u>2010, as Restated</u>
Current and Other Assets	\$ 9,253,182	\$ 8,467,519	\$ 3,429,864	\$ 3,301,670	\$ 12,683,046	\$ 11,769,189
Capital Assets	8,478,900	8,453,369	2,271,547	2,194,589	10,750,447	10,647,958
Total Assets	<u>17,732,082</u>	<u>16,920,888</u>	<u>5,701,411</u>	<u>5,496,259</u>	<u>23,433,493</u>	<u>22,417,147</u>
Current Liabilities	1,956,328	1,917,255	527,021	504,094	2,483,349	2,421,349
Long-term Liabilities	3,115,038	3,248,135	937,084	965,642	4,052,122	4,213,777
Total Liabilities	<u>5,071,366</u>	<u>5,165,390</u>	<u>1,464,105</u>	<u>1,469,736</u>	<u>6,535,471</u>	<u>6,635,126</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	6,671,011	6,994,968	1,491,224	1,453,705	8,162,235	8,448,673
Restricted	5,685,913	4,868,634	1,978,206	1,841,424	7,664,119	6,710,058
Unrestricted	303,792	(108,104)	767,876	731,394	1,071,668	623,290
Total Net Assets	<u>\$ 12,660,716</u>	<u>\$ 11,755,498</u>	<u>\$ 4,237,306</u>	<u>\$ 4,026,523</u>	<u>\$ 16,898,022</u>	<u>\$ 15,782,021</u>
Percentage change in total net assets from prior year	7.7 %		5.2 %		7.1 %	

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 48.3 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 45.4 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 6.3 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 all 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 business-type activities; however, the governmental funds reported positive balances in two of the three categories of net assets.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2011:

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

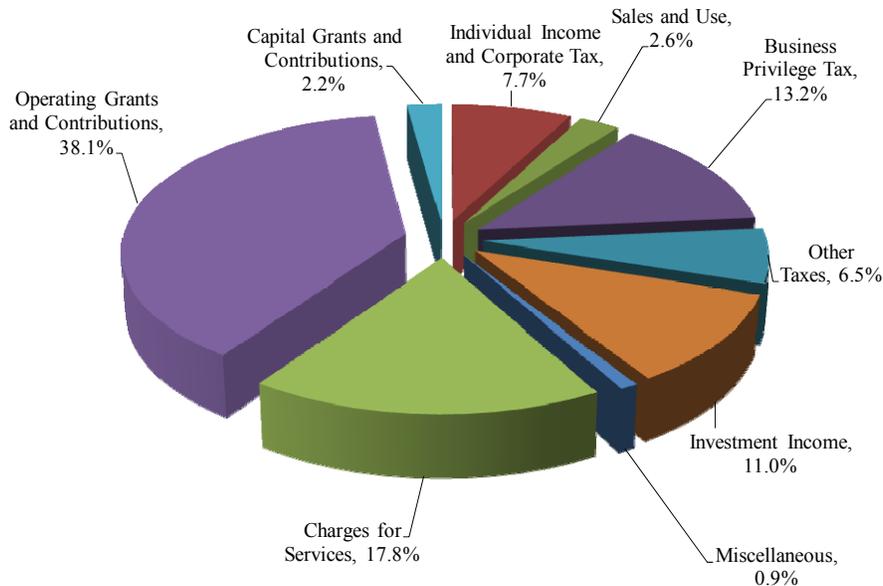
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2010 to 2011</u>
	<u>2011</u>	<u>2010, as Restated</u>	<u>2011</u>	<u>2010, as Restated</u>	<u>2011</u>	<u>2010, as Restated</u>	
Revenues							
General Revenues:							
Taxes	\$ 4,959,033	\$ 4,367,305	\$ 207,140	\$ 188,465	\$ 5,166,173	\$ 4,555,770	13.4 %
Other General Revenues	1,722,702	1,463,919	337,478	323,980	2,060,180	1,787,899	15.2 %
Program Revenues:							
Charges for Services	1,512,599	1,378,449	1,546,365	1,629,406	3,058,964	3,007,855	1.7 %
Operating Grants and Contributions	5,195,855	5,346,522	1,306,820	1,184,943	6,502,675	6,531,465	(0.4) %
Capital Grants and Contributions	369,813	376,259	998	26,966	370,811	403,225	(8.0) %
Total Revenues	13,760,002	12,932,454	3,398,801	3,353,760	17,158,803	16,286,214	
Expenses							
General Control	1,217,362	1,197,734	-	-	1,217,362	1,197,734	1.6 %
Culture, Recreation, and Natural Resources	226,366	227,367	-	-	226,366	227,367	(0.4) %
Highway and Transportation	905,469	1,007,714	-	-	905,469	1,007,714	(10.1) %
Judicial	237,705	244,824	-	-	237,705	244,824	(2.9) %
Legislative	26,147	25,474	-	-	26,147	25,474	2.6 %
Public Safety	449,734	456,583	-	-	449,734	456,583	(1.5) %
Regulation and Licensing	105,199	117,728	-	-	105,199	117,728	(10.6) %
Health and Human Services	5,631,423	5,995,540	-	-	5,631,423	5,995,540	(6.1) %
Education	3,180,978	3,325,810	-	-	3,180,978	3,325,810	(4.4) %
Unemployment Benefits	15,809	11,537	-	-	15,809	11,537	37.0 %
Indirect Interest on Long-term Debt	154,043	130,997	-	-	154,043	130,997	17.6 %
Educational Institutions	-	-	2,761,289	2,678,742	2,761,289	2,678,742	3.1 %
Public Schools Insurance	-	-	320,762	298,852	320,762	298,852	7.3 %
Environmental Loans	-	-	14,908	-	14,908	-	100.0 %
Lottery	-	-	-	99,997	-	99,997	(100.0) %
Miners' Colfax Medical Center	-	-	24,706	24,896	24,706	24,896	(0.8) %
Unemployment Insurance	-	-	742,883	781,494	742,883	781,494	(4.9) %
State Fair	-	-	16,031	18,916	16,031	18,916	(15.3) %
Other Business-type Activities	-	-	11,988	16,307	11,988	16,307	(26.5) %
Total Expenses	12,150,235	12,741,308	3,892,567	3,919,204	16,042,802	16,660,512	
Excess Before Transfers	1,609,767	191,146	(493,766)	(565,444)	1,116,001	(374,298)	
Transfers	(704,549)	(723,795)	704,549	723,795	-	-	
Change in Net Assets	905,218	(532,649)	210,783	158,351	1,116,001	(374,298)	
Net Assets - Beginning, as Restated	11,755,498	12,288,147	4,026,523	3,868,172	15,782,021	16,156,319	
Net Assets - Ending	\$ 12,660,716	\$ 11,755,498	\$ 4,237,306	\$ 4,026,523	\$ 16,898,022	\$ 15,782,021	7.1 %

STATE OF NEW MEXICO

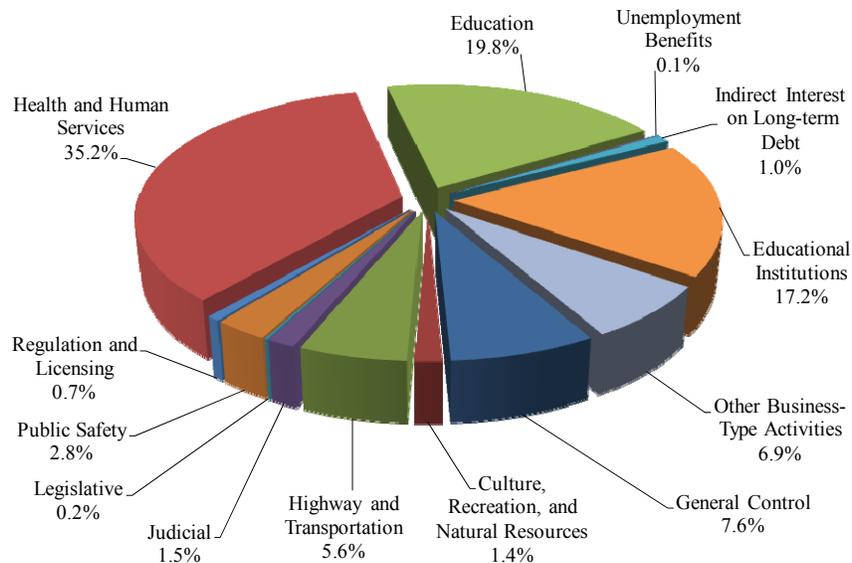
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

STATE OF NEW MEXICO TOTAL REVENUES - FY 2011



STATE OF NEW MEXICO TOTAL EXPENSES - FY 2011



Changes in Net Assets

This year the entire State received 30.1 percent of its revenues from State taxes and 40.1 percent of its revenues from grants and contributions mostly from federal sources. In the prior year, state taxes accounted for 28.0 percent, and grants and contributions were 42.6 percent of total revenues, as restated. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 17.8 percent and 18.5 percent of total revenues for fiscal year 2011 and 2010 (as restated), respectively.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Governmental Activities

The State's total governmental revenues from all sources increased \$827 million or 6.4 percent. The receipt of taxes increased by approximately \$592 million or 13.5 percent, which is a result of the slow recover of the economy. However, due to the differences in measurement focus and timing of collections, the decrease at the government-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 \$259 million or 17.7 percent due to the investment income's increase in market valuation at June 30, 2011. The operating grants and contributions decreased by approximately \$151 million due to the reduction of funding from the American Recovery and Reinvestment Act of 2010 (ARRA). Education and Health and Human Services expenses decreased by approximately \$145 million and \$364 million, respectively, due to decreased 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 2011, state taxes and other general revenues covered 41.7 percent of expenses. The remaining \$5 million or 58.3 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)

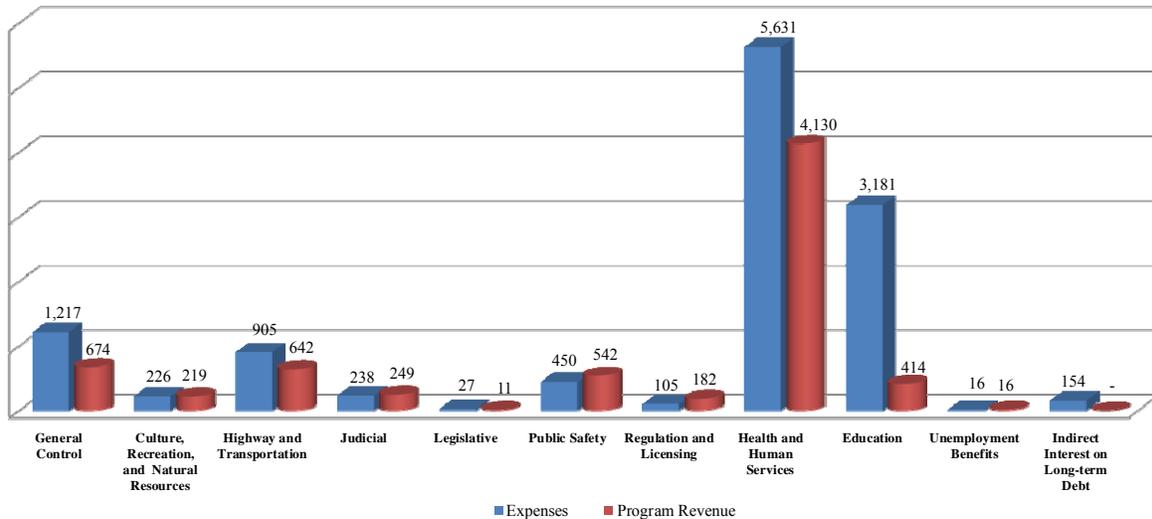
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
			2011	2010, as Restated	2011	2010, as Restated
General Control	\$ 1,217,362	\$ (673,759)	\$ 543,603	\$ 449,073	55.3 %	62.5 %
Culture, Recreation, and Natural Resources	226,366	(219,111)	7,255	(30,810)	96.8 %	113.6 %
Highway and Transportation	905,469	(641,851)	263,618	552,568	70.9 %	45.2 %
Judicial	237,705	(249,175)	(11,470)	(42,579)	104.8 %	117.4 %
Legislative	26,147	(10,788)	15,359	13,475	41.3 %	47.1 %
Public Safety	449,734	(541,527)	(91,793)	(86,778)	120.4 %	119.0 %
Regulation and Licensing	105,199	(182,254)	(77,055)	(28,440)	173.2 %	124.2 %
Health and Human Services	5,631,423	(4,129,869)	1,501,554	1,802,310	73.3 %	69.9 %
Education	3,180,978	(414,124)	2,766,854	2,880,262	13.0 %	13.4 %
Unemployment Benefits	15,809	(15,809)	-	-	100.0 %	100.0 %
Indirect Interest on Long-term Debt	154,043	-	154,043	130,997	- %	- %
	\$ 12,150,235	\$ (7,078,267)	\$ 5,071,968	\$ 5,640,078	58.3 %	55.7 %

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

STATE OF NEW MEXICO
EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2011 (In Millions)



Business-type Activities

Revenues from the State's business-type activities increased by \$45 million or 1.3 percent from the prior year. Charges for services for business-type activities decreased \$83 million or (5.1) percent. The operating grants and contributions increased by approximately \$122 million or 10.3 percent due to the investment income's increase in market valuation at June 30, 2011. The expenses for the educational institutions increased by \$82 million or 3.1 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, 2011, the State's governmental funds reported combined ending fund balances of \$7,482 million. The State reported \$4,763 million or 63.7 percent as nonspendable, representing \$4,692 related to the Severance Tax and Land Grant Permanent funds dollars. The remaining balance consists of prepaids and inventories. Of the amount, \$2,543 million or 34.0 percent is restricted/committed 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 either restricted or committed depending on the legality of the restriction. An additional \$12 million or 0.2 percent of total fund balance has been segregated as assigned but legally restricted for a specific purpose. Note 1.A contains more details about the fund balance classifications at June 30, 2011. The remaining \$163 million or 2.2 percent of fund balance is available for appropriation for the general purpose of the funds.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

**State of New Mexico
Fund Balances as of June 30, 2011
(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
Nonspendable	\$ 8,636	\$ 19	\$ 10,383	\$ 52,849	\$ -	\$ 3,966,034	\$ 725,957	\$ 4,763,878
Restricted	237,097	4,184	23,382	264,398	-	-	460,635	989,696
Committed	56,219	64,916	36,745	119,618	1,087,693	-	188,977	1,554,168
Assigned	7,866	-	-	-	-	-	3,745	11,611
Unassigned	310,765	(50,771)	(92,298)	(1,029)	-	-	(3,698)	162,969
Total	\$ 620,583	\$ 18,348	\$ (21,788)	\$ 435,836	\$ 1,087,693	\$ 3,966,034	\$ 1,375,616	\$ 7,482,322
Percent Change from Prior Year	60.0 %	(75.4) %	981.3 %	37.4 %	(23.2) %	17.3 %	18.9 %	11.2 %

Governmental Funds

General Fund

Fund balance at June 30, 2011 totaled \$621 million, an increase of 60.0 percent from the prior fiscal year. This increase was due to revenues exceeding expenditures. See additional analysis below. The General Fund ended the fiscal year 2011 with a “surplus” from unassigned sources of \$311 million. Miscellaneous changes resulting from nonspendable type balances account for the remaining change in fund balance.

Total General Fund revenues increased \$512 million or (10.2) percent. The change was due to the increase 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 \$34 million or (3.0) percent due to the reduction of the fiscal year 2011 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 2011.

Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2011 budget during the 2010 General Session. The original General Fund budgeted revenues at the start of fiscal year 2011 were 28.9 percent less than the final fiscal year 2010 budget basis revenues. During the year, the actual revenue was \$16 million less than the final approved budget, with the most significant change coming from investment income and federal revenue. The original budgeted expenditures for fiscal year 2011 were \$2 million lower than the final fiscal year 2010 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$114 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, 2011 totaled \$18 million, a decrease of \$56 million or (75.4) percent. Total revenues decreased by \$37 million or 8.0 percent. This was a result of the decrease in federal revenue expended for fiscal year 2011 relating to the ARRA funds. Total expenditures decreased by \$71 million or 2.3 percent, which was mandated by the administration.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Health and Human Services

Deficit fund balance at June 30, 2011 totaled (\$22) million compared to (\$2) million for the prior fiscal year, as restated. Total revenues increased by \$13 million or 0.3 percent with total expenditures decreasing by (2.0) percent or \$114 million. The reduction of revenues and expenditures resulted from the ARRA funding source.

Highway and Transportation

Fund balance at June 30, 2011 totaled \$436 million, an increase of \$119 million or 37.4 percent. Total expenditures decreased by \$7 million or (0.7) percent. During 2011, Highway and Transportation fund did issue new debt for construction projects in the amount of \$195 million. Spending on current construction projects came from prior bond issues as well as the new bond issues, which were included in restricted fund balance in fiscal year 2011.

Appropriated Bond Proceeds Capital Outlay Fund

The fund balance at June 30, 2011 totaled \$1,088 million, a decrease of \$328 million or (23.2) percent. The decrease is due to reduction of bonds being issued for State projects and the spending down of older bond issue proceeds.

Severance Tax Permanent Fund

Fund balance at June 30, 2011 totaled \$3,966 million, an increase of \$586 million or 17.3 percent. The increase relates to gains on investments and the collection of severance taxes from the production/extraction of gas and minerals on state lands.

■ FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

The State's proprietary funds reported net assets of \$4,284 million; this includes a decrease of \$423 million or (9.0) percent. The above net assets include \$4,237 million for enterprise funds, which excludes the Internal Service Fund.

Educational Institutions

Net assets at June 30, 2011 totaled \$3,624 million. Current period activity increased the net assets of the State's educational institutions by \$278 million or 8.3 percent. For the fiscal year 2011, the State transferred \$698 million to the State's educational institutions from the State General Fund, a decrease of \$70 million or (9.1) percent from fiscal year 2010.

■ 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.
-  New Mexico Lottery Authority

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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, 2011, the State reported \$8,479 million in capital assets net of accumulated depreciation for governmental activities and \$2,271 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 an increase of 0.3 percent for governmental activities and an increase of 3.5 percent for business-type activities.

At June 30, 2011, the State had \$160 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 Notes 1.D.7 and 2.D of the financial statements for additional information on capital assets and construction commitments.

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, 2011:

State of New Mexico Bond Ratings at June 30, 2011

<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
Approved State Lease Appropriation Bonds	Aa1	AA-

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

The State issued General Obligation bonds during 2011 for \$19 million. The State issued Severance Tax Bonds during fiscal year 2011 for \$140 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 2010 to 2011</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
General Obligation Bonds, Net \$	379,228	\$ 423,854	\$ -	\$ -	\$ 379,228	\$ 423,854	(10.5) %
Severance Tax Bonds, Net	884,320	1,020,550	-	-	884,320	1,020,550	(13.3) %
Revenue Bonds, Net	1,859,403	1,703,481	832,306	866,692	2,691,709	2,570,173	4.7 %
Total Bonds Payable	\$ 3,122,951	\$ 3,147,885	\$ 832,306	\$ 866,692	\$ 3,955,257	\$ 4,014,577	(1.5) %

Refer to Notes 1.D.13, 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

New Mexico Economic Recovery: Painful Economic Recovery

The New Mexico economy is beginning to recover from its deep recession, tallying year-over-year employment growth in June for the first time since September 2008, according to the U.S. Bureau of Labor Statistics (BLS). The Bureau of Business and Economic Research (BBER) at the University of New Mexico believes the recovery actually began earlier, as far back as October 2010, and that it has extended through the first half of 2011. Either way, the job growth follows on the heels of a healthy pickup in the level of economic activity across New Mexico, measured by the business and consumer sales subject to the state's broad-based gross receipts tax.

Taxable gross receipts began to show year-over-year growth in June 2010, and the growth rate accelerated through May 2011. Through the first 11 months of fiscal year 2011, taxable gross receipts were up about 6.0 percent over the same period in the previous year. The mining and oil and gas extraction sectors have grown most rapidly, posting a 40.0 percent increase in taxable gross receipts.

Retail trade has been one of the weakest sectors due, in part, to persistently high unemployment, which is driving consumer confidence down and causing families in New Mexico and across the nation to save more and spend less in an effort to build a nest egg as "self-insurance" against further economic downturns. High fuel prices are also a factor, causing consumers to spend more on fuel, which is not taxed under the gross receipts tax, and less on taxable items. Despite a fairly strong holiday shopping season, taxable receipts in the retail sector were down 0.2 percent through the first 11 months of fiscal year 2011.

The outlook for fiscal year 2012 is much more guarded, with a projected 3.6 percent increase in gross receipts tax collections and a 4.9 percent increase in state recurring revenues. Although the latest estimates indicate continued modest growth in New Mexico economic activity, jobs and state revenues, the recovery promises to be long and painful, with continued high levels of unemployment and pressure on government services.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

New Mexico Economic Recovery: A Long Road Back

The BBER estimates that non-farm jobs will have grown by just 0.1 percent in fiscal year 2011 and that jobs will grow by 1.3 percent in fiscal year 2012. New Mexico has lost 46,000 jobs since the number of jobs peaked in 2008, and the State is not projected to regain those jobs until 2015.

Although the New Mexico unemployment rate fell from its peak of 8.7 percent in February 2011 to 6.8 percent in June, it is still well above its low point of 3.4 percent in November 2007 and has been above 6.5 percent since May 2009. The primary reason for the decrease since February, according to the BLS, has been an estimated 18,000 unemployed workers who did not find jobs, became discouraged and quit looking for work, thus removing themselves from the unemployment calculations.

The average amount of time New Mexicans who are still looking for work have been unemployed has risen dramatically. The percentage of the unemployed who have been out of work longer than 15 weeks rose to 59.0 percent in the first quarter of 2011 from an average of 23.0 percent during 2008. New claims for unemployment benefits in New Mexico averaged 1,700 per week in the first three weeks of July, down from a peak of 2,000 per week in June 2009 but almost twice the pre-recession low point of 992 per week in September 2007. Continued claims averaged 23,900 during the first three weeks of July, down 27.0 percent from a peak of 32,500 in June 2009 but more than twice the pre-recession level of 10,000 in September 2007.

Persistent long-term unemployment means that unusually large numbers of New Mexicans are receiving public assistance. The Human Services Department reported a decline in Temporary Assistance for Needy Families cash assistance cases from approximately 21,514 cases in December 2010 to 19,311 cases in May 2011 — a decline of 11.0 percent but still more than 40.0 percent above the pre-recession low of 13,572 in November 2007.

The caseload for the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, increased 2.0 percent from 178,787 in April 2011 to 182,356 in June and has almost doubled from a pre-recession low of 96,854 in May 2008. (This increase does not include the 2 percent growth due to an April 2010 revision in the SNAP gross income test, which changed the qualification threshold from 130.0 percent to 165.0 percent of the federal poverty level.) The addition of one case adds an average of 2.5 New Mexicans once family members are counted.

The difficulties that these chronic problems add to the state's recovery are compounded by the fact that the U.S. economy is recovering very slowly and showing new signs of weakness.

Indicators Show a U.S. Economy on Shaky Ground

The U.S. economy grew at an annual rate of 0.4 percent in the first quarter of 2011 and 1.3 percent in the second quarter. Output and employment in the U.S. economy are still at lower levels than their peaks before the recession, which makes this by far the slowest of the post-World War II recoveries. This painfully slow growth has led to a loss of confidence among businesses and consumers alike.

The Institute for Supply Management (ISM) reported an index of new orders for manufactured goods at 49.2 in July, down from 51.6 in June. An index of 52.1 is considered the break-even line between projected expansion and contraction of the manufacturing sector. The ISM's new-orders index for services fell to 51.7 in July from 53.6 in June; the break-even index for the service industries is 50.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Consumers are feeling just about as negative as businesses when it comes to their outlook for the economy. The University of Michigan Index of Consumer Sentiment fell in July to 63.7, its lowest level since early 2009 when the economy was still in recession. The index's average during the five previous recessions was 69.3. During non-recessionary years, the average is 88.6.

The index, which is formulated from the answers to a monthly nationwide household survey, showed that just one in 10 consumers anticipate inflation-adjusted income gains during the year ahead. As a result, consumers plan to reduce discretionary spending, particularly on automobiles and big-ticket household goods.

Although a double-dip U.S. recession has not been officially recognized or forecast by most economists, major indicators are pointing to weak growth ahead for the nation's economy and, therefore, an increased likelihood that it will take years, not months, for the New Mexico economy to make up what it has lost.

- **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

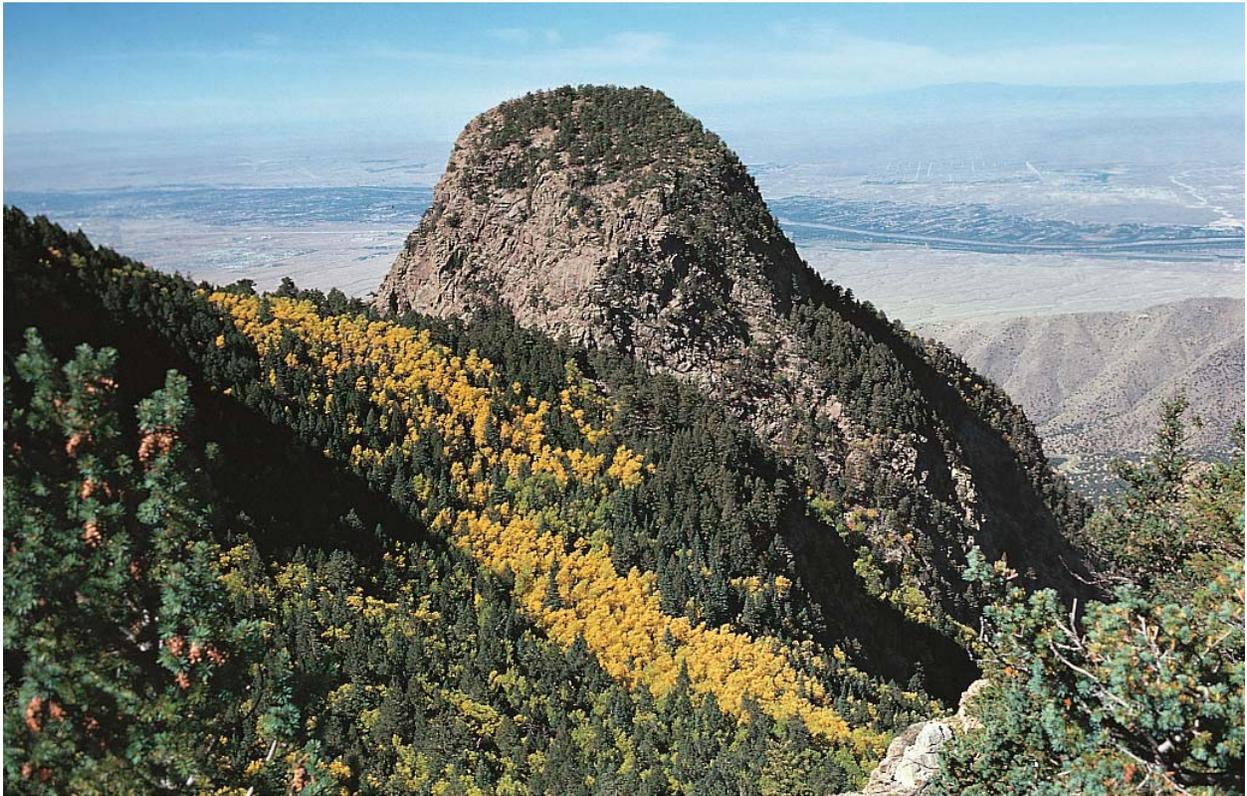
407 Galisteo

Bataan Memorial Building Room 166

Santa Fe, New Mexico 87501

STATE OF NEW MEXICO

BASIC FINANCIAL STATEMENTS



Sandia Mountains

Source: New Mexico Tourism Department, Mike Stauffer

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS

June 30, 2011
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 94,384	\$ 629,897	\$ 724,281	\$ 153,997
Investment in State General Fund Investment Pool	2,041,652	119,041	2,160,693	-
Investment in Local Government Investment Pool	-	90,691	90,691	11,528
Deferred Charges and Other Assets	31,138	25,454	56,592	25,768
Internal Balances	9,352	(9,352)	-	-
Due From Primary Government	-	-	-	138,145
Due From External Parties	873	-	873	-
Due From Component Units	3,265	-	3,265	-
Receivables, Net	1,779,239	405,703	2,184,942	108,363
Investments	161,373	296,755	458,128	-
Inventories	34,933	22,550	57,483	11
Total Current Assets	4,156,209	1,580,739	5,736,948	437,812
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	346,135	80,179	426,314	348,368
Restricted Investments	4,653,328	-	4,653,328	1,138,456
Loans Receivable, Net	-	191,722	191,722	1,345,431
Investments	-	1,558,231	1,558,231	31,012
Deferred Outflow of Resources	81,386	-	81,386	-
Other Noncurrent Assets	16,124	18,993	35,117	37,619
Nondepreciable Capital Assets	1,223,149	225,619	1,448,768	512
Capital Assets, Net	7,255,751	2,045,928	9,301,679	1,593
Total Noncurrent Assets	13,575,873	4,120,672	17,696,545	2,902,991
Total Assets	17,732,082	5,701,411	23,433,493	3,340,803

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2011
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 410,101	\$ 163,366	\$ 573,467	\$ 11,093
Accrued Liabilities	212,577	146,112	358,689	99,527
Unearned Revenue	210,838	97,364	308,202	-
Due to Broker	-	-	-	1,261
Due to Primary Government	-	-	-	3,265
Due to External Parties	250,316	-	250,316	-
Due to Component Unit	138,145	-	138,145	-
Securities Lending	196,259	-	196,259	-
Intergovernmental Payables	32,892	548	33,440	-
Other Obligations	33,104	-	33,104	-
Funds Held for Others	3,159	8,028	11,187	74,526
Bonds Payable	258,928	32,010	290,938	95,324
Other Liabilities	210,009	79,593	289,602	518
Total Current Liabilities	<u>1,956,328</u>	<u>527,021</u>	<u>2,483,349</u>	<u>285,514</u>
Noncurrent Liabilities:				
Bonds Payable	2,864,023	800,296	3,664,319	2,409,531
Other Liabilities	169,629	136,788	306,417	1,632
Derivative Instruments Interest Rate Swap	81,386	-	81,386	-
Total Noncurrent Liabilities	<u>3,115,038</u>	<u>937,084</u>	<u>4,052,122</u>	<u>2,411,163</u>
Total Liabilities	<u>5,071,366</u>	<u>1,464,105</u>	<u>6,535,471</u>	<u>2,696,677</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,671,011	1,491,224	8,162,235	(23)
Restricted for:				
Highway Construction and Maintenance	53,153	-	53,153	-
Education	4,184	-	4,184	-
Debt Service	303,197	52,502	355,699	359,658
Capital Projects	26,359	82,331	108,690	8,770
Health and Human Services	23,382	-	23,382	-
Financial Aid	-	7,710	7,710	-
Unemployment and Insurance	178,249	223,294	401,543	-
Loan Programs	-	315,137	315,137	-
Other Purposes	405,597	19,822	425,419	19,807
Funds Held in Permanent Investments:				
Nonexpendable	4,691,792	1,277,410	5,969,202	-
Unrestricted Net Assets	303,792	767,876	1,071,668	255,914
Total Net Assets	<u>\$ 12,660,716</u>	<u>\$ 4,237,306</u>	<u>\$ 16,898,022</u>	<u>\$ 644,126</u>

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

(In Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Control	\$ 1,217,362	\$ 187,280	\$ 486,479	\$ -
Culture, Recreation, and Natural Resources	226,366	125,711	93,400	-
Highway and Transportation	905,469	272,038	-	369,813
Judicial	237,705	151,097	98,078	-
Legislative	26,147	-	10,788	-
Public Safety	449,734	355,965	185,562	-
Regulation and Licensing	105,199	138,848	43,406	-
Health and Human Services	5,631,423	275,408	3,854,461	-
Education	3,180,978	6,252	407,872	-
Unemployment Benefits	15,809	-	15,809	-
Interest on Long-term Debt	154,043	-	-	-
Total Governmental Activities	12,150,235	1,512,599	5,195,855	369,813
Business-type Activities:				
Educational Institutions	2,761,289	1,169,885	851,400	-
Public Schools Insurance	320,762	326,622	-	-
Environmental Loans	14,908	4,215	17,255	-
Miners' Colfax Medical Center	24,706	22,442	447	-
Unemployment Insurance	742,883	-	437,718	-
State Fair	16,031	11,983	-	998
Other Business-type Activities	11,988	11,218	-	-
Total Business-type Activities	3,892,567	1,546,365	1,306,820	998
Total Primary Government	\$ 16,042,802	\$ 3,058,964	\$ 6,502,675	\$ 370,811
Discretely Presented Component Units				
New Mexico Finance Authority	\$ 137,130	\$ 62,402	\$ 40,866	\$ -
New Mexico Mortgage Finance Authority	157,089	68,152	85,944	-
New Mexico Computing Application Center	4,487	-	2,410	-
New Mexico Lottery Authority	94,269	135,553	-	-
Total Component Unit Activities	\$ 392,975	\$ 266,107	\$ 129,220	\$ -
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
\$ (543,603)	\$ -	\$ (543,603)	\$ -
(7,255)	-	(7,255)	-
(263,618)	-	(263,618)	-
11,470	-	11,470	-
(15,359)	-	(15,359)	-
91,793	-	91,793	-
77,055	-	77,055	-
(1,501,554)	-	(1,501,554)	-
(2,766,854)	-	(2,766,854)	-
-	-	-	-
(154,043)	-	(154,043)	-
(5,071,968)	-	(5,071,968)	-
-	(740,004)	(740,004)	-
-	5,860	5,860	-
-	6,562	6,562	-
-	(1,817)	(1,817)	-
-	(305,165)	(305,165)	-
-	(3,050)	(3,050)	-
-	(770)	(770)	-
-	(1,038,384)	(1,038,384)	-
(5,071,968)	(1,038,384)	(6,110,352)	-
-	-	-	(33,862)
-	-	-	(2,993)
-	-	-	(2,077)
-	-	-	41,284
-	-	-	2,352
1,088,300	-	1,088,300	-
238,452	-	238,452	-
444,717	-	444,717	-
2,272,909	-	2,272,909	-
914,655	207,140	1,121,795	-
-	-	-	34,827
-	-	-	(48,269)
1,618,785	261,972	1,880,757	29,143
103,917	75,506	179,423	-
(704,549)	704,549	-	-
5,977,186	1,249,167	7,226,353	15,701
905,218	210,783	1,116,001	18,053
11,755,498	4,026,523	15,782,021	626,073
\$ 12,660,716	\$ 4,237,306	\$ 16,898,022	\$ 644,126

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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 205.

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2011
(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
ASSETS				
Cash and Cash Equivalents	\$ 54,747	\$ -	\$ 838	\$ 211,247
Investment in the State General Fund Investment Pool	103,353	47,374	13,277	143,891
Deferred Charges and Other Assets	1,128	19	157	29,693
Due From Other Funds	279,749	82,944	60,090	14,481
Receivables, Net	875,754	105,349	281,762	138,987
Investments	103,449	-	2,482	-
Inventories	7,508	-	3,839	23,156
Total Assets	\$ 1,425,688	\$ 235,686	\$ 362,445	\$ 561,455
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 74,292	\$ 71,779	\$ 108,782	\$ 54,723
Accrued Liabilities	22,445	9,252	138,839	22,876
Due To Other Funds	625,255	31,620	84,715	8,555
Due to Brokers	6,216	-	-	-
Intergovernmental Payables	14,261	3,256	1,864	-
Funds Held For Others	1,973	715	465	-
Other Obligations	32,755	-	-	-
Deferred Revenue	27,908	100,716	49,568	39,465
Total Liabilities	805,105	217,338	384,233	125,619
Fund Balances:				
Non-spendable	8,636	19	10,383	52,849
Restricted	237,097	4,184	23,382	264,398
Committed	56,219	64,916	36,745	119,618
Assigned	7,866	-	-	-
Unassigned (Deficit)	310,765	(50,771)	(92,298)	(1,029)
Total Fund Balances	620,583	18,348	(21,788)	435,836
Total Liabilities and Fund Balances	\$ 1,425,688	\$ 235,686	\$ 362,445	\$ 561,455

See accountant's report

<u>Capital Projects</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>
\$ -	\$ 105,827	\$ 67,860	\$ 440,519
1,094,523	66	465,194	1,867,678
-	-	141	31,138
63,039	12,930	56,766	569,999
-	72,827	293,790	1,768,469
-	3,945,393	763,377	4,814,701
-	-	58	34,561
<u>\$ 1,157,562</u>	<u>\$ 4,137,043</u>	<u>\$ 1,647,186</u>	<u>\$ 9,527,065</u>
\$ -	\$ -	\$ 84,470	\$ 394,046
-	-	10,293	203,705
56,905	15,381	124,809	947,240
-	155,628	34,415	196,259
12,964	-	547	32,892
-	-	6	3,159
-	-	349	33,104
-	-	16,681	234,338
<u>69,869</u>	<u>171,009</u>	<u>271,570</u>	<u>2,044,743</u>
-	3,966,034	725,957	4,763,878
-	-	460,635	989,696
1,087,693	-	188,977	1,554,168
-	-	3,745	11,611
-	-	(3,698)	162,969
<u>1,087,693</u>	<u>3,966,034</u>	<u>1,375,616</u>	<u>7,482,322</u>
<u>\$ 1,157,562</u>	<u>\$ 4,137,043</u>	<u>\$ 1,647,186</u>	<u>\$ 9,527,065</u>

STATE OF NEW MEXICO

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

June 30, 2011
(In Thousands)

Total Fund Balances - Governmental Funds \$ 7,482,322

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	\$ 98,154	
Infrastructure, Nondepreciable	474,078	
Construction-In-Progress	574,752	
Other Nondepreciable Assets	76,165	
Buildings, Equipment, Infrastructure and Other Depreciable Assets	17,335,689	
Accumulated Depreciation	<u>(10,136,016)</u>	8,422,822

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. 23,500

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, and telecommunications. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 46,467

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. 16,124

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	(3,122,951)	
Accrued Interest Payable	(7,275)	
Notes Payable	(3,715)	
Claims and Judgments	(45,903)	
Compensated Absences	(63,934)	
Pollution Remediation Obligation	<u>(86,741)</u>	<u>(3,330,519)</u>

Total Net Assets - Governmental Activities \$ 12,660,716

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, 2011

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
REVENUES				
Taxes:				
General and Selective Taxes	\$ 2,816,212	\$ -	\$ 23,315	\$ 233,525
Income Taxes	1,326,752	-	-	-
Total Taxes	4,142,964	-	23,315	233,525
Other Revenues:				
Federal Revenue	78,814	407,872	3,854,461	369,813
Investment Income	675,631	169	3,159	4,020
Rentals and Royalties	471,892	-	2,644	59
Charges for Services	31,350	166	163,285	1,222
Licenses, Fees, and Permits	116,037	4,171	25,116	178,836
Assessments	1,542	-	12,404	-
Miscellaneous and Other	9,339	6,839	20,815	9,871
Total Revenues	5,527,569	419,217	4,105,199	797,346
EXPENDITURES				
Current:				
Culture, Recreation, and Natural Resources	143,929	-	-	-
Education	-	2,962,139	-	-
General Control	221,269	-	-	-
Health and Human Services	-	-	5,294,396	-
Highway and Transportation	-	-	-	302,555
Judicial	172,503	-	-	-
Land Grant	-	-	-	-
Legislative	24,651	-	-	-
Public Safety	419,671	-	-	-
Regulation and Licensing	72,743	-	-	-
Severance Tax	-	-	-	-
Unemployment Benefits	-	-	-	-
Capital Outlay	42,334	1,666	66,757	387,821
Debt Service:				
Interest and Other Charges	-	-	-	156,186
Principal	-	-	-	192,257
Bond Costs	-	-	-	9,302
Total Expenditures	1,097,100	2,963,805	5,361,153	1,048,121
Excess Revenues Over (Under)				
Expenditures	4,430,469	(2,544,588)	(1,255,954)	(250,775)

See accountant's report

<u>Capital Projects</u>			
<u>Appropriated</u>		Nonmajor	Total
<u>Bonds Proceeds</u>	Severance	Governmental	Governmental
<u>Capital Outlay</u>	Tax Permanent	Funds	Funds
\$ -	\$ -	\$ 593,556	\$ 3,666,608
-	-	-	1,326,752
-	-	593,556	4,993,360
-	-	854,708	5,565,668
-	771,533	163,990	1,618,502
-	-	4,951	479,546
-	-	16,793	212,816
-	-	32,737	356,897
-	-	11,435	25,381
-	-	31,339	78,203
-	771,533	1,709,509	13,330,373
-	-	67,103	211,032
-	-	218,308	3,180,447
-	-	155,010	376,279
-	-	329,475	5,623,871
-	-	4,899	307,454
-	-	59,633	232,136
-	-	1,132	1,132
-	-	-	24,651
-	-	17,858	437,529
-	-	26,785	99,528
-	8,318	-	8,318
-	-	15,809	15,809
-	-	223,128	721,706
-	-	-	-
2	-	70,927	227,115
-	-	155,229	347,486
-	-	922	10,224
2	8,318	1,346,218	11,824,717
(2)	763,215	363,291	1,505,656

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2011

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
OTHER FINANCING SOURCES (USES)				
Bonds Issued	\$ -	\$ -	\$ -	\$ -
Bond Premium	-	-	-	111,379
Note Proceeds	-	-	-	2,025
Refunding Bond Issue	-	-	-	635,700
Payment to Refunded Bond Escrow Agent	-	-	-	(470,285)
Proceeds from the Sale of Capital Assets	588	-	-	162
Transfers In	1,342,637	2,598,583	1,406,238	99,179
Transfers Out	(5,540,950)	(110,216)	(170,057)	(8,721)
Total Other Financing Sources (Uses)	(4,197,725)	2,488,367	1,236,181	369,439
Net Change in Fund Balances	232,744	(56,221)	(19,773)	118,664
Fund Balances - Beginning, as Restated - See Note 2.H.	387,839	74,569	(2,015)	317,172
Fund Balances - Ending	\$ 620,583	\$ 18,348	\$ (21,788)	\$ 435,836

See accountant's report

<u>Capital Projects</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>
\$ -	\$ -	\$ 39,205	\$ 39,205
-	-	17,965	129,344
-	-	-	2,025
-	-	140,520	776,220
-	-	(198,305)	(668,590)
-	-	670	1,420
253,599	7,617	903,433	6,611,286
<u>(581,299)</u>	<u>(184,571)</u>	<u>(1,047,796)</u>	<u>(7,643,610)</u>
<u>(327,700)</u>	<u>(176,954)</u>	<u>(144,308)</u>	<u>(752,700)</u>
(327,702)	586,261	218,983	752,956
1,415,395	3,379,773	1,156,633	6,729,366
<u>\$ 1,087,693</u>	<u>\$ 3,966,034</u>	<u>\$ 1,375,616</u>	<u>\$ 7,482,322</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, 2011

(In Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 752,956

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	\$ 721,706	
Depreciation expense	(680,564)	
Deletions	<u>(10,203)</u>	
Excess of capital outlay over depreciation expense		30,939

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. (34,327)

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, and telecommunications. The net revenue (expense) of the internal service funds is reported with governmental activities. (1,734)

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	907,018	
Bond Proceeds, Net	<u>(882,084)</u>	24,934

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	9,044	
Notes Payable	120,490	
Claims and Judgments	(1,897)	
Pollution Remediation Obligation	(452)	
Accrued Interest on Bonds Payable	(3,807)	
Change in Bond Issuance Costs	8,571	
Other	<u>501</u>	<u>132,450</u>

Change in Net Assets of Governmental Activities \$ 905,218

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 235.

Internal Service Fund

Nonmajor internal service funds are presented beginning on page 251.

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2011
(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	\$ 435,376	\$ 194,521	\$ 629,897	\$ -
Investment in the State General Fund Investment Pool	4,440	114,601	119,041	173,974
Investment in the Local Government Investment Pool	28,183	62,508	90,691	-
Deferred Charges and Other Assets	25,450	4	25,454	-
Due From Other Funds	7,089	1,618	8,707	12,774
Receivables, Net	320,573	85,130	405,703	10,770
Investments	296,755	-	296,755	-
Inventories	21,005	1,545	22,550	372
Total Current Assets	<u>1,138,871</u>	<u>459,927</u>	<u>1,598,798</u>	<u>197,890</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	79,638	541	80,179	-
Loans Receivable	22,692	169,030	191,722	-
Investments	1,518,144	40,087	1,558,231	-
Other Noncurrent Assets	18,736	257	18,993	-
Nondepreciable Capital Assets	224,271	1,348	225,619	-
Capital Assets, Net	<u>1,961,638</u>	<u>84,290</u>	<u>2,045,928</u>	<u>56,078</u>
Total Noncurrent Assets	<u>3,825,119</u>	<u>295,553</u>	<u>4,120,672</u>	<u>56,078</u>
Total Assets	<u>4,963,990</u>	<u>755,480</u>	<u>5,719,470</u>	<u>253,968</u>

See accountant's report

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS (CONTINUED)

PROPRIETARY FUNDS

June 30, 2011

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 159,659	\$ 3,707	\$ 163,366	\$ 16,055
Accrued Liabilities	133,525	12,587	146,112	1,597
Unearned Revenue	65,814	31,550	97,364	-
Due to Other Funds	4,642	13,417	18,059	10,504
Intergovernmental Payables	-	548	548	-
Funds Held for Others	7,915	113	8,028	-
Bonds Payable	30,661	1,349	32,010	-
Other Liabilities	57,894	21,699	79,593	85,692
Total Current Liabilities	<u>460,110</u>	<u>84,970</u>	<u>545,080</u>	<u>113,848</u>
Noncurrent Liabilities:				
Bonds Payable	785,773	14,523	800,296	-
Other Liabilities	94,292	42,496	136,788	93,653
Total Noncurrent Liabilities	<u>880,065</u>	<u>57,019</u>	<u>937,084</u>	<u>93,653</u>
Total Liabilities	<u>1,340,175</u>	<u>141,989</u>	<u>1,482,164</u>	<u>207,501</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	1,420,539	70,685	1,491,224	56,078
Restricted for:				
Nonexpendable, Scholarships and Student Loans	115,656	-	115,656	-
Nonexpendable, Endowment	84,310	-	84,310	-
Nonexpendable, Land Grant				
Permanent Fund	1,068,232	-	1,068,232	-
Nonexpendable, Capital Projects	9,212	-	9,212	-
Debt Service	51,305	1,197	52,502	-
Capital Projects	80,470	1,861	82,331	-
Federal Student Loans	16,982	-	16,982	-
Scholarships	7,710	-	7,710	-
Unemployment and Insurance	-	223,294	223,294	178,249
Loans	4,252	293,903	298,155	-
Other Purposes	18,065	1,757	19,822	18,439
Unrestricted (Deficit)	<u>747,082</u>	<u>20,794</u>	<u>767,876</u>	<u>(206,299)</u>
Total Net Assets	<u>\$ 3,623,815</u>	<u>\$ 613,491</u>	<u>\$ 4,237,306</u>	<u>\$ 46,467</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, 2011
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Charges for Services	\$ 246,251	\$ 372,203	\$ 618,454	\$ 463,340
Unemployment Insurance	-	207,140	207,140	-
Federal Revenue	582,253	455,420	1,037,673	-
State, Local, and Private Grants and Contracts	237,502	-	237,502	-
Loans and Other Income	-	4,277	4,277	-
Student Tuition and Fees, Net	225,222	-	225,222	-
Patient Services/Clinical Operations	628,888	-	628,888	-
Other Operating Revenues	89,618	52	89,670	36
Total Operating Revenues	<u>2,009,734</u>	<u>1,039,092</u>	<u>3,048,826</u>	<u>463,376</u>
OPERATING EXPENSES				
Benefits, Claims, and Premiums	-	742,883	742,883	-
General and Administrative Expenses	1,539,758	23,986	1,563,744	23,351
Insurance Losses	-	298,626	298,626	-
Depreciation Expense	154,098	5,261	159,359	13,067
Other Operating Expenses	1,038,101	59,825	1,097,926	435,845
Total Operating Expenses	<u>2,731,957</u>	<u>1,130,581</u>	<u>3,862,538</u>	<u>472,263</u>
Operating Income (Loss)	<u>(722,223)</u>	<u>(91,489)</u>	<u>(813,712)</u>	<u>(8,887)</u>
NONOPERATING REVENUES (EXPENSES)				
Clinical Operations	69,524	-	69,524	-
Private Grants and Gifts	15,679	-	15,679	-
Government Grants and Contracts	15,966	-	15,966	-
Interest and Investment Income	243,093	15,304	258,397	283
Interest and Other Expenses on Capital Asset-related Debt	(29,332)	(697)	(30,029)	-
Gain (Loss) on Sale of Capital Assets	(2,523)	(1)	(2,524)	297
Other Revenue (Expense)	(13,770)	2,130	(11,640)	-
Total Nonoperating Revenues (Expenses)	<u>298,637</u>	<u>16,736</u>	<u>315,373</u>	<u>580</u>
Income (Loss) Before Transfers and Other Revenues (Expenses)	<u>(423,586)</u>	<u>(74,753)</u>	<u>(498,339)</u>	<u>(8,307)</u>
CAPITAL CONTRIBUTIONS AND ENDOWMENTS				
Capital Grants and Gifts	-	998	998	-
Permanent Fund/Endowment Contributions	3,575	-	3,575	-
Total Capital Contributions and Endowments	<u>3,575</u>	<u>998</u>	<u>4,573</u>	<u>-</u>
TRANSFERS				
Transfers In	697,693	7,174	704,867	10,239
Transfers Out	-	(318)	(318)	(3,666)
Total Transfers	<u>697,693</u>	<u>6,856</u>	<u>704,549</u>	<u>6,573</u>
Change in Net Assets	<u>277,682</u>	<u>(66,899)</u>	<u>210,783</u>	<u>(1,734)</u>
Net Assets - Beginning, as Restated - See Note 2.H.	<u>3,346,133</u>	<u>680,390</u>	<u>4,026,523</u>	<u>48,201</u>
Net Assets - Ending	<u>\$ 3,623,815</u>	<u>\$ 613,491</u>	<u>\$ 4,237,306</u>	<u>\$ 46,467</u>

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STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2011
(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	\$ 971,253	\$ 365,010	\$ 1,336,263	\$ 460,063
Sale of Products	247,947	6,018	253,965	-
Gifts, Grants, and Contracts	764,751	-	764,751	-
Loan and Note Repayments	2,009	17,076	19,085	-
Unemployment Insurance	-	195,335	195,335	-
Other Sources	58,080	462,668	520,748	62
Cash Payments to or for:				
Suppliers	(741,267)	(47,555)	(788,822)	(445,071)
Employees	(1,665,500)	(23,226)	(1,688,726)	(23,543)
Unemployment Benefits	-	(742,532)	(742,532)	-
Scholarships	(63,291)	-	(63,291)	-
Student Loans and Loan Losses	(13,133)	(265,971)	(279,104)	-
Other Payments	(100,947)	(55,698)	(156,645)	(435)
Net Cash Used by Operating Activities	(540,098)	(88,875)	(628,973)	(8,924)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	559,363	660	560,023	21,189
Transfers Out	-	(16,869)	(16,869)	(11,016)
Gifts for Other Than Capital Purposes	70,276	2,302	72,578	-
Intergovernmental Receipts	118,856	117,803	236,659	-
Net Cash Provided by Noncapital Financing Activities	748,495	103,896	852,391	10,173
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(243,513)	(6,447)	(249,960)	(4,718)
Capital Debt Service Payments - Principal	(33,457)	(1,287)	(34,744)	-
Capital Debt Service Payments - Interest	(37,823)	-	(37,823)	-
Capital Contributions and Debt Proceeds	91,741	7,121	98,862	-
Proceeds from Sale of Capital Assets	-	8	8	-
Net Cash Used by Capital and Related Financing Activities	(223,052)	(605)	(223,657)	(4,718)

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STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2011
(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	\$ 117,936	\$ 9,349	\$ 127,285	\$ 494
Purchase of Investments	(368,205)	1	(368,204)	-
Proceeds from Sale and Maturity of Investments	352,049	-	352,049	-
Net Cash Provided (Used) by Investing Activities	<u>101,780</u>	<u>9,350</u>	<u>111,130</u>	<u>494</u>
Net Increase (Decrease) in Cash	87,125	23,072	110,197	(2,975)
Cash and Cash Equivalents at Beginning of Year, as Restated	460,512	349,099	809,611	176,949
Cash and Cash Equivalents at End of Year	<u>\$ 547,637</u>	<u>\$ 372,171</u>	<u>\$ 919,808</u>	<u>\$ 173,974</u>
Cash and Cash Equivalents				
Unrestricted	\$ 435,376	\$ 194,521	\$ 629,897	\$ -
Restricted	79,638	541	80,179	-
Investment in the State General Fund Investment Pool	4,440	114,601	119,041	173,974
Investment in the Local Government Investment Pool	28,183	62,508	90,691	-
Total Cash and Cash Equivalents	<u>\$ 547,637</u>	<u>\$ 372,171</u>	<u>\$ 919,808</u>	<u>\$ 173,974</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	\$ (722,223)	\$ (91,489)	\$ (813,712)	\$ (8,887)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation	154,098	5,261	159,359	13,067
Bad Debt Expense	26,984	3,562	30,546	-
Loss on Investment in Local Government Investment Pool	-	3,080	3,080	-
Loss on Disposal	2,523	-	2,523	-
Reserve for Losses	-	(495)	(495)	(297)
Net Changes in Assets and Liabilities Related to Operating Activities:				
Receivables/Due From Other Funds	(48,557)	(16,137)	(64,694)	(5,958)
Notes/Loans	9,522	5,797	15,319	-
Inventories	382	318	700	(17)
Prepaid Items/Deferred Charges	1,058	(91)	967	4
Accounts Payable/Accrued Liabilities/Due To Other Funds	32,399	155	32,554	(6,836)
Unearned Revenue	3,716	1,164	4,880	-
Net Cash Used by Operating Activities	<u>\$ (540,098)</u>	<u>\$ (88,875)</u>	<u>\$ (628,973)</u>	<u>\$ (8,924)</u>

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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 263.

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 277.

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 281.

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 285.

STATE OF NEW MEXICO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

June 30, 2011
(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,389,776	\$ 465,821	\$ 340,652	\$ 457,129
Investment in State General Fund Investment Pool	32,421	-	38,188	430,476
Investment in Local Government Investment Pool	-	-	-	3,214
Investments:				
U.S. Government and Agency Securities	2,448,493	-	117,205	-
International Securities	4,726,187	-	-	-
Corporate Equity Securities	5,695,272	-	2,131	-
Corporate and Municipal Bonds	2,900,505	-	-	-
Partnerships and Other Investments	5,658,366	-	3,113,410	-
Securities Lending Collateral Investments	749,960	-	-	-
Investment Pools	-	366,913	7,526,938	21,755
Due From Other Funds	511	-	11,302	238,503
Receivables:				
Brokers	1,174,787	-	-	-
Contributions	115,690	-	-	-
Accrued Interest and Other	80,887	-	-	-
Participant Loans	6,493	-	-	-
Receivables	-	3,089	310,209	10,754
Capital Assets, Net	19,818	-	-	-
Total Assets	<u>24,999,166</u>	<u>835,823</u>	<u>11,460,035</u>	<u>1,161,831</u>
LIABILITIES				
Accounts Payable	27,221	-	2,145	72,619
Securities Lending	778,084	-	-	-
Accrued Liabilities	351	-	2,269	-
Due to Other Funds	669	89	115	-
Due to Beneficiaries	-	-	37,213	-
Due to Brokers	1,815,661	2,256	214,439	-
Due to Taxpayers	-	-	-	190,279
Intergovernmental Payables	-	185,890	-	310,885
Unearned Revenue	6,375	-	-	-
Deposits Held in Trust	191	-	-	585,852
Other Liabilities	23,631	2,528	213,825	2,196
Total Liabilities	<u>2,652,183</u>	<u>190,763</u>	<u>470,006</u>	<u>1,161,831</u>
NET ASSETS				
Held in Trust for:				
Pension Benefits	21,743,246	-	-	-
Other Postemployment Benefits	215,204	-	-	-
Defined Contribution	388,533	-	-	-
External Investment Pool Participants	-	645,060	-	-
Other Purposes	-	-	10,990,029	-
Net Assets	<u>\$ 22,346,983</u>	<u>\$ 645,060</u>	<u>\$ 10,990,029</u>	<u>\$ -</u>

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STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2011

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employee Contributions	\$ 647,542	\$ -	\$ -
Employer Contributions	663,171	-	-
Member Contributions	-	-	636,475
Transfers In	750	-	342,894
Total Contributions	1,311,463	-	979,369
Pool Participant Deposits	-	20,214	-
Investment Income:			
Net Increase in Fair Value of Investments	3,419,300	7,577	1,797,954
Interest and Dividends	474,753	5,839	217,780
	3,894,053	13,416	2,015,734
Less Investment Expense	(58,583)	-	(13,038)
Net Investment Income	3,835,470	13,416	2,002,696
Other Additions			
Other Operating Revenues	86,965	-	-
Total Other Additions	86,965	-	-
Total Additions	5,233,898	33,630	2,982,065
DEDUCTIONS			
Benefits and Claims	1,457,914	-	-
Retiree Healthcare Payments	210,805	-	-
Distributions	-	-	1,085,318
Pool Participant Withdrawals	-	20,303	-
Refunds	78,251	-	-
General and Administrative Expenses	25,712	423	-
Other Operating Expenses	5,593	-	13,989
Transfers Out	-	-	9,000
Total Deductions	1,778,275	20,726	1,108,307
Change in Net Assets	3,455,623	12,904	1,873,758
Net Assets - Beginning	18,891,360	632,156	9,116,271
Net Assets - Ending	\$ 22,346,983	\$ 645,060	\$ 10,990,029

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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.

New Mexico Lottery Authority

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.

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET ASSETS COMPONENT UNITS

June 30, 2011
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Computing Applications Center	New Mexico Lottery Authority	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 113,770	\$ 31,648	\$ 92	\$ 8,487	\$ 153,997
Investment in Local Government					
Investment Pool	-	11,528	-	-	11,528
Deferred Charges and Other Assets	10,614	15,041	-	113	25,768
Due From Primary Government	138,145	-	-	-	138,145
Receivables, Net	100,231	7,221	26	885	108,363
Inventory	-	-	-	11	11
Total Current Assets	<u>362,760</u>	<u>65,438</u>	<u>118</u>	<u>9,496</u>	<u>437,812</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	222,682	125,686	-	-	348,368
Restricted Investments	-	1,138,456	-	-	1,138,456
Loans Receivable, Net	1,138,250	207,181	-	-	1,345,431
Investments	-	31,012	-	-	31,012
Other Noncurrent Assets	37,619	-	-	-	37,619
Nondepreciable Capital Assets	-	512	-	-	512
Capital Assets, Net	205	1,159	61	168	1,593
Total Noncurrent Assets	<u>1,398,756</u>	<u>1,504,006</u>	<u>61</u>	<u>168</u>	<u>2,902,991</u>
Total Assets	<u>1,761,516</u>	<u>1,569,444</u>	<u>179</u>	<u>9,664</u>	<u>3,340,803</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	1,500	6,659	1,104	1,830	11,093
Accrued Liabilities	82,076	12,859	-	4,592	99,527
Due to Broker	-	1,261	-	-	1,261
Due to Primary Government	-	50	-	3,215	3,265
Funds Held for Others	74,526	-	-	-	74,526
Bonds Payable	72,699	22,625	-	-	95,324
Other Liabilities	210	302	-	6	518
Total Current Liabilities	<u>231,011</u>	<u>43,756</u>	<u>1,104</u>	<u>9,643</u>	<u>285,514</u>
Noncurrent Liabilities:					
Bonds Payable	1,150,343	1,259,188	-	-	2,409,531
Other Liabilities	-	1,611	-	21	1,632
Total Noncurrent Liabilities	<u>1,150,343</u>	<u>1,260,799</u>	<u>-</u>	<u>21</u>	<u>2,411,163</u>
Total Liabilities	<u>1,381,354</u>	<u>1,304,555</u>	<u>1,104</u>	<u>9,664</u>	<u>2,696,677</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	205	(456)	60	168	(23)
Restricted for:					
Debt Service	258,614	101,044	-	-	359,658
Capital Projects	8,770	-	-	-	8,770
Other Purposes	-	19,807	-	-	19,807
Unrestricted Net Assets (Deficit)	112,573	144,494	(985)	(168)	255,914
Total Net Assets (Deficit)	<u>\$ 380,162</u>	<u>\$ 264,889</u>	<u>\$ (925)</u>	<u>\$ -</u>	<u>\$ 644,126</u>

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STATE OF NEW MEXICO

COMBINING STATEMENT OF ACTIVITIES

COMPONENT UNITS

For the Year Ended June 30, 2011

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Computing Applications Center	New Mexico Lottery Authority	Total
Expenses	\$ 137,130	\$ 157,089	\$ 4,487	\$ 94,269	\$ 392,975
Program Revenues:					
Charges for Services	62,402	68,152	-	135,553	266,107
Operating Grants and Contributions	40,866	85,944	2,410	-	129,220
Total Program Revenues	103,268	154,096	2,410	135,553	395,327
Net (Expenses) Revenues	(33,862)	(2,993)	(2,077)	41,284	2,352
General Revenues:					
Payment from State of New Mexico	34,826	-	1	-	34,827
Payment to State of New Mexico	(6,962)	-	-	(41,307)	(48,269)
Investment Income	810	28,310	-	23	29,143
Total General Revenues	28,674	28,310	1	(41,284)	15,701
Change in Net Assets	(5,188)	25,317	(2,076)	-	18,053
Net Assets - Beginning, as Restated	385,350	239,572	1,151	-	626,073
Net Assets - Ending (Deficit)	<u>\$ 380,162</u>	<u>\$ 264,889</u>	<u>\$ (925)</u>	<u>\$ -</u>	<u>\$ 644,126</u>

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STATE OF NEW MEXICO

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For the Year Ended June 30, 2011

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

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. All dollar amounts are in thousands, except when stated.

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). 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.

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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.

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, NMMFA 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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, 2008 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.

▪ **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.

In previous years, the New Mexico Lottery Authority (Lottery Authority) has been presented as a blended component unit. Additional guidance from the Governmental Accounting Standards Board (GASB) has indicated that benefits from the lottery are being provided not only to the State but also to the players of the lottery games. Therefore, the Lottery Authority is being presented as a discrete component unit beginning with the fiscal year ended June 30, 2011.

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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

New Mexico Lottery Authority

P.O. Box 93130
Albuquerque, New Mexico 87199

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 non-fiduciary 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

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 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 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 are generally 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

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

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 resources 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 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.

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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 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, are generally 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.

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, 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, and printing and records. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

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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 measurement focus and the accrual basis of accounting.

Pension and Other Employee Benefits Trust Funds – These funds are 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 – These 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’s Investment pools.

Private Purpose Trust Funds – These funds are 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 – These funds are 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 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, the Educational Trust Board, and the State Investment Council invest in the overnight repurchase

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agreements in the Short-term Investment Funds (STIF) at JP Morgan. 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.

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, 2011. The Department of Transportation (reported under Highway and Transportation Fund) had \$81,386 as an offsetting asset titled "deferred outflow" for the

cash flow hedge interest rate swaps liability at June 30, 2011. See Note 2.F. The New Mexico Institute of Mining and Technology (reported under the Educational Institutions Fund) had \$2,253 of student loans outstanding under the federal Perkins loan program. The University of New Mexico (reported under the Educational Institutions Fund) had \$11,544 in deferred bond issuance costs and \$10,088 as an offsetting asset titled "deferred cash outflow" for the cash flow hedge interest rate swaps liability at June 30, 2011. See Note 2.F. The Lottery Authority had \$2,925 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 \$2,074 in policyholder account value of life insurance. The NMMFA had \$9,475 in deferred bond issuance costs.

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

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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).

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 consists 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, the State maintains 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, 2011, 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 5135, Santa Fe, NM 87505.

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.

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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 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 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 by 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, 2011, the fund had one active external manager.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 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) methods.

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 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

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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 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 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, 2011, the allowance for loan loss was \$3,554. 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

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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 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.

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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.

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.

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.

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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 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 Payable

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 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

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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 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 \$63,405 at June 30, 2011. The indicated discounted losses and loss adjustment expenses are \$42,283 at June 30, 2011. Discounting is based on estimated payment dates and an appropriate assumed rate of return. The estimated unpaid losses as of June 30, 2011 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, 2011; 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, 2011. 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.

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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 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,

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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 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.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provision or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes, by directive of the Legislative Finance Committee of the Legislature or in some cases by legislation. See Note 2.H.1 for additional information about fund balances.

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.

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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 restrictions 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.

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 sub classified 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 \$18 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

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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 Employee Benefits 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.

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, 2011, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
- GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 was issued in February 2009, this statement 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 initial distinction that must be made when reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Statement No. 54 also requires additional classification of fund balance as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

This statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about certain stabilization arrangements in the notes to the financial statements. The definitions of the general fund type, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified in this statement. See Note 2.H.1 for additional information about fund balances.

GASB Statement No. 59 was issued in June 2010; this statement provides updates and refinements to 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. This statement provides amendments to several standards.

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

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- 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 No. 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.

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

19. Future Accounting Standards

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

Issued in November 2010, GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or non-governmental entity) in which: (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration; and (2) the operator collects and is compensated by fees from third parties. This statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows; the rights granted and retained; and guarantees and commitments. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013. The State has not determined the effect on the financial statements, if any, that implementation of this standard will entail.

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Statement No. 61, The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34

Issued in November 2010, this statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, this statement additionally requires that: (1) the primary government and the component unit have a financial benefit or burden relationship; or (2) management (below the level of elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Additional guidance is provided for blending a component unit if the primary government

is a business-type activity that uses a single column presentation for financial reporting.

This statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013. The State has not determined the effect on the financial statements, if any, that implementation of this standard will entail.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in PreNovember 30, 1989 FASB and AICPA Pronouncements

Issued in December 2010, this statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB); Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. This statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 in that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do not conflict with or contradicts GASB pronouncements. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013. The State has not determined the effect on the

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financial statements, if any, that implementation of this standard will entail.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Issued in June 2011, the objective of GASB 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic financial Statements-and Management's discussion and Analysis-for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure of net position, rather than net assets. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013. The State has not determined the effect on the financial statements, if any, that implementation of this standard will entail.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – An amendment of GASB Statement No. 53.

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider commits or experiences either an act of default or a termination event as described in the related swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements, or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require governments to cease hedge accounting upon termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

Issued in June 2011, the objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. Statement No. 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013. 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, 2011		Balance at June 30, 2011
		Financial Statement Amounts	
		Primary Government:	
Cash and Cash Equivalents:		Cash and Cash Equivalents	\$ 724,281
State Treasurer [^]	\$ 547,947	Investment in State General Fund	
State Investment Council	566,829	Investment Pool	2,160,693
Public Employees Retirement Association		Investment in Local Government	
and Educational Retirement Board	1,389,777	Investment Pool	90,691
Higher Education Trust Board	5,707	Investments	458,128
Cash in Bank	1,879,590	Restricted Cash and Cash Equivalents	426,314
Investments:		Restricted Investments	4,653,328
State Treasurer	2,991,309	Noncurrent Investments	1,558,231
State Investment Council	15,127,420	Fiduciary Funds:	
Public Employees Retirement Association,		Cash and Cash Equivalents	2,653,378
Educational Retirement Board, and		Investment in State General Fund	
Retiree Health Care Authority	21,961,348	Investment Pool	501,085
Higher Education Trust Board	1,939,707	Investment in Local Government	
Educational Institutions	680,474	Investment Pool	3,214
Other Agencies	1,149,731	Investments	33,327,135
Total	\$ 48,239,839	Component Units:	
		Cash and Cash Equivalents	153,997
		Investment in Local Government	
		Investment Pool	11,528
		Restricted Cash and Cash Equivalents	348,368
		Noncurrent Investments	31,012
		Restricted Investments	1,138,456
		Total	\$ 48,239,839

[^]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 New Mexico Lottery and the university funds. The university funds are entirely under the control of the universities. These funds are 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). The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local

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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, 2011, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

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

	Balance at June 30, 2011
Cash in Bank	\$ 739,188
Less: Deposit of Institutions Which are Fully Insured and Collateralized	440,629
Deposits of Institutions Not Fully Collateralized	298,559
Less: FDIC Insurance Coverage	8,819
Collateral Pledged:	
Surety Bond	3,100
Securities	265,526
Subject to Custodial Credit Risk	\$ 21,114

As of June 30, 2011, cash and cash equivalents not held by the State Treasurer and controlled by various State officials were statutory collateralized as follows:

**Office of the State Treasurer
Statutory Collateral Compliance
(Expressed in Thousands)**

	Fiscal Agent Account	Certificates of Deposit
Cash in Bank	\$ 70,688	\$ 67,300
Less: FDIC Insurance Coverage	426	1,924
Total Unsecured Public Funds	\$ 70,262	\$ 65,376
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	\$ 35,131	\$ 53,165
Collateral Pledged:		
U.S. Government Securities	71,824	53,454
Surety Bond	-	3,000
Collateral Pledged	71,824	56,454
Over Collateralized	\$ (36,693)	\$ (3,289)

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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, 2011
Cash in Bank	\$ 547,947
Certificates of Deposit	67,308
Repurchase Agreements	<u>1,093,000</u>
Total Cash and Cash Equivalents	1,708,255
Securities	<u>1,831,001</u>
Total Investments	<u>\$ 3,539,256</u>

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

	Balance at June 30, 2011
Financial Statement Amounts	
Primary Government:	
Investment in State General Fund Investment Pool	\$ 2,160,693
Investment in Local Government Investment Pool	90,691
Fiduciary Activities:	
Investment in State General Fund Investment Pool	501,085
Investment in Local Government Investment Pool	3,214
State Treasurer External Trust Fund	
Cash and Cash Equivalents	464,435
Investments	307,610
Component Units:	
Investment in Local Government Investment Pool	<u>11,528</u>
Total Investments	<u>\$ 3,539,256</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.

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.

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.

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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.

On September 3, 2010, the Fund announced a change in classification of the Fund to a pass-through entity enabling investors to book losses on their Fund positions as of August 31, 2011. The replacement fund is to be known as the "Primary Fund – In Liquidation".

On January 26, 2011, the Primary Fund – In Liquidation announced an 80.0 percent decrease in fund balances coincident with the transfer of assets to Credarian reflecting "deemed distributions" of pass-through losses as of the August 30, 2010 conversion date.

On July 29, 2011, Credarian released a statement of assets and potential claims for the Primary Fund – In Liquidation. The statement listed fund assets as of May 14 were \$110 million and potential claims on those assets of \$106 million. The remaining \$3.8 million is subject to additional claims by the estate. Distributions to claimants are ongoing and litigation surrounding potential claims has been initiated. Until there is final resolution of the matter, RCF participants have a pro-rata claim on any distributed assets.

In total, the Fund has returned 99.0 percent of assets invested to investors as of the date when the Fund assets were frozen and the liquidation process initiated. However, the Reserve Contingency Fund

also assumed the cost of the 2008 Put Agreement with the general fund and the net return to participants was less than the return of assets percentage.

At June 30, 2011, investments in the Primary Fund – In Liquidation 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 100.0 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, 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

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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
- 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The quality rating of investments in fixed income securities as described by a nationally recognized

statistical rating organization (Standard & Poor's) at June 30, 2011, 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	\$ 518,472	14.6 %
U.S. Government Agency	AAA	229,846	6.5 %
Municipal Bonds	AAA	8,134	0.2 %
U.S. Government Agency	AA+	226,866	6.4 %
Corporate Bonds	AA+	659,325	18.6 %
Corporate Bonds	AA	10,631	0.3 %
Municipal Bonds	AA	11,046	0.3 %
Corporate Bonds	A	26,223	0.7 %
Investments Subject to Credit Risk - S&P Ratings		1,690,543	47.6 %
Not Rated:			
Overnight Repurchase Pool		\$ 1,093,000	30.9 %
Certificates of Deposit		67,308	1.9 %
U.S. Government Agency		42,200	1.2 %
U.S. Treasuries		78,192	2.2 %
Corporate Bonds		20,066	0.6 %
Commercial Paper		547,947	15.6 %
Investments Subject to Credit Risk - Not Rated		1,848,713	52.4 %
Total Investments		\$ 3,539,256	100.0 %

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 (CD) for the entire portfolio shall be \$400 million with

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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 each portfolio. 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 35.0 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 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 single issuer of 5.0 percent or greater at June 30, 2011:

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	\$ 284,943	8.1 %
Citigroup	193,419	5.4 %
Overnight Repurchase Pool*	<u>1,093,000</u>	<u>30.9 %</u>
Investments Subject to Concentration Risk	<u>1,571,362</u>	<u>44.4 %</u>
Securities comprising less than five percent of the total and exceptions to disclosure rule	<u>1,967,894</u>	<u>55.6 %</u>
Total Investments	<u><u>\$ 3,539,256</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:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.
- Maturities on investment at June 30, 2011:

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

Issuer	Fair Value	Total	
		Less Than 1 Year	1-5 Years
Investments Subject to Interest Rate Risk:			
U.S. Treasuries	\$ 596,664	\$ 194,121	\$ 402,543
U.S. Government Agencies	498,912	47,511	451,401
Corporate Bonds	716,245	464,431	251,814
Municipal Bonds	19,180	2,913	16,267
Certificates of Deposit	67,308	67,308	-
Overnight Repurchase Pool	1,093,000	1,093,000	-
Investments Subject to Interest Rate Risk	2,991,309	\$ 1,869,284	\$ 1,122,025
Investments Not Subject to Interest Rate Risk	547,947		
Total Investments	\$ 3,539,256		

*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, 2011, 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 the United States or other securities backed by the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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
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, 2011:

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

<u>Quality Rating</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Total</u>	
			<u>11-20 Years</u>	<u>Over Twenty Years</u>
Investments Subject to Interest Rate Risk:				
AAA	U.S. Government			
	Mortgage-backed Securities	<u>\$ 1,114,860</u>	<u>\$ 396,052</u>	<u>\$ 718,808</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2011
Governmental Activities [^]	\$ 182,174
Business-type Activities:	
Educational Institutions [^]	41,358
Nonmajor Enterprise Funds [^]	892
Fiduciary Activities:	
Retiree Health Care Authority [^]	5,080
State Investment Council	
External Trust Fund	1,386
Scholarship Trust [^]	533
Land Grant Permanent Fund Private	
Purpose Trust Fund	329,105
Water Trust Fund [^]	5,287
Other Agency [^]	240
Component Unit:	
New Mexico Mortgage	
Finance Authority [^]	774
Total Reported by the State Investment Council	<u>\$ 566,829</u>

[^]Amount is combined and reported with other amounts of cash and cash equivalents.

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, 2011, 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:

See accountant's report

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

Fund	Balance at June 30, 2011
Governmental Activities:	
Current Investments	\$ 4,814,701
Noncurrent Investments	
Business-type Activities:	
Educational Institutions*	1,134,425
Nonmajor Enterprise Funds	38,177
Fiduciary Activities:	
Retiree Health Care Authority	217,435
State Investment Council External	
Trust Fund	59,303
Land Grant Permanent Fund Private	
Purpose Trust Fund	8,751,297
Water Trust Fund	45,876
Scholarship Fund	22,804
Other Agency	10,256
Component Units**	33,146
Total Reported by the State Investment Council	<u>\$ 15,127,420</u>

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

**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, 2011, 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, 2011 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:		
Mortgage-backed Securities	AAA	\$ 329,946
Commercial Mortgage-backed	AAA	114,549
Nongovernment-backed C.M.O.s	AAA	92,054
Asset-backed Securities	AAA	40,398
Corporate Bonds	AAA	12,369
Government Bonds	AAA	5,092
Corporate Bonds	AA+	24,849
Asset-backed Securities	AA+	19,683
Corporate Bonds	AA	22,215
Asset-backed Securities	AA	5,923
Nongovernment-backed C.M.O.s	AA	4,968
Government Bonds	AA	2,707
Municipal Bonds	AA	696
Corporate Bonds	AA-	43,024
Municipal Bonds	AA-	9,984
Commercial Mortgage-backed	AA-	4,329
Nongovernment-backed C.M.O.s	AA-	189
Corporate Bonds	A+	49,558
Municipal Bonds	A+	30,847
Commercial Mortgage-backed	A+	30,687
Asset-backed Securities	A+	2,212
Corporate Bonds	A	173,869
Commercial Mortgage-backed	A	8,438
Nongovernment-backed C.M.O.s	A	5,681
Corporate Bonds	A-	114,525
Municipal Bonds	A-	14,024
Commercial Mortgage-backed	A-	11,368
Asset-backed Securities	A-	2,397
Certificate of Deposit	A-1+	28,298
Certificate of Deposit	A-1	2,100
Certificate of Deposit	A-3	2,099
Corporate Bonds	BBB+	106,781
Commercial Mortgage-backed	BBB+	24,355
Asset-backed Securities	BBB+	15,578
Corporate Bonds	BBB	101,685
Asset-backed Securities	BBB	12,517
Commercial Mortgage-backed	BBB	10,644
Government Bonds	BBB	4,945
Nongovernment-backed C.M.O.s	BBB	2,899
Corporate Bonds	BBB-	213,557
Nongovernment-backed C.M.O.s	BBB-	10,137
Commercial Mortgage-backed	BBB-	6,704

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Government Bonds	BBB-	\$ 2,056
Corporate Bonds	BB+	26,734
Nongovernment-backed C.M.O.s	BB+	3,949
Corporate Bonds	BB	73,158
Government Bonds	BB	7,869
Asset-backed Securities	BB	2,530
Corporate Bonds	BB-	72,749
Corporate Bonds	B+	43,881
Corporate Bonds	B	30,193
Corporate Bonds	B-	15,356
Nongovernment-backed C.M.O.s	B-	6,786
Corporate Bonds	CCC+	3,468
Nongovernment-backed C.M.O.s	CCC	49,536
Asset-backed Securities	CCC	5,765
Corporate Bonds	CCC	4,805
Nongovernment-backed C.M.O.s	CC	2,042
Nongovernment-backed C.M.O.s	D	8,176
Investments Subject to Credit Risk - S&P Ratings		<u>2,077,933</u>
Investments Subject to Credit Risk - Not Rated:		
Corporate Bonds	Not rated	102,728
Asset-backed Securities	Not rated	83,808
Commercial Mortgage-backed	Not rated	30,412
Nongovernment-backed C.M.O.s	Not rated	22,672
Government Bonds	Not rated	5,000
Money Markets	Not rated	3,428
Investments Subject to Credit Risk - Not Rated		<u>248,048</u>
Investments Not Subject to Credit Risk:		
Private Equity, Equity Securities, and Real Estate	N/A	12,699,872
NM Film Investments	N/A	60,000
Government Agencies	N/A	41,567
Investments Not Subject to Credit Risk		<u>12,801,439</u>
Total Investments		<u>\$ 15,127,420</u>

Concentration of Credit Risk. As of June 30, 2011, the Council's investments 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. The Council does not have a management of debt investment duration. At June 30, 2011, exposure to interest rate risk is as follows: practice is to address interest rate risk through the

**State Investment Council
Maturities on Investments
(Expressed in Thousands)**

Investment	Fair Value	Total					Life Not Available
		Less than 1 year	1-5 years	6-10 Years	Greater than 10 years		
Investments Subject to Interest Rate Risk:							
Asset-backed Securities	\$ 190,809	\$ 116,685	\$ 66,743	\$ -	\$ 7,381	\$ -	
Certificate of Deposit	32,498	32,498	-	-	-	-	
Commercial Mortgage-backed	241,485	158,854	-	5,262	77,369	-	
Corporate Bonds	1,319,193	214,006	436,215	534,201	134,771	-	
Derivatives/Interest Rate Swap	2,353	2,949	16	-	-	(612)	
Government Agencies	3,962	3,962	-	-	-	-	
Government-backed C.M.O.s	33,301	-	-	-	33,301	-	
Government Bonds	23,708	-	5,000	8,999	9,709	-	
Government Mortgage-backed Sec.	352,975	28,323	2,316	2,299	320,037	-	
Money Market	3,428	-	-	-	-	3,428	
Municipal/Provincial Bonds	55,550	-	-	1,025	54,525	-	
Nongovernment-backed C.M.O.s	175,789	73,320	-	25,523	76,946	-	
U.S. Treasury Bonds/Bills/Notes	379,377	202,470	29,594	108,637	38,676	-	
Investments Subject to Interest Rate Risk	2,814,428	\$ 833,067	\$ 539,884	\$ 685,946	\$ 752,715	\$ 2,816	
Investments Not Subject to Interest Rate Risk:							
Securities, Equity, Real Estate, and NM Film Investments	12,312,992						
Total Investments	\$ 15,127,420						

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's or deposits fair value. 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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STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

A summary of the investments at June 30, 2011 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>Real Estate Investment Trusts</u>	<u>Cash and Cash Equivalents</u>
Australian Dollar	\$ 107,381	\$ -	\$ -	\$ 6
Brazilian Real	54,000	28,273	-	190
British Pound Sterling	266,239	-	1,480	651
Czech Koruna	7,847	-	-	79
Danish Krone	13,193	-	-	1
Egyptian Pound	2,264	-	-	108
Euro	372,245	231,858	4,975	741
Hong Kong Dollar	90,967	-	827	132
Indian Rupee	64,591	-	-	816
Indonesian Rupiah	16,123	-	-	49
Israeli Shekel	8,773	-	-	58
Japanese Yen	247,962	-	1,743	2,286
Mexican Peso	-	-	-	32
New Taiwan Dollar	57,630	-	-	1,042
New Turkish Lira	47,183	-	-	102
New Zealand Dollar	1,489	-	-	9
Norwegian Krone	11,471	-	-	118
Philippine Peso	69	-	-	19
Polish Zloty	25,647	-	-	144
Singapore Dollar	20,278	-	632	173
South African Rand	26,442	-	-	66
South Korean Won	141,915	12,305	-	-
Swedish Krona	39,057	-	-	-
Swiss Franc	104,013	-	-	35
Thai Baht	13,436	-	-	-
Turkish Lira	18,381	-	-	-
Subtotal	1,758,596	<u>\$ 272,436</u>	<u>\$ 9,657</u>	6,857
Global Depository Receipt - Euro	-			6,018
Derivatives - Brazilian Real	(4)			-
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	<u>2,040,685</u>			<u>12,875</u>
Investments and Cash and Cash Equivalents Not Subject to Foreign Currency Risk	<u>13,086,735</u>			<u>553,954</u>
Total Investments and Cash and Cash Equivalents	<u>\$ 15,127,420</u>			<u>\$ 566,829</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, 2011</u>
Investments:	
Current	\$ 296,755
Noncurrent	<u>1,518,144</u>
Total Investments	<u>1,814,899</u>
Less:	
Investments Held by State Investment Council:	
Land Grant	1,042,898
State Investment Council Investment Pools	<u>91,527</u>
Total - Separately Held Investments	<u>\$ 680,474</u>

Custodial Credit Risk. As of June 30, 2011, 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, 2011 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	AA+	\$ 1,235
Corporate Bonds	B+	<u>10</u>
Investments Subject to Credit Risk - S&P Ratings		<u>1,245</u>
Investments Subject to Credit Risk - Moody's Ratings:		
U.S. Government Agencies	Aaa	147,696
Municipal Bonds	Aaa	831
Preferred Stock	Aaa	101
Corporate Bonds	Aaa	1,503
U.S. Government Agencies	Aa1	1,721
International Bonds	Aa1	7,168
Corporate Bonds	Aa1	2,194

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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 (Continued):		
Municipal Bonds	Aa1	\$ 382
Corporate Bonds	Aa2	9,425
Municipal Bonds	Aa2	630
Preferred Stock	Aa2	50
Repurchase Agreements	Aa3	13,434
Corporate Bonds	Aa3	6,249
Municipal Bonds	Aa3	542
Corporate Bonds	A1	6,441
Municipal Bonds	A1	913
Corporate Bonds	A2	20,312
Corporate Bonds	A3	2,678
International Bonds	Baa1	513
Preferred Stock	Baa1	161
Corporate Bonds	Baa2	11
Municipal Bonds	MIG-1	1,002
Investments Subject to Credit Risk - Moody's Ratings		<u>223,957</u>
Investments Subject to Credit Risk - Fitch Ratings:		
U.S. Government Agencies	AAA	<u>19,362</u>
Investments Subject to Credit Risk - Fitch Ratings		<u>19,362</u>
Investments Subject to Credit Risk - Not Rated:		
U.S. Government Agencies	Not rated	10,560
Corporate Bonds	Not rated	331
Money Market	Not rated	42,171
Alternative Investments	Not rated	118,679
Certificates of Deposit	Not rated	18,663
Investments Held by Others	Not rated	39,409
Investments Subject to Credit Risk - Not Rated		<u>229,813</u>
Total Investments Subject to Credit Risk		474,377
Less: Foundation Investments Held in Consolidated Pool		(143,393)
Investments Not Subject to Credit Risk		<u>349,490</u>
Total - Separately Held Investments		<u>\$ 680,474</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Concentration of Credit Risk. As of June 30, 2011, the Educational Institutions had investments with a single issuer of 5.0 percent or greater at June 30, 2011:

Educational Institutions Concentration of Credit Risk Single Issuer Investments - Five Percent or Greater of Total Investments (Expressed in Thousands)		
Issuer	Fair Value	Percentage of Portfolio*
Investments Subject to Concentration Risk:		
Stock Index Fund	\$ 44,006	8.5 %
Money Market Account	2,245	21.9 %
Investments Subject to Concentration Risk	<u>46,251</u>	<u>30.4 %</u>
Securities comprising less than five percent of the total and exceptions to disclosure rule	<u>634,223</u>	<u>69.6 %</u>
Total - Separately Held Investments	<u>\$ 680,474</u>	<u>100.0 %</u>

*The percentage of portfolio is related to individual investment to that Educational Institution's total investments.

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, 2011 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	\$ 48,802	\$ 2,893	\$ 45,909	\$ -	\$ -
Certificates of Deposit	11,523	8,522	2,997	-	4
Repurchase Agreements	13,434	13,434	-	-	-
Preferred Stock	312	312	-	-	-
U.S. Treasury Securities	100,882	24,610	76,272	-	-
U.S. Government Agency Securities	179,339	31,738	146,681	495	425
Money Funds	35,223	35,107	116	-	-
Mutual Funds	695	695	-	-	-
International Bonds	7,680	2,414	5,266	-	-
Municipal Bonds	5,535	4,422	1,113	-	-
Pooled Investments Held by Others	39,409	-	39,409	-	-
Investments Subject to Interest Rate Risk	442,834	\$ 124,147	\$ 317,763	\$ 495	\$ 429
Investments Not Subject to Interest Rate Risk:					
Cash	17,604				
Money Market Deposits	4,703				
Certificates of Deposit	3,417				
Mutual Funds	47,873				
Corporate stocks	352				
Equity Investments	178,970				
Alternative and Other Investments	119,125				
Investments Not Subject to Interest Rate Risk	372,044				
Investments - Information Not Available	8,989				
Foundation Investments in Consolidated Pool	(143,393)				
Total - Separately Held Investments	\$ 680,474				

Foreign Currency Risk. As of June 30, 2011, 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.D.1, Public Employees Retirement Association's (PERA) and Educational Retirement Board's (ERB) cash and cash equivalents as of June 30, 2011 includes \$1,382,611 that is held by the investment custodian, JP Morgan.

Cash

Custodial Credit Risk. PERA and ERB do not have a deposit policy for custodial credit risk. As of June 30, 2011, 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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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, Educational Retirement Board, and Retiree Health Care Authority
Reconciliation of Reported Investment Balances
(Expressed in Thousands)**

<u>Fund</u>	<u>Balance at June 30, 2011</u>
Public Employees Retirement	\$ 12,092,672
Judicial Retirement	79,312
Magistrate Retirement	32,420
Volunteer Firefighters Retirement	48,205
Deferred Compensation (IRC 457) Plan	379,966
Educational Employees' Retirement System	9,328,773
Retiree Health Care Authority	<u>217,435</u>
Total Investments	22,178,783
Less:	
Investments Held by State Investment Council:	<u>(217,435)</u>
Total Investments	<u>\$ 21,961,348</u>

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, 2011 are as follows:

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

<u>Asset Type</u>	<u>Held in the Name of the Fund by the Fund's Custodial Bank</u>	<u>Held by Broker Dealers Under Securities Loaned With Cash Collateral</u>	<u>Total</u>
Fixed Income Investments:			
U.S. Government Bonds and Agency Securities	\$ 1,377,144	\$ 139,568	\$ 1,516,712
International Government Bonds and Agency Securities	324,910	-	324,910
U.S. Municipal Bonds	45,695	-	45,695
Mutual Bonds	70,906	-	70,906
Corporate Bonds	2,285,910	2,626	2,288,536
International Corporate Bonds	48,699	-	48,699
U.S. Government Mortgage-backed Securities	606,872	-	606,872
Commercial Mortgage-backed Securities	103,801	-	103,801
Asset-backed Securities	394,757	-	394,757
International Asset-backed Securities	4,217	-	4,217
Nongovernment C.M.O.s	138,212	-	138,212
International Nongovernment C.M.O.s	6,046	-	6,046

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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)

<u>Asset Type</u>	<u>Held in the Name of the Fund by the Fund's Custodial Bank</u>	<u>Held by Broker Dealers Under Securities Loaned With Cash Collateral</u>	<u>Total</u>
Fixed Income Investments (Continued):			
Distressed Senior Credit	\$ 454,829	\$ -	\$ 454,829
Total Fixed Income Investments	<u>5,861,998</u>	<u>142,194</u>	<u>6,004,192</u>
Equities:			
International Common Stock	\$ 4,609,149	\$ 2,308	\$ 4,611,457
Domestic Common Stock	5,426,483	63,841	5,490,324
U.S. Venture Capital & Partnerships	1,903,516	-	1,903,516
International Venture Capital and Partnerships	2,673	-	2,673
Alternative Investments	674,645	-	674,645
International Preferred Stock	72,039	-	72,039
Domestic Preferred Stock	10,308	-	10,308
Domestic American Depository Receipt	51,288	-	51,288
International American Depository Receipt	672	-	672
Domestic Global Depository Receipt	1,867	-	1,867
International Global Depository Receipt	20,949	-	20,949
Domestic Real Estate Investment Trust	131,000	-	131,000
International Real Estate Investment Trust	13,673	-	13,673
Exchange Traded Fund	3,544	-	3,544
Domestic Rights/Warrants	6,942	-	6,942
International Rights/Warrants	7,397	-	7,397
Hedge Fund of Funds	663,542	-	663,542
Private Equity	398,412	-	398,412
Private Real Estate	119,498	-	119,498
Infrastructure	89,491	-	89,491
Timber	22,147	-	22,147
Other Investments	526,922	-	526,922
Total Equities and Other Investments	<u>14,756,157</u>	<u>66,149</u>	<u>14,822,306</u>
Total Held by Fund's Custodial Bank	<u>\$ 20,618,155</u>		
Custody Arrangements Contracted by Fund Manager:			
Assets with Northern Trust		-	4,925
Securities Lending Collateral Investments		749,958	749,958
Total Held by Broker Dealers Under Securities Loaned With Cash Collateral		<u>\$ 958,301</u>	<u>754,883</u>
Total Investments Subject to Custodial Credit Risk			<u>21,581,381</u>
IRC 457 Fund Investments Directed by Participants			<u>379,967</u>
Total Investments			<u>\$ 21,961,348</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.

Investments exposed to credit risk as described by Standard and Poor's (S&P) at June 30, 2011 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	\$ 65,601
Municipal/Provincial Bonds	AAA	506
Agency Bonds	AAA	38,024
Corporate Bonds	AAA	225
Government Mortgage-backed Securities	AAA	239,663
Commercial Mortgage-backed Securities	AAA	21,348
Asset-backed Securities	AAA	59,457
Mortgage-backed Securities	AAA	372,924
Nongovernment-backed C.M.O.s	AAA	28,019
Collateralized Debt Obligations	AAA	4,473
Collateralized Bonds	AAA	7,030
International Authority	AAA	4,956
Collateralized Debt Obligations	AA+	84
Municipal Agencies	AA+	230
Commercial Mortgage-backed Securities	AA+	1,979
Nongovernment-backed C.M.O.s	AA+	1,709
Corporate Bonds	AA+	38,828
Asset-backed Securities	AA+	5,673
Corporate Bonds	AA	24,136
Municipal Agencies	AA	619
Commercial Mortgage-backed Securities	AA	2,215
Asset-backed Securities	AA	12,016
Nongovernment-backed C.M.O.s	AA	875
Collateralized Debt/Loan Obligations	AA	1,014
Municipal Agencies	AA-	1,558
Commercial Mortgage-backed Securities	AA-	2,680
Corporate Bonds	AA-	47,071
Asset-backed Securities	AA-	3,031
Nongovernment-backed C.M.O.s	AA-	122
Agency Bonds	AA-	1,114
Corporate Bonds	A+	43,835
Commercial Mortgage-backed Securities	A+	16,437
Municipal Agencies	A+	6,918
Collateralized Debt/Loan Obligations	A+	453

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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>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Asset-backed Securities	A+	\$ 3,565
Government Bonds	A	2,989
Corporate Bonds	A	174,852
Commercial Mortgage-backed Securities	A	10,302
Asset-backed Securities	A	5,399
Municipal Agencies	A	519
Collateralized Debt/Loan Obligations	A	2,647
Asset-backed Securities	A-	4,416
Commercial Mortgage-backed Securities	A-	6,385
Municipal Agencies	A-	7,243
Corporate Bonds	A-	129,284
Asset-backed Securities	BBB+	18,540
Commercial Mortgage-backed Securities	BBB+	13,957
Government Bonds	BBB+	1,221
Corporate Bonds	BBB+	147,748
Collateralized Debt/Loan Obligations	BBB+	2,617
Government Bonds	BBB	3,166
Corporate Bonds	BBB	167,055
Asset-backed Securities	BBB	6,484
Commercial Mortgage-backed Securities	BBB	4,480
Government Bonds Sovereign Debt	BBB	4,366
Government Bonds	BBB-	4,128
Commercial Mortgage-backed Securities	BBB-	2,908
Corporate Bonds	BBB-	134,920
Collateralized Debt/Loan Obligations	BBB-	2,333
Asset-backed Securities	BBB-	3,236
Asset-backed Securities	BB+	7,065
Corporate Bonds	BB+	31,892
Government Bonds	BB+	3,785
Nongovernment-backed C.M.O.s	BB+	101
Government Bonds	BB	1,579
Corporate Bonds	BB	33,414
Asset-backed Securities	BB	3,927
Nongovernment-backed C.M.O.s	BB	746
Collateralized Debt/Loan Obligations	BB	723
Bank Loans	BB	6,374
Bank Loans	BB-	10,641
Nongovernment-backed C.M.O.s	BB-	44
Asset-backed Securities	BB-	1,066
Commercial Mortgage-backed Securities	BB-	735
Corporate Bonds	BB-	39,593
Corporate Convertible Bonds	BB-	2,425
Nongovernment-backed C.M.O.s	B+	243
Asset-backed Securities	B+	708
Commercial Mortgage-Backed Securities	B+	332
Corporate Bonds	B+	72,192

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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>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Bank Loans	B+	\$ 31,466
Corporate Bonds	B	81,366
Asset-backed Securities	B	1,953
Nongovernment-backed C.M.O.s	B	7
Bank Loans	B	32,087
Collateralized Debt/Loan Obligations	B	1,676
Asset-backed Securities	B-	1,769
Nongovernment-backed C.M.O.s	B-	2,327
Corporate Bonds	B-	92,533
Collateralized Debt/Loan Obligations	B-	1,426
Bank Loans	B-	6,093
Asset-backed Securities	CCC+	217
Corporate Bonds	CCC+	29,211
Bank Loans	CCC+	3,353
Commercial Mortgage-backed Securities	CCC+	624
Collateralized Debt/Loan Obligations	CCC+	417
Corporate Convertible Bonds	CCC+	1,155
Bank Loans	CCC	28,927
Collateralized Debt/Loan Obligations	CCC	7,091
Corporate Bonds	CCC	17,413
Asset-backed Securities	CCC	4,130
Nongovernment-backed C.M.O.s	CCC	9,620
Corporate Bonds	CCC-	6,278
Asset-backed Securities	CCC-	110
Asset-backed Securities	CC	17
Nongovernment-backed C.M.O.s	CC	321
Corporate Bonds	CC	1,693
Collateralized Debt/Loan Obligations	CC	1,326
Corporate Convertible Bonds	CC	4,851
Collateralized Debt/Loan Obligations	C	134
Corporate Bonds	C	6,366
Asset-backed Securities	D	110
Commercial Mortgage-backed Securities	D	1,817
Collateralized Debt/Loan Obligations	D	1,035
Investments Subject to Credit Risk - S&P Ratings		<u>2,516,087</u>
Not Rated:		
Government Bonds		711,127
Municipal Agencies		110,353
Corporate Bonds		428,493
Government Mortgage-backed Securities		443,808
Commercial Mortgage-backed Securities		63,149
Asset-backed Securities		101,099
Collateralized Debt/Loan Obligations		8,991
Nongovernment-backed C.M.O.s		100,125
Common Stock		36,571
Preferred Stock		228

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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>
Not Rated (Continued):		
Bank Loans		\$ 23,808
Other Investments		1,262
Investments Subject to Credit Risk - Not Rated		<u>2,029,014</u>
Total Investments Subject to Credit Risk		4,545,101
Other Investments not Subject to Credit Risk		17,036,280
IRC 457 Fund Investments Directed by Participants		<u>379,967</u>
Total Investments		<u>\$ 21,961,348</u>

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, 2011, PERA had one investment with a concentration risk greater than 5.0 percent:

5.9 percent Federal National Mortgage Association

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, 2011, 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments and their maturities at June 30, 2011 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				Life Not Available
		Less than 1 year	1-5 years	6-10 years	Greater Than 10 Years	
Investments Subject to Interest Rate Risk:						
Short-term Investments	\$ 185,380	\$ 185,380	\$ -	\$ -	\$ -	\$ -
Short-term Bills and Notes Reported						
As Cash and Cash Equivalents	76,766	76,766	-	-	-	-
Asset and Mortgage-backed Securities	640,922	-	640,922	-	-	-
Corporate Obligations	1,082,050	-	1,082,050	-	-	-
U.S. Government and Agency Oblig.	65,124	-	65,124	-	-	-
U.S. Treasury Secs.	394,316	-	-	394,316	-	-
Government Bonds	792,797	-	-	792,797	-	-
Corporate Bonds	917,529	-	-	917,529	-	-
Asset-backed Securities	198,609	-	-	-	198,609	-
Municipal and Mutual Bonds	116,601	-	-	-	116,601	-
Government Mortgage-backed Securities	606,872	-	-	-	606,872	-
Nongovernment-backed C.M.O.s	144,258	-	-	-	144,258	-
Commercial Mortgage-backed Securities	103,801	-	-	-	103,801	-
Fixed Income Derivatives	416,837	-	-	-	-	416,837
Investments Subject to Interest Rate Risk	<u>5,741,862</u>	<u>\$ 262,146</u>	<u>\$ 1,788,096</u>	<u>\$ 2,104,642</u>	<u>\$ 1,170,141</u>	<u>\$ 416,837</u>
Investments Not Subject to Interest Rate Risk:						
Securities, Equity, Real Estate, and NM Film Investments	<u>16,219,486</u>					
Total - Separately Held Investments	<u>\$ 21,961,348</u>					

PERA also had Fixed Income Derivative Options with a fair market value of \$416,837 and short-term bills and notes reported as cash equivalents with a fair market value of \$ 76,766 at June 30, 2011.

Foreign Currency Risk. PERA's investment managers responsible for investing in non-U.S.

equities are benchmarked to an index that is half-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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments exposed to foreign currency risk by
currency and their respective values at June 30, 2011:

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>
UAE Dirham	\$ 692	\$ -	\$ 692	\$ 30
Australian Dollar	197,381	65,447	262,828	2,939
Botswana Pula	1,098	-	1,098	36
Brazilian Real	166,333	5,675	172,008	3,252
British Pound Sterling	585,763	14,354	600,117	3,454
Bulgarian New Lev	94	-	94	-
Canadian Dollar	171,786	12,107	183,893	1,726
Chilean Peso	13,225	-	13,225	107
Chinese Renminbi	20	-	20	-
Colombian Peso	6,450	-	6,450	64
Croatian Kuna	1,268	-	1,268	51
Czech Koruna	9,883	-	9,883	251
Danish Krone	32,502	-	32,502	136
Egyptian Pound	6,253	-	6,253	118
Euro	907,409	1,568	908,977	16,912
Ghanian Cedi	847	8,488	9,335	31
Hong Kong Dollar	318,848	-	318,848	1,758
Hungarian Forint	6,890	25,849	32,739	106
Indian Rupee	112,075	937	113,012	1,544
Indonesian Rupiah	41,856	17,661	59,517	11,905
Japanese Yen	531,326	-	531,326	5,571
Kenyan Shilling	1,639	-	1,639	73
Latvian Lat	552	-	552	3
Lithuanian Lita	2	-	2	13
Malaysian Ringgit	33,018	46,705	79,723	1,068
Mauritanian Rupee	1,914	-	1,914	53
Mexican Peso	41,469	25,221	66,690	1,204
Moroccan Dirham	3,754	-	3,754	94
New Israeli Shekel	16,665	-	16,665	20,043
New Taiwan Dollar	165,409	-	165,409	2,318
New Zealand Dollar	1,701	11,534	13,235	419
Nigerian Naira	1,221	-	1,221	31
Norwegian Krone	32,380	4,850	37,230	626
Pakistan Rupee	1,434	-	1,434	11
Peruvian Nuevo Sol	961	-	961	-
Philippine Peso	6,304	4,464	10,768	59
Polish Zloty	29,948	31,587	61,535	185
Romanian Leu	1,755	-	1,755	-
Russian Ruble	643	-	643	-
Singapore Dollar	45,543	8,988	54,531	312
South African Rand	103,697	-	103,697	867
South Korean Won	278,890	71,657	350,547	1,530

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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>
Swedish Krona	\$ 67,744	\$ 4,764	\$ 72,508	\$ 910
Swiss Franc	198,052	-	198,052	1,208
Thai Baht	23,160	-	23,160	129
Turkish Lira	45,798	-	45,798	117
Ukrainian Grivna	-	7,527	7,527	-
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	<u>\$ 4,215,652</u>	<u>\$ 369,383</u>	4,585,035	<u>\$ 81,264</u>
Investments Not Subject to Foreign Currency Risk			<u>17,376,313</u>	
Total Investments			<u>\$ 21,961,348</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, 2011, 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, 2011 had a carrying amount and fair value of \$966 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, 2011 due to borrower default.

There was an unrealized loss in invested cash collateral for PERA on June 30, 2011 of \$27,789 (in thousands), which has been reflected in the financial statements.

Both the Council and the ERB made the decision to discontinue their respective securities lending programs subsequent to June 30, 2011.

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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, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 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	\$ 19,151	Investments	\$ 618,668	\$ 591
Fixed Income Futures	Investment Income	(949,185)	Investments	418,175	358,800
Commodity Futures	Investment Income	(11,383)	Investments	230,696	2,280
Fixed Income Options	Investment Income	33	Investments	(1)	(11,445)
Fixed Income Swaps	Investment Income	(1,337)	Investments	(1,337)	172,600
Forward Currency Contracts	Investment Income	(4,724)	Investments	(4,967)	(243)
Futures	Investment Income	(106,000)	Investments	(106,000)	-
Total Return-type Swaps	Investment Income	51,000	Investments	(120,000)	-
Swaps - Credit Default Swap Index	Investment Income	6,000	Investments	16,000	16,927
Swaps - Interest Rate	Investment Income	(1,541,000)	Investments	(1,541,000)	13,415
Swaps - Zero Coupon	Investment Income	379,000	Investments	379,000	5,870
Swaps - Index	Investment Income	(18,000)	Investments	162,000	-
Foreign Exchange Contracts	Investment Income	(36,300)	Investments	(355,000)	-

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 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

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investments. Managers of these assets are given discretion to hedge this risk.

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.

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, 2011:

Public Employees Retirement Association and Educational Retirement Board
Foreign Currency Exchange Contracts
(Expressed in Thousands)

Currency	Buys	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)
Brazilian Real	\$ 382	\$ 2	\$ -	\$ -
British Pound Sterling	96	-	(1,328)	15
Canadian Dollar	369	5	(6,624)	(67)
Egyptian Pound	-	-	(79)	-
Euro	-	-	(9,605)	(311)
U.S. Dollar	22,483	-	(773)	-
Currency type not disclosed	252,578	-	(252,822)	-
Total	\$ 275,908	\$ 7	\$ (271,231)	\$ (363)

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.

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.

Cash collateral in the amount of 1.8 million was held by the State's broker as performance security on futures contracts.

During 2011, the State was a party to futures contracts held for trading purposes for U.S. Treasury

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Summary of Outstanding Futures Contracts

	<u>No. of Contracts</u>	<u>Notional Amount (In Thousands)</u>
Futures Contracts - Long	132	\$ 13,200
Futures Contracts - Short	541	56,900
		<u>Fair Value (In Thousands)</u>
Margin Deposit		\$ 1,800

Options. An option 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. Both written and purchased options were used by the State during 2011. When the State purchases or 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, 2011, the value of open written and purchased options was zero.

Swap Contracts. Swap contracts are executed on a number of different bases. The two types employed by the State on June 30, 2011 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, interest rate risk, and foreign currency risk for these instruments have been disclosed elsewhere in these Notes.

At June 30, 2011, the State held the following types of asset-backed securities:

	<u>Amount</u>
Asset-backed Securities	\$ 231,830
Collateralized Mortgage Obligations	32,848
Commercial Mortgage-backed Securities	122,148
Collateralized Debt/Loan Obligations	13,991
Mortgage-backed Securities	<u>934,327</u>
Total Asset-backed Securities	\$ <u>1,335,144</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

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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 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, 2011 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:	
AAA	16.6 %
AA	3.5 %
A	8.4 %
BBB	16.1 %
BB	8.8 %
B	13.3 %
CCC	9.5 %
CC	1.0 %
D	1.0 %
Not Rated	21.8 %
Total Oppenheimer Global Strategic Income Fund	<u>100.0 %</u>
Oppenheimer Limited-Term Governmental Fund:	
AAA	94.6 %
AA	0.7 %
A	1.0 %
BBB	1.9 %
BB	0.4 %
B	0.1 %
CCC	0.6 %
CC	0.1 %
D	0.2 %
Not Rated	0.4 %
Total Oppenheimer Limited-Term Governmental Fund	<u>100.0 %</u>

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

Investment/Rating	Percentage of Portfolio
Investments Subject to Credit Risk - NRSRO	
Oppenheimer International Bond Fund:	
AAA	20.8 %
AA	30.1 %
A	11.9 %
BBB	19.2 %
BB	9.1 %
B	2.7 %
CCC	0.2 %
Not Rated	6.0 %
Total Oppenheimer International Bond Fund	<u>100.0 %</u>
American Century Diversified Bond Fund*:	
AAA	63.4 %
AA	6.7 %
A	10.7 %
BBB	13.4 %
BB	3.0 %
B & Below	2.3 %
Not Rated	0.5 %
Total American Century Diversified Bond Fund	<u>100.0 %</u>
Mainstay High Yield Corporate Bond Fund:	
A	0.4 %
BBB	2.7 %
BB	29.8 %
B	33.1 %
CCC+	28.5 %
CCC	3.2 %
Not Rated	2.3 %
Total Mainstay High Yield Corporate Bond Fund	<u>100.0 %</u>
Dreyfus Bond Market Index Fund*:	
AAA	78.2 %
AA	5.5 %
A	9.6 %
BBB	6.7 %
Total Dreyfus Bond Market Index Fund	<u>100.0 %</u>

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

Investment/Rating	Percentage of Portfolio
Investments Subject to Credit Risk - NRSRO	
Vanguard Intermediate Term Bond Index Fund:	
AAA	57.0 %
AA	6.3 %
A	17.6 %
BBB	19.1 %
Total Vanguard Intermediate Term Bond Index Fund	<u>100.0 %</u>

*As of September 30, 2011.

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, 2011, the Portfolios held investments in bond fixed income mutual funds totaling \$611 million.

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Duration of years for the underlying fixed income funds at June 30, 2011 are as follows:

New Mexico Education Trust Board Maturities on Investments

<u>Investment</u>	<u>1-5 years</u>	<u>6-10 years</u>
Oppenheimer Global Strategic Income Fund	x	
Oppenheimer Limited-Term Governmental Fund	x	
Oppenheimer International Bond Fund		x
American Century Diversified Bond Fund*	x	
Mainstay High Yield Corporate Bond Bund*	x	
Dreyfus Bond Market Index Fund*	x	
Vanguard Intermediate Term Bond Index Fund		x

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, 2011, traditional guaranteed investments contracts were valued at \$33,621; 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.

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

	<u>Carrying Balance</u>
Cash with State Treasurer	\$ 113,770
Bank Accounts	<u>222,682</u>
Total	<u>\$ 336,452</u>

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 were exposed to custodial credit risk for \$1,920. All 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, 2011, 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.

Interest Rate Risk. Interest rate risk is the risk that interest rate fluctuations may adversely affect an

investment's fair value. The price of securities fluctuates with market interest rates and the value of securities held in a collateral portfolio will decline if market interest rates rise. In this event, the financial institution is required to provide additional collateral necessary to comply with New Mexico State Statute.

New Mexico Mortgage Finance Authority (NMMFA).

Cash and Cash Equivalents

As of September 30, 2011, 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)**

	<u>Carrying Balance</u>
Cash and Cash Equivalents	\$ 31,648
Restricted Cash and Cash Equivalents	125,686
Investment in Local Governmental Investment Pool	<u>11,528</u>
Total Cash and Cash Equivalents	168,862
Restricted Investments	1,138,456
Investments	<u>31,012</u>
Total	<u>\$ 1,338,330</u>

Custodial Credit Risk. At September 30, 2011, NMMFA's bank balance was \$7,726. 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

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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, 2011, NMMFA had \$992 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 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, 2011: GNMA 70.0 percent, and FNMA 26.0 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, 2011.

NMMFA has the following investments and ratings at September 30, 2011:

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

Investment Type	Fair Value	AA	U.S. Government Guaranteed	Not Available
Money Market Accounts	\$ 4,418	\$ -	\$ -	\$ 4,418
Internal State Investment Pools:				
State Treasurer	11,528	-	-	11,528
State Investment Council	33,146	-	-	33,146
U.S. Agencies	5,358	5,358	-	-
Securitized Mortgage Loans	1,126,546	308,074	818,472	-
Investments Subject to Credit Risk	\$ 1,180,996	\$ 313,432	\$ 818,472	\$ 49,092

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NMMFA has the following investments subject to interest rate risk at September 30, 2011:

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		1-5 years	6-10 years	Greater Than 10 Years	Not Available
Money Market Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Accounts	4,418	4,418	-	-	-
Repurchase Agreements	-	-	-	-	-
Guaranteed Investment Contracts	-	-	-	-	-
Internal State Investment Pools:					
State Treasurer	11,528	-	-	-	11,528
State Investment Council	33,146	-	-	-	33,146
U.S. Agencies	5,358	5,358	-	-	-
Securitized Mortgage Loans	1,126,546	-	92	1,126,454	-
Investments Subject to Interest Rate Risk	1,180,996	\$ 9,776	\$ 92	\$ 1,126,454	\$ 44,674

New Mexico Computing Applications Center, Inc. (NMCAC)

Cash

Custodial Credit Risk. The NMCAC formerly deposited its cash with the University of New Mexico (UNM) and New Mexico Department of Information Technology (DoIT) and the First Community Bank. As of June 30, 2011, no funds were held by UNM.

NMCAC has a private bank account which utilizes the protection of the National Credit Union Association (NCUA) for insurance coverage. There was no balance that was exposed to custodial credit risk as of June 30, 2011.

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

New Mexico Lottery Authority (NMLA)

Custodial Credit Risk.

The NMLA deposits its cash in one financial institution. At June 30, 2011, there was no custodial credit risk associated with these deposits. The deposits were in the form of a repurchase agreement which was 102 percent collateralized, with the collateral held in the name of the NMLA. Restricted cash consisted of reserves on deposit, which were required by participants in the Multi-State Lottery Association (MUSL), which operates games on behalf of participating lotteries. Prize reserves for the participating games are now fully funded. The money in the reserve funds is refundable to members after one year if the games are discontinued or if NMLA withdraws from MUSL.

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B. Receivables

Receivables at June 30, 2011, 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, Net Total</u>	<u>Noncurrent Loans</u>	<u>Allowance</u>	<u>Noncurrent Loans, Net Total</u>
Governmental Activities	\$ 589,279	\$ 1,407	\$ 153,053	\$ 91,412	\$ 11,971	\$ 1,022,923	\$ 25,203	\$ (116,009)	\$ 1,779,239	\$ -	\$ -	\$ -
Business-Type Activities	96,771	-	479,932	38,630	5,210	57,779	26,541	(299,160)	405,703	191,722	-	191,722
Component Units	4,052	-	1,967	1,213	15,085	2,667	87,589	(4,210)	108,363	1,349,547	(4,116)	1,345,431
Governmental Activities:												
General	33,693	484	25,847	3,030	340	812,718	-	(358)	875,754	-	-	-
Education	87,225	680	191	-	-	-	19,915	(2,662)	105,349	-	-	-
Health and Human Services	294,130	100	81,469	91	11	7,458	-	(101,497)	281,762	-	-	-
Highway and Transportation	47,178	-	26,680	-	106	69,103	11	(4,091)	138,987	-	-	-
Severance Tax Permanent	-	-	34	63,261	9,532	-	-	-	72,827	-	-	-
Nonmajor Governmental	127,053	143	1,346	25,030	1,968	133,644	5,277	(671)	293,790	-	-	-
Internal Service	-	-	17,486	-	14	-	-	(6,730)	10,770	-	-	-
Business-type Activities:												
Educational Institutions	95,210	-	413,435	37,233	2,932	-	12,013	(240,250)	320,573	22,692	-	22,692
Nonmajor Enterprise	1,561	-	66,497	1,397	2,278	57,779	14,528	(58,910)	85,130	169,030	-	169,030
Fiduciary Funds:												
Pension Trust	-	-	204,087	1,088,353	75,392	3,532	6,493	-	1,377,857	-	-	-
External Trust	-	-	-	2,171	918	-	-	-	3,089	-	-	-
Private Purpose Trust	-	-	2,170	286,170	21,869	-	-	-	310,209	-	-	-
Agency	-	-	129,440	375	3,463	820,446	893	(943,863)	10,754	-	-	-
Discrete Component Units:												
Finance Authority	4,052	-	400	-	9,077	2,667	87,589	(3,554)	100,231	1,138,250	-	1,138,250
Mortgage Finance Authority	-	-	-	1,213	6,008	-	-	-	7,221	211,297	(4,116)	207,181
Computer Applications Center, In	-	-	659	-	-	-	-	(633)	26	-	-	-
Lottery Authority	-	-	908	-	-	-	-	(23)	885	-	-	-

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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, 2011 (in thousands):

Beginning Balance	\$	2,133
Provision for Loan Losses		1,421
Loans Written Off Net of Recoveries		<u>-</u>
Ending Balance	\$	<u>3,554</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, 2011 (in thousands):

Beginning Balance	\$	1,945
Provision for Loan Losses		632
Loans Written Off Net of Recoveries		<u>(267)</u>
Ending Balance	\$	<u>2,310</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	2.3 - 7.0 %
Other Mortgage Loans	0.0 - 12.1 %
Second Mortgage Down Payment Assistance	
Loans	0.0 - 7.5 %

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C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011 is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:				
General	\$ 279,749	\$ 625,255	\$ 1,342,637	5,540,950
Education	82,944	31,620	2,598,583	110,216
Health and Human Services	60,090	84,715	1,406,238	170,057
Highway and Transportation	14,481	8,555	99,179	8,721
Appropriated Bond Proceeds Capital Outlay	63,039	56,905	253,599	581,299
Severance Tax Permanent	12,930	15,381	7,617	184,571
Nonmajor Governmental:				
Special Revenue:				
American Recovery and Reinvestment Act	9,956	72,229	56,897	132,883
Culture, Recreation, and Natural Resources	3,889	5,775	31,609	13,601
General Control	8,575	16,391	108,513	83,369
Judicial	1,870	3,643	38,282	2,006
Public Safety	2,239	2,432	12,096	5,585
Regulation and Licensing	897	7,982	2,269	18,354
Debt Service:				
Culture, Recreation, and Natural Resources	-	-	1,165	946
General Obligation Bonds	-	-	32,826	30,239
Severance Tax Bonds	-	-	470,802	537,706
Capital Projects:				
Bond Proceeds	-	-	-	176,208
Culture, Recreation, and Natural Resources	4,554	486	18,886	8,568
General Control	3,341	-	59,638	1,813
Judicial	437	347	735	-
Public Safety	179	429	260	76
Regulation and Licensing	5,902	1,789	6,804	-
Severance Tax Bonds Appropriated	13,983	10,296	31,327	318
State General Fund Appropriated	30	-	3,586	-
Permanent Funds:				
Land Grant	914	3,010	27,738	36,124
Internal Service	12,774	10,504	10,239	3,666
Total Governmental Activities	<u>582,773</u>	<u>957,744</u>	<u>6,621,525</u>	<u>7,647,276</u>
Business-type Activities:				
Educational Institutions	7,089	4,642	697,693	-
Nonmajor Enterprise:				
Industries for the Blind	1	111	14	-
Corrections Industries Revolving Fund	482	-	-	-
Environment Department	256	45	660	307
New Mexico Magazine	-	301	-	-
New Mexico Public Schools Insurance Authority	-	107	1,500	-
State Infrastructure Bank	1	-	-	-
Miners' Colfax Medical Center	513	-	-	-
Unemployment Insurance Fund	365	12,853	-	11
State Fair Commission	-	-	5,000	-
Total Business-type Activities	<u>8,707</u>	<u>18,059</u>	<u>704,867</u>	<u>318</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	\$ -	\$ 74	\$ -	\$ -
Public Employees Retirement	509	-	-	-
Judicial Retirement	-	176	-	-
Volunteer Firefighters Retirement	-	93	750	-
New Mexico Retiree Health Care Authority	2	326	-	-
External Trust:				
State Investment Council	-	89	-	-
Private Purpose Trust:				
Scholarship	-	34	-	5,000
Land Grant	11,302	-	342,894	-
Water Trust	-	81	-	4,000
Agency:				
Other Agency	16,559	-	-	-
Suspense Related	221,944	-	-	-
Total Fiduciary Funds	<u>250,316</u>	<u>873</u>	<u>343,644</u>	<u>9,000</u>
Component Units:				
New Mexico Finance Authority	138,145	-	34,826	6,962
New Mexico Mortgage Finance Authority	-	50	-	-
New Mexico Computing Applications Center	-	-	1	-
New Mexico Lottery Authority	-	3,215	-	41,307
Total Component Units	<u>138,145</u>	<u>3,265</u>	<u>34,827</u>	<u>48,269</u>
Totals	<u>\$ 979,941</u>	<u>\$ 979,941</u>	<u>\$ 7,704,863</u>	<u>\$ 7,704,863</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.

Transfers between the primary government and the fiduciary funds and component units are reclassified as expenditures in the government-wide financial statements.

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D. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows (in thousands):

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 88,222	\$ 10,293	\$ (361)	\$ 98,154
Construction in Progress	396,069	592,252	(413,569)	574,752
Infrastructure	474,078	-	-	474,078
Mineral Rights	74,838	189	(34)	74,993
Art and Other	1,126	46	-	1,172
Total Capital Assets not being Depreciated	<u>1,034,333</u>	<u>602,780</u>	<u>(413,964)</u>	<u>1,223,149</u>
Capital Assets being Depreciated:				
Land Improvements	33,650	8,046	(239)	41,457
Equipment and Machinery	237,782	17,843	(6,693)	248,932
Building and Improvements	1,304,896	70,420	(39,378)	1,335,938
Furniture and Fixtures	19,675	2,192	(1,237)	20,630
Data Processing Equipment and Software	159,334	12,229	(7,985)	163,578
Library Books and Other	8,472	50	(5,628)	2,894
Vehicles	298,853	12,212	(7,193)	303,872
Infrastructure	15,333,274	410,757	(469,565)	15,274,466
Total Capital Assets being Depreciated	<u>17,395,936</u>	<u>533,749</u>	<u>(537,918)</u>	<u>17,391,767</u>
Less Accumulated Depreciation for:				
Land Improvements	(19,914)	(3,586)	239	(23,261)
Equipment and Machinery	(180,632)	(16,493)	5,408	(191,717)
Building and Improvements	(656,577)	(43,608)	39,147	(661,038)
Furniture and Fixtures	(14,044)	(1,363)	1,190	(14,217)
Data Processing Equipment and Software	(101,865)	(16,437)	7,599	(110,703)
Library Books and Other	(5,194)	(678)	4,341	(1,531)
Vehicles	(204,326)	(21,294)	7,026	(218,594)
Infrastructure	(8,794,348)	(590,172)	469,565	(8,914,955)
Total Accumulated Depreciation	<u>(9,976,900)</u>	<u>(693,631)</u>	<u>534,515</u>	<u>(10,136,016)</u>
Total Capital Assets being Depreciated, Net	<u>7,419,036</u>	<u>(159,882)</u>	<u>(3,403)</u>	<u>7,255,751</u>
Capital Assets, Net	<u>\$ 8,453,369</u>	<u>\$ 442,898</u>	<u>\$ (417,367)</u>	<u>\$ 8,478,900</u>

During fiscal year 2011, the State transferred \$413,569 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, 2011, 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	\$ 75,770	\$ 3,930	\$ (21)	\$ 79,679
Construction in Progress	175,518	152,819	(184,508)	143,829
Art and Other	2,189	2	(80)	2,111
Total Capital Assets not being Depreciated	<u>253,477</u>	<u>156,751</u>	<u>(184,609)</u>	<u>225,619</u>
Capital Assets being Depreciated:				
Land Improvements	72,272	3,781	(17)	76,036
Equipment and Machinery	427,175	23,894	(27,422)	423,647
Building and Improvements	2,167,556	187,874	(2,013)	2,353,417
Furniture and Fixtures	658,008	40,084	(28,181)	669,911
Data Processing Equipment and Software	19,735	831	(17)	20,549
Library Books and Other	253,726	11,893	(197)	265,422
Vehicles	4,641	315	(157)	4,799
Infrastructure	227,613	9,045	-	236,658
Total Capital Assets being Depreciated	<u>3,830,726</u>	<u>277,717</u>	<u>(58,004)</u>	<u>4,050,439</u>
Less Accumulated Depreciation for:				
Land Improvements	(41,603)	(3,501)	17	(45,087)
Equipment and Machinery	(317,203)	(29,177)	20,604	(325,776)
Building and Improvements	(865,553)	(61,742)	1,781	(925,514)
Furniture and Fixtures	(347,730)	(41,003)	28,112	(360,621)
Data Processing Equipment and Software	(10,885)	(1,559)	3	(12,441)
Library Books and Other	(210,377)	(11,283)	191	(221,469)
Vehicles	(3,286)	(455)	145	(3,596)
Infrastructure	(99,368)	(10,639)	-	(110,007)
Total Accumulated Depreciation	<u>(1,896,005)</u>	<u>(159,359)</u>	<u>50,853</u>	<u>(2,004,511)</u>
Total Capital Assets being Depreciated, Net	<u>1,934,721</u>	<u>118,358</u>	<u>(7,151)</u>	<u>2,045,928</u>
Capital Assets, Net	<u>\$ 2,188,198</u>	<u>\$ 275,109</u>	<u>\$ (191,760)</u>	<u>\$ 2,271,547</u>

During fiscal year 2011, the State transferred \$184,508 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, 2011, capitalized interest expense was \$2,952.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the year ended June 30, 2011, was as follows (in thousands):

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance
Fiduciary Funds:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 1,797	\$ -	\$ -	\$ 1,797
Art and Other	-	31	-	31
Total Capital Assets not being Depreciated	<u>1,797</u>	<u>31</u>	<u>-</u>	<u>1,828</u>
Capital Assets being Depreciated:				
Land Improvements	19	-	-	19
Equipment and Machinery	61	-	(25)	36
Building and Improvements	16,012	-	-	16,012
Furniture and Fixtures	1,295	88	(151)	1,232
Data Processing Equipment and Software	24,117	10	(572)	23,555
Vehicles	92	-	(12)	80
Total Capital Assets being Depreciated	<u>41,596</u>	<u>98</u>	<u>(760)</u>	<u>40,934</u>
Less Accumulated Depreciation for:				
Land Improvements	(4)	(1)	-	(5)
Equipment and Machinery	(37)	(6)	9	(34)
Building and Improvements	(1,299)	(558)	-	(1,857)
Furniture and Fixtures	(995)	(108)	148	(955)
Data Processing Equipment and Software	(16,763)	(3,836)	571	(20,028)
Vehicles	(73)	(5)	13	(65)
Total Accumulated Depreciation	<u>(19,171)</u>	<u>(4,514)</u>	<u>741</u>	<u>(22,944)</u>
Capital Assets, Net	<u>\$ 24,222</u>	<u>\$ (4,385)</u>	<u>\$ (19)</u>	<u>\$ 19,818</u>

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

General Control	\$ 42,555
Education	706
Health and Human Services	10,491
Highways and Transportation	597,435
Culture, Recreation, and Natural Resources	15,502
Judicial	6,684
Legislative	1,695
Public Safety	13,491
Regulation and Licensing	5,072
Total	<u>\$ 693,631</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, 2011, 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	204	23	-	227
Data Processing Equipment and Software	835	1	-	836
Total Capital Assets being Depreciated	<u>1,136</u>	<u>24</u>	<u>-</u>	<u>1,160</u>
Less Accumulated Depreciation for:				
Land Improvements	(49)	-	-	(49)
Equipment and Machinery	(50)	-	-	(50)
Furniture and Fixtures	(198)	-	-	(198)
Data Processing Equipment and Software	(566)	(92)	-	(658)
Total Accumulated Depreciation	<u>(863)</u>	<u>(92)</u>	<u>-</u>	<u>(955)</u>
Capital Assets, Net	<u>\$ 273</u>	<u>\$ (68)</u>	<u>\$ -</u>	<u>\$ 205</u>

Capital asset activity for the New Mexico Mortgage Finance Authority for the year ended September 30, 2011, 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	1,483	364	(61)	1,786
Total Capital Assets being Depreciated	<u>4,524</u>	<u>364</u>	<u>(61)</u>	<u>4,827</u>
Less Accumulated Depreciation for:				
Building and Improvements	(2,207)	(103)	-	(2,310)
Furniture and Fixtures	(1,335)	(84)	61	(1,358)
Total Accumulated Depreciation	<u>(3,542)</u>	<u>(187)</u>	<u>61</u>	<u>(3,668)</u>
Total Capital Assets being Depreciated, Net	<u>982</u>	<u>177</u>	<u>-</u>	<u>1,159</u>
Capital Assets, Net	<u>\$ 1,494</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 1,671</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, 2011, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
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	(22)	(21)	-	(43)
Total Accumulated Depreciation	<u>(22)</u>	<u>(21)</u>	<u>-</u>	<u>(43)</u>
Capital Assets, Net	<u>\$ 82</u>	<u>\$ (21)</u>	<u>\$ -</u>	<u>\$ 61</u>

Capital asset activity for the New Mexico Lottery Authority for the year ended June 30, 2011, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets being Depreciated:				
Data Processing Software	\$ 4,004	\$ 369	\$ (588)	\$ 3,785
Equipment	572	-	-	572
Vehicles	433	-	-	433
Tenant Improvements	341	-	(1)	340
Furniture and Fixtures	251	-	(18)	233
Equipment	354	-	(1)	353
Obsolete Capital Assets	531	250	-	781
Total Capital Assets being Depreciated	<u>6,486</u>	<u>619</u>	<u>(608)</u>	<u>6,497</u>
Less Accumulated Depreciation for:				
Data Processing Software	(3,935)	(395)	588	(3,742)
Equipment	(550)	(16)	-	(566)
Vehicles	(222)	(97)	-	(319)
Tenant Improvements	(341)	-	1	(340)
Furniture and Fixtures	(250)	(1)	18	(233)
Equipment	(340)	(8)	1	(347)
Obsolete Capital Assets	(531)	(251)	-	(782)
Total Accumulated Depreciation	<u>(6,169)</u>	<u>(768)</u>	<u>608</u>	<u>(6,329)</u>
Capital Assets, Net	<u>\$ 317</u>	<u>\$ (149)</u>	<u>\$ -</u>	<u>\$ 168</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Construction Commitments

The State has active construction projects as of June 30, 2011. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction were \$160,443.

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 2011 were \$34,245, \$14,611, and \$240 for governmental activities, business-type activities, and fiduciary activities, respectively.

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

Governmental	<u>Amount</u>
2012	\$ 58,995
2013	52,171
2014	46,992
2015	41,714
2016	39,076
2017 - 2021	78,304
2022 - 2026	24,719
2027 - 2031	1,946
	<u><u>\$ 343,917</u></u>

Business-type	<u>Amount</u>
2012	\$ 9,771
2013	6,667
2014	5,682
2015	3,511
2016	1,757
2017-2021	2,436
2022-2026	2,023
2027-2031	2,007
2032 & Thereafter	4,349
	<u><u>\$ 38,203</u></u>

Fiduciary	<u>Amount</u>
2012	\$ 228
2013	156
2014	154
2015	145
2016	119
2017-2021	477
	<u><u>\$ 1,279</u></u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital Leases

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

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>
2012	\$ 300
2013	191
2014	135
2015	114
2016	189
2017 - 2021	-
Total Lease Payments	<u>929</u>
Less Amounts Representing Interest	<u>134</u>
Present Value of Future Minimum Lease Payments	<u>\$ 795</u>

As of June 30, 2011, the historical cost of the primary government's assets acquired through capital leases was \$4,776, which was equipment.

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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, 2011 was as follows:

Long-term Liabilities (Expressed in Thousands)					
	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds, Net	\$ 423,854	\$ 19,907	\$ (64,533)	\$ 379,228	\$ 63,656
Severance Tax Bonds, Net	1,020,550	157,223	(293,453)	884,320	128,013
Revenue Bonds	1,703,481	704,954	(549,032)	1,859,403	73,251
Total Bonds Payable	<u>3,147,885</u>	<u>882,084</u>	<u>(907,018)</u>	<u>3,122,951</u>	<u>264,920</u>
Other Liabilities					
Notes Payable	124,205	2,762	(123,252)	3,715	267
Claims and Judgements	222,821	365,418	(362,991)	225,248	153,563
Compensated Absences	73,483	57,905	(67,454)	63,934	52,693
Pollution Remediation Obligation	86,289	8,482	(8,030)	86,741	3,486
Other	501	-	(501)	-	-
Total Other Payables	<u>507,299</u>	<u>434,567</u>	<u>(562,228)</u>	<u>379,638</u>	<u>210,009</u>
Total Governmental Long-term Liabilities	<u>\$ 3,655,184</u>	<u>\$ 1,316,651</u>	<u>\$ (1,469,246)</u>	<u>\$ 3,502,589</u>	<u>\$ 474,929</u>
Business-type Activities:					
Bonds Payable					
Revenue Bonds, Net	\$ 866,692	\$ 1,200	\$ (35,586)	\$ 832,306	\$ 32,010
Total Bonds Payable	<u>866,692</u>	<u>1,200</u>	<u>(35,586)</u>	<u>832,306</u>	<u>32,010</u>
Other Liabilities					
Compensated Absences	93,997	71,193	(65,501)	99,689	49,970
Reserved for Losses	63,901	270,496	(270,991)	63,406	21,122
Other	45,364	10,153	(1,848)	53,669	8,501
Total Other Payables	<u>203,262</u>	<u>351,842</u>	<u>(338,340)</u>	<u>216,764</u>	<u>79,593</u>
Total Business-type Long-term Liabilities	<u>\$ 1,069,954</u>	<u>\$ 353,042</u>	<u>\$ (373,926)</u>	<u>\$ 1,049,070</u>	<u>\$ 111,603</u>
Fiduciary:					
Pension Trust Funds:					
Other Liabilities					
Reserved for Losses	\$ 8,273	\$ 5,470	\$ -	\$ 13,743	\$ 13,743
Compensated Absences	632	794	(804)	622	615
Total Fiduciary Long-term Liabilities	<u>\$ 8,905</u>	<u>\$ 6,264</u>	<u>\$ (804)</u>	<u>\$ 14,365</u>	<u>\$ 14,358</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. 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. As of June 30, 2011, the amount of funds drawn was zero.

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,
- 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 2011 to provide the most reasonable estimate given the information available as of June 30, 2011.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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 868 responsible party and state lead active LPST sites as of June 30, 2011. To estimate the liability, the State assessed each individual site and estimated the expected cash outlays based on knowledge of current site conditions 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, 2011, the estimated pollution remediation liability for LPST sites is \$248,909, with expected recoveries of \$212,246, for a total liability of \$36,663. 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.

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2011, the estimated pollution remediation liability for Superfund sites is \$50,078.

Discrete Component Units

Long-term liability activity for the New Mexico Finance Authority and the New Mexico Lottery Authority for the year ended June 30, 2011 and the New Mexico Mortgage Finance Authority for the year ended September 30 was as follows:

New Mexico Finance Authority					
Long-term Liabilities					
<i>(Expressed in Thousands)</i>					
	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
New Mexico Finance Authority					
Bonds Payable, Net	\$ 1,233,720	\$ 72,425	\$ (83,103)	\$ 1,223,042	\$ 72,699
Other Liabilities					
Compensated Absences	210	243	(243)	210	210
Total Other Payables	210	243	(243)	210	210
Total Long-term Liabilities	\$ 1,233,930	\$ 72,668	\$ (83,346)	\$ 1,223,252	\$ 72,909

New Mexico Mortgage Finance Authority					
Long-term Liabilities					
<i>(Expressed in Thousands)</i>					
	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
New Mexico Mortgage Finance Authority					
Bonds Payable, Net	\$ 1,443,499	\$ 184,062	\$ (345,748)	\$ 1,281,813	\$ 22,625
Other Liabilities					
Notes Payable	650	20,424	(20,424)	650	-
Accrued Arbitrage Rebate	970	31	(258)	743	-
Other Noncurrent Liabilities	217	1	-	218	-
Compensated Absences	222	311	(231)	302	302
Total Other Payables	2,059	20,767	(20,913)	1,913	302
Total Long-term Liabilities	\$ 1,445,558	\$ 204,829	\$ (366,661)	\$ 1,283,726	\$ 22,927

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

	New Mexico Lottery Authority Long-term Liabilities <i>(Expressed in Thousands)</i>				
	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
New Mexico Lottery Authority Other Liabilities					
Capital Lease Obligations	\$ 34	\$ -	\$ (7)	\$ 27	\$ 6
Total Long-term Liabilities	\$ 34	\$ -	\$ (7)	\$ 27	\$ 6

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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 was one General Obligation Bonds issued during the fiscal year ended June 30, 2011:

\$18,645 Series 2011 Capital Projects General Obligation Bonds. The interest rate varies between two and four percent, with principal payment due through 2021.

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, 2011</u>
Series 2005	3/1/2005	2015	5.0	\$ 111,850	\$ 51,480
Series 2007	3/1/2007	2017	5.0	134,870	88,655
Series A 2008 Refunding	6/25/2008	2013	5.0	71,270	29,445
Series 2009	5/28/2009	2019	5.0	196,330	167,275
Series 2011	5/26/2011	2021	2.0-4.0	18,645	18,645
Total General Obligation Bonds Outstanding					355,500
Unaccreted Bond Premium					23,728
Total General Obligation Bonds Payable					\$ 379,228

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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>
2012	\$ 63,656	\$ 12,274	\$ 75,930
2013	63,715	12,285	76,000
2014	50,389	9,715	60,104
2015	50,375	9,713	60,088
2016	38,216	7,369	45,585
2017- 2021	89,149	17,188	106,337
	<u>355,500</u>	<u>68,544</u>	<u>424,044</u>
Net Unaccreted Premium	<u>23,728</u>		<u>23,728</u>
Total	<u>\$ 379,228</u>	<u>\$ 68,544</u>	<u>\$ 447,772</u>

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, 2011, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$441 million. The total principal and interest requirements were \$335 million for all severance tax and supplemental severance tax bonds.

On December 8, 2010, the State Board of Finance issued bonds with a principal amount of \$140,520 to refund existing debt. The interest rate varies between 3.0 percent - 5.0 percent, with principal payments due through 2017.

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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	3.1 - 3.7	\$ 10,000	\$ 3,555
Series B 2004 Supplemental	11/17/04	2014	2.0 - 5.0	10,000	4,370
Series B-1 2005 Refunding	06/28/05	2012	3.2 - 5.0	37,040	15,455
Series B-2 2005 Supplemental	06/28/05	2011	3.2 - 5.0	21,095	7,310
Series A 2006	06/20/06	2016	4.0 - 5.0	135,000	13,180
Series A 2007	06/28/07	2018	4.0 - 5.0	162,840	25,900
Series A-1 2008	06/25/08	2019	4.0 - 5.0	149,000	124,395
Series A-2 2008 Refunding	06/25/08	2013	3.0	20,550	10,680
Series A 2009 Refunding	07/30/09	2019	2.0 - 5.0	218,450	195,785
Series A 2010	03/24/10	2019	3.0 - 5.0	132,265	132,265
Series B 2010 Supplemental	03/24/10	2019	4.0 - 5.0	100,000	100,000
Series C 2010 Refunding	06/30/10	2019	4.0 - 5.0	43,780	43,780
Series D 2010 Refunding	12/08/10	2017	3.0 - 5.0	140,520	140,520
Total Severance Tax Bonds Outstanding					817,195
Unaccreted Bond Premium					67,125
Total Severance Tax Bonds Payable					\$ 884,320

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
2012	\$ 128,013	\$ 24,304	\$ 152,317
2013	120,991	22,971	143,962
2014	108,769	20,651	129,420
2015	99,570	18,904	118,474
2016	91,096	17,296	108,392
2017 - 2021	268,756	51,026	319,782
	817,195	155,152	972,347
Net Unaccreted Premium	67,125	-	67,125
Total	\$ 884,320	\$ 155,152	\$ 1,039,472

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 June 30, 2010, the State Board of Finance issued Series 2010C Refunding Bonds, with a principal amount of \$43,780 to provide refunding of Series 2005A Severance Tax 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 \$3,925. The economic gain, or present value savings, was \$3,772. Although the issuance of the Series 2010 Refunding Bonds occurred on June 30, 2010, on the last day of fiscal year 2010, the actual refunding of

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Series 2005A Severance Tax Bond did not occur until the following day, on July 1, 2010, in fiscal year 2011.

On December 8, 2010, the State Board of Finance issued Series 2010D Refunding Bonds, with a principal amount of \$140,520 to provide partial refunding of Series 2006A Severance Tax Bond and Series 2007A Severance Tax Bonds. The difference in requirements resulted in cash flow savings of \$7,590. The economic gain, or present value savings, was \$ 7,045.

Revenue Bonds

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

The New Mexico Space Authority issued \$20,560 Series 2010 Public Projects Revolving Fund Revenue Bonds with interest rates ranging from 0.5 percent to 4.1 percent, with principal payments due through 2029.

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, 2011
State Museum Tax	2023	0.6 - 4.1	\$ 5,760	\$ 4,266
Series 1995 A and B Energy and Minerals	2015	3.0 - 6.0	3,697	83
Series 1995 A and Series 1996 B Energy and Minerals	2016	4.5	6,840	2,180
Series 1996 A and B Energy and Minerals	2016	3.0 - 6.0	3,900	120
Series 1997 A and B Energy and Minerals	2017	3.0 - 6.0	4,717	1,922
Series 1998 A and B Energy and Minerals	2018	3.0 - 8.0	5,033	2,291
Series 2001 Energy and Minerals	2020	4.7	4,907	2,665
Series 2003 Energy and Minerals	2023	3.8	7,339	5,039
Series 2010 Energy and Minerals Equipment	2016	2.2	843	742
Series 2002 C Highway Infrastructure Highway (HIF)	2017	3.3 - 5.4	67,750	5,930
Series 2002 D Senior Subordinate Lien Tax Highway (CHAT)	2014	3.9 - 5.0	16,000	1,575
Series 2004 A Senior Lien Transportation (GRIP)	2024	3.8 - 5.2	700,000	248,310
Series 2004 B Subordinate Lien Transportation Refunding (GRIP)	2014	2.0 - 5.0	237,950	92,920
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	27,900
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 2010 B Highway Bonds (GRIP)	2024	3.0 - 5.0	461,075	461,075
Series 2009 A Refunding	2017	2.0 - 5.0	112,345	71,715
Series 2009 A Public Projects Revolving Fund	2029	2.5 - 5.3	55,810	51,880
Series 2010 Public Projects Revolving Fund	2029	0.5 - 4.1	20,560	20,560
Series 2010A Debt Service	2024	1.5 - 5.0	174,625	174,625
Total Revenue Bonds Outstanding				1,796,198
Unaccreted Bond Premium/Discount, Net				63,205
Total Revenue Bonds Payable				\$ 1,859,403

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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	\$ 7,983
Series 2006 Miners Colfax Hospital	2026	4.2	6,488	5,327
Series 2004 Capital Improvement (EXPO)	2014	1.3 - 3.7	5,556	2,563
Series 2002 Revenue and Improvement (NMSU)	2022	2.0 - 5.0	15,495	6,110
Series 2003 Refunding and Improvement (NMSU)	2023	2.0 - 5.0	28,495	17,050
Series 2004 B Improvement (NMSU)	2025	2.0 - 5.0	42,275	33,875
Series 2006 Improvement (NMSU)	2026	4.0 - 5.0	10,245	8,380
Series 2010 A-D Refunding and Improvement (NMSU)	2022	1.9 - 5.3	78,670	78,005
Series 1998 System (ENMU)	2013	3.5 - 4.4	3,535	950
Series 2005 System (ENMU)	2026	3.2 - 4.2	9,325	7,645
Series 2005 B General Obligation Building (ENMU)	2015	3.1 - 4.2	7,500	2,750
Series 2008 System Refunding (NMHU)	2034	3.1 - 4.8	19,741	18,770
Series 2009 A System Refunding (NMHU)	2021	3.0 - 4.5	4,555	4,205
Series 2009 B System Refunding (NMHU)	2034	5.3 - 6.1	9,230	9,230
Series 2001 System (NM Military)	2013	5.0	9,550	2,460
Series 2005 System Refunding and Improvement (WNMU)	2019	3.2 - 5.0	5,800	3,530
Series 1992 A System Revenue Refunding (UNM)	2021	5.6 - 6.2	36,790	20,830
Series 2000 System Revenue (UNM)	2029	5.5 - 6.3	53,232	3,305
Series 2001 Subordinate Lien System Improvement (UNM)	2026	Variable	52,625	39,185
Series 2002 A Subordinate Lien System Refunding (UNM)	2032	2.5 - 5.2	58,860	45,525
Series 2002 B Subordinate Lien System Refunding (UNM)	2026	3.8	25,475	24,890
Series 2002 C Subordinate Lien System Refunding (UNM)	2030	3.9	37,840	36,390
Series 2003 A Subordinate Lien System Refunding (UNM)	2018	2.0 - 5.2	21,660	10,585
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	4,450
Series 2004 FHA Insured Hospital Mortgage (UNM)	2031	2.0 - 5.0	192,250	174,435
Series 2005 Subordinate Lien System Improvement (UNM)	2035	3.0 - 4.5	125,575	120,255
Series 2007 A & B Subordinated Lien System Improvement (UNM)	2036	4.0 - 5.9	136,710	135,080
Total Revenue Bonds Outstanding				829,348
Unaccreted Bond Premium/Discount, Net				2,958
Total Revenue Bonds Payable				\$ 832,306

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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)				Revenue Bonds Issues - Primary Government Debt Service Requirements to Maturity For Fiscal Years End June 30 (Expressed in Thousands)			
Governmental Activities				Business-type Activities			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2012	\$ 73,251	\$ 83,053	\$ 156,304	2012	\$ 32,010	\$ 39,350	\$ 71,360
2013	93,318	79,681	172,999	2013	32,893	38,084	70,977
2014	111,571	74,813	186,384	2014	31,322	36,759	68,081
2015	89,242	70,246	159,488	2015	32,528	35,446	67,974
2016	93,448	65,740	159,188	2016	33,583	36,645	70,228
2017 - 2021	513,222	303,421	816,643	2017 - 2021	182,311	145,948	328,259
2022 - 2026	665,814	121,323	787,137	2022 - 2026	203,918	97,207	301,125
2027 - 2031	155,797	5,109	160,906	2027 - 2031	159,804	51,153	210,957
2032 - 2036	234	114	348	2032 - 2036	120,979	12,523	133,502
2037 - 2041	300	48	348		829,348	493,115	1,322,463
	1,796,198	803,547	2,599,745	Net Unaccrued			
Net Unaccrued				Premium	2,958	-	2,958
Premium	63,205	-	63,205	Total	\$ 832,306	\$ 493,115	\$ 1,325,421
Total	\$ 1,859,403	\$ 803,547	\$ 2,662,950				

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:

Energy, Minerals, and Natural Resources Department

Acquisition and development of state parks and recreation areas
\$28.6 million
Department's share of governmental gross receipts tax revenue
Through June 30, 2023
\$18.3 million
\$7.9 million
\$2.4 million

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 Transportation

Construct and improve State highway and transportation system
\$2.4 billion
Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues
Through June 30, 2027
\$2.4 billion
\$683 million
\$197.5 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Governmental Activities (Continued)

Agency:	Department of Cultural Affairs
Purpose of Bonds & Loan:	Renovate existing museum structures, develop permanent exhibits
Total Amount of Debt Issued:	\$8.1 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$7.5 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$795 thousand
Debt Service for Current Year:	\$629 thousand
Agency:	Spaceport Authority
Purpose of Bonds	Construction of the Spaceport America launch facility
Total Amount of Debt Issued:	\$76.3 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$109.3 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$6.2 million
Debt Service for Current Year:	\$4.4 million
Business-type Activities	
Agency:	Miners' Colfax Medical Center
Purpose of Bonds:	Improvement and expansion of medical facilities
Total Amount of Bonds Issued:	\$17.3 million
Type of Revenues Pledged:	Center's share of distributions from the State Land Grant and the Charitable, Penal, and Reform Permanent Funds
Total Debt Service Remaining:	\$17.7 million
Term of Commitment:	Through June 30, 2026
Revenue Stream for Current Year:	\$6.7 million
Debt Service for Current Year:	\$1.3 million
Agency:	State Fair Commission
Purpose of Bonds:	Improvement of capital facilities
Total Amount of Bonds Issued:	\$5.6 million
Type of Revenues Pledged:	State Fair Commission's share of parimutuel tax collected
Total Debt Service Remaining:	\$2.7 million
Term of Commitment:	Through June 30, 2015
Revenue Stream for Current Year:	\$1.1 million
Debt Service for Current Year:	\$685 thousand
Agency:	Educational Institutions (UNM, NMSU, ENMU, WNMU, NMMI, 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.
Total Debt Service Remaining:	\$1.3 billion
Term of Commitment:	Through June 30, 2036
Revenue Stream for Current Year:	\$ 626 million
Debt Service for Current Year:	\$67.9 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.

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)

	Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
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	\$ 1,137,950	\$ 1,197,854	\$ 59,904	\$ 11,069

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)

	Par Value	Gross Proceeds	Premium Included in Proceeds	Cost of Issuance
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	\$ 460,485	\$ 453,084	\$ 12,599	\$ 3,644

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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.

▪ **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.

▪ **Refunding of Variable Rate Bonds**

NMFA, on behalf of the Department, has issued multiple series of refunding bonds in prior years to advance refund certain older debt issues of the Department. The net proceeds of those issuances less any new amounts borrowed plus, at times, additional funds provided by the Department, were used to purchase U. S. Governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refundings of the older debt are considered to be defeased and the liability for those bonds has been removed from long-term obligations. The bonds outstanding of \$986,135 were considered defeased as of June 30, 2010.

In addition to the refundings, which have occurred in prior years, the following refundings have occurred within the current fiscal year:

On September 9, 2010, NMFA, on behalf of the Department, issued \$95,525 in Series 2010A-1 Senior Lien Revenue and Refunding Revenue Bonds and \$79,100 in Series 2010A-2 Subordinate Lien Revenue and Refunding Revenue Bonds to pay off the remaining principal balance of \$122,588 on the 2008 Tax Exempt Line of Credit held by the Bank of America. As a result, the Department has removed this liability from its accounts. Additional funds were provided by the issuance,

which have been segregated and are to be used for financing projects administered by the Department. On October 5, 2010, NMFA, on behalf of the Department, issued \$461,075 in Series 2010B Senior Lien State Transportation Revenue Bonds to advance refund \$9,690 of the Series 2002A Senior Subordinate Lien Tax Revenue Highway Bonds, \$7,270 of Series 2002C Highway Infrastructure Fund Revenue Bonds, \$1,635 of Series 2002D Senior Subordinate Lien Tax Revenue Highway Bonds and \$451,690 of the Series 2004A Senior Lien State Transportation Revenue Bonds. The net proceeds and additional funds of \$8,166 provided by the Department were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded portions of these bond series. As a result, those portions of the refunded series are considered defeased, and the Department has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$460,595 at June 30, 2011. The difference between the present values of the service payments on the old and new debt (the economic gain) is \$22,438.

The cumulative deferred amount on the refundings of \$82,705, recorded as a reduction of the Department's 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.

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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)	50,400
Total	<u>\$ 470,400</u>

▪ **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 2008 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:

<u>Counterparty</u>	<u>Royal Bank of Canada</u>	<u>Goldman Sachs</u>	<u>Deutsche Bank</u>
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 above Swaps.

▪ Fair Value

The estimated fair value of the swaps at June 30, 2011 was as follows (in thousands):

	<u>Notional Value</u>	<u>Fair Value*</u>
Goldman Sachs	\$ 50,000	\$ (8,073)
Deutsche	50,000	(8,073)
Royal Bank of Canada	100,000	(16,147)
JPMorgan Chase Bank	110,000	(24,547)
UBS AG	110,000	(24,546)
	<u>\$ 420,000</u>	<u>\$ (81,386)</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, 2011 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, 2011. 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, 2011, 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 \$81,386 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)

<u>Variable Rate Debt*</u>	<u>Original Issue</u>	<u>2011 Debt Service</u>		<u>Net Swap</u>	<u>Total</u>	<u>Actual</u>
		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>		<u>Synthetic</u>
				<u>Made</u>		<u>Fixed Rate</u>
Series 2008 A and C	\$ 200,000	\$ -	\$ 7,868	\$ 415	\$ 8,283	4.1%
Series 2008 B	220,000	-	11,158	(791)	10,367	4.7%

*The interest and swap payments for these bonds include the payments for the Series 2004 and 2006 Bonds that the Series 2008 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, 2011, were:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch</u>
Royal Bank of Canada	Aa1	AA-	AA
Goldman Sachs	A1	A+	A+
Deutsche Bank	Aa3	A+	AA-
JPMorgan Chase Bank	Aa3	A+	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, 2011. 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.

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. There were no outstanding amounts at the end of the year, though \$13,500 was borrowed and repaid within the year:

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 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-

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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 October 1, 1992, the University of New Mexico (UNM) defeased \$3,095 of the Series 1986 A Bonds, \$24,765 of the Series 1989 Bonds, and \$4,825 of the Series 1991 Bonds. Sinking fund monies in the amount of \$36,651 from the Series 1992 A Refunding Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments. The refunding resulted in debt service savings to the UNM. The remaining principal outstanding in the escrow account at June 30, 2011 is \$6,534.

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, 2011, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	\$ 9,796	8/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (1,221)
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	36,390	8/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(3,119)
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	24,890	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(2,437)
D - RBC Royal Bank	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	9,796	8/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(1,240)
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)	19,593	8/15/2006	6/1/2026	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	716
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	36,390	8/15/2006	6/1/2026	Receive 63.9% of 5 year USD swap rate + 0.3% - Pay SIFMA	1,355
							\$ (5,946)

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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>Entity</u>	<u>Moody's</u>		<u>S & P</u>		<u>Fitch</u>		<u>Total Exposure Notional Balance at 6/30/11</u>
	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>	<u>L/T Rating</u>	<u>S/T Rating</u>	
JP Morgan	Aa1	P-1	AA-	A-1+	AA-	F-1+	\$ 127,059
PBC Royal Bank	Aa1	P-1	AA-	A-1+	AA	F-1+	9,796

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.

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, 2011, the SIFMA variable rate is 0.12 percent while the percentage of LIBOR rate is 0.97 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.

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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.

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.

Rating	Swap MTM Threshold
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

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 AA/Aa2 at June 30, 2011; therefore, no collateral has been posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2011, 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.

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<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Hedging Derivative Instruments, Net</u>	<u>Total</u>
2012	\$ 3,650	\$ 59	\$ 2,962	\$ 6,671
2013	4,260	99	2,683	7,042
2014	4,450	150	2,332	6,932
2015	4,620	197	1,983	6,800
2016	4,820	237	1,654	6,711
2017	4,650	262	1,377	6,289
2018	4,840	267	1,180	6,287
2019	5,570	270	973	6,813
2020	6,320	259	810	7,389
2021	6,580	240	665	7,485
2022	6,855	213	546	7,614
2023	7,155	181	435	7,771
2024	7,465	142	344	7,951
2025	7,770	100	257	8,127
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, 2011. 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." Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset asset. The fair value change in fiscal year 2011 for the hedge instruments was a decrease of \$815,805 to the liability and an equal offsetting increase to the asset. Swaps E and F are not cash flow hedges but rather are considered investment swaps, and changes in their fair value are recorded as investment income (loss). The fair value change for swaps E and F as of June 30, 2011 was recorded to investment income in the amount of \$1,219.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2011
Public Project Revolving Fund - Senior Lien			
Series 2002 A	2023	4.4 - 5.0	\$ 10,255
Series 2003 A - B	2021 - 2032	3.5 - 5.0	28,281
Series 2004 A - C	2018 - 2033	3.0 - 6.0	164,370
Series 2005 A - B	2020 - 2025	3.5 - 5.0	18,850
Series 2006 B & D	2036	4.3 - 5.0	80,830
Series 2007 E	2032	4.3 - 5.0	49,560
Series 2008 A - C	2033 - 2038	3.0 - 6.0	201,575
Series 2009 A - E	2019 - 2039	2.3 - 6.0	176,735
Series 2010 A - B	2034 - 2039	2.0 - 6.4	80,900
Series 2011 A	2016	2.0 - 4.0	15,375
Total Public Project Revolving Fund - Senior Lien			<u>826,731</u>
Public Project Revolving Fund - Subordinate Lien			
Series 2005 C - F	2025	3.6 - 5.0	\$ 87,595
Series 2006 A & C	2026 - 2035	4.0 - 5.0	79,035
Series 2007 A - C	2027 - 2034	4.0 - 5.3	171,570
Total Public Project Revolving Fund - Subordinate Lien			<u>338,200</u>
Total Public Project Revolving Fund			<u>1,164,931</u>
Series 1995 A Pooled Equipment Certificates of Participation	2015	6.3	130
Series 1996 A Pooled Equipment Certificates of Participation	2016	5.8	39
Series 1996 Workers' Compensation Administration Building	2016	5.5 - 5.6	1,830
Series 1999 State Capitol Improvement	2015	7.0	3,405
Series 2004 A Cigarette Tax University of New Mexico	2019	4.0 - 5.0	15,055
Series 2006 Cigarette Tax Behavioral Health Projects	2026	5.5	1,875
Total Other Bonds Payable			<u>22,334</u>
Unaccreted Bond Premium/Discount, Net			<u>35,777</u>
Total Bonds Payable			<u>\$ 1,223,042</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 72,699	\$ 56,715	\$ 129,414
2013	76,763	53,714	130,477
2014	76,753	50,427	127,180
2015	77,835	47,055	124,890
2016	76,929	43,576	120,505
2017 - 2021	331,821	167,799	499,620
2022 - 2026	261,370	92,131	353,501
2027 - 2031	124,475	40,603	165,078
2032 - 2036	81,805	13,855	95,660
2037 - 2040	6,815	579	7,394
	<u>1,187,265</u>	<u>566,454</u>	<u>1,753,719</u>
Net Unaccrued Premium	<u>35,777</u>	<u>-</u>	<u>35,777</u>
Total	<u>\$ 1,223,042</u>	<u>\$ 566,454</u>	<u>\$ 1,789,496</u>

New Mexico Mortgage Finance Authority bonds outstanding at September 30, 2011 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, 2011</u>
Single Family Mortgage Programs			
Series 1994 A - E	2025 - 2026	6.5 - 7.0	\$ 915
Series 2000 E	2032	5.4 - 6.6	3,450
Series 2000 Second Mortgage	2018	6.5	61
Series 2001 A - D	2032 - 2033	4.3 - 6.3	15,635
Series 2002 A - F	2033 - 2034	4.1 - 6.5	28,200
Series 2003 A - E	2034	3.3 - 6.1	37,190
Series 2004 A - E	2034 - 2035	3.4 - 6.2	51,470
Series 2005 A - D	2036 - 2037	3.7 - 6.1	57,675
Series 2006 A - F	2037 - 2038	4.0 - 6.2	167,635
Series 2007 A - E	2038 - 2039	3.7 - 6.4	201,410
Series 2008 A - D	2039	3.2 - 7.0	138,245
Series 2009 A - E	2039 - 2040	1.7 - 6.0	209,850

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For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Bonds Payable - New Mexico Mortgage Finance Authority (Continued)

(Expressed in Thousands)

<u>Bond Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance September 30, 2011</u>
Single Family Mortgage Programs (Continued)			
Series 2009	2012	Variable	\$ 27,200
Series 2010 A	2040	3.0 - 4.6	67,325
Series 2011 A-B	2028 - 2041	0.6 - 5.4	109,930
Total Single Family Mortgage Programs			1,116,191
Unaccreted Bond Premium/Discount, Net			21,321
Total Single Family Mortgage Programs Payable			1,137,512
Rental Housing Mortgage Programs			
Series 1998 A - B	2031	5.2 - 5.3	7,725
Series 2001 E - F	2034	5.6 - 7.0	9,165
Series 2002 A - B	2038	5.4 - 6.8	9,235
Series 2003 A - B	2038	5.1 - 5.4	8,745
Series 2004 A - G	2037 - 2040	4.6 - 6.5	38,374
Series 2005 A - F	2040	4.7 - 5.7	27,745
Series 2006 A	2045	4.3 - 4.7	9,230
Series 2007 A - D	2042 - 2043	5.0 - 10.0	19,492
Series 2008 A - B*	2043	0.2 - 0.8	8,520
Series 2010 A - B	2047	1.8 - 5.0	3,705
Total Rental Housing Mortgage Programs			141,936
Unaccreted Bond Premium/Discount, Net			238
Total Rental Housing Mortgage Programs Payable			142,174
Capital Debt			
Series 2005 General Revenue Office Building Refunding	2026	3.8 - 4.4	2,230
Total General Obligation Bonds Outstanding			2,230
Unaccreted Bond Premium/Discount, Net			(103)
Total General Revenue Office Building Refunding			2,127
Total Bonds Payable			\$ 1,281,813

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

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For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 22,625	\$ 61,701	\$ 84,326
2013	21,767	61,092	82,859
2014	22,794	59,486	82,280
2015	23,771	59,055	82,826
2016	25,013	57,914	82,927
2017 - 2021	145,024	268,392	413,416
2022 - 2026	210,945	225,920	436,865
2027 - 2031	282,808	161,007	443,815
2032 - 2036	300,693	88,160	388,853
2037 - 2041	191,249	19,184	210,433
2042 - 2046	13,633	629	14,262
2047 - 2051	35	1	36
	<u>1,260,357</u>	<u>1,062,541</u>	<u>2,322,898</u>
Net Unaccrued Premium	21,456	-	21,456
Total	<u>\$ 1,281,813</u>	<u>\$ 1,062,541</u>	<u>\$ 2,344,354</u>

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, 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 2011 and 2010 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 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), a portion 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 \$50 at September 30, 2011 and \$18,560 at September 30, 2011, respectively. 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

G. Short-term Debt

The State of New Mexico issued tax and revenue anticipation notes during fiscal year 2011 worth \$203,767. Repayment of the notes comes from tax payments received in the year.

Short-term debt activity for the year ended June 30, 2011 was as follows:

Short-term Debt
(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Short-term Debt					
Taxation and Revenue					
Anticipation Notes 2010 - 2011	\$ -	\$ 203,767	\$ (203,767)	\$ -	\$ -
Total Short-term Liabilities	<u>\$ -</u>	<u>\$ 203,767</u>	<u>\$ (203,767)</u>	<u>\$ -</u>	<u>\$ -</u>

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 2011 and matured by June 30, 2011 (in thousands):

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge Bonds					
Sponge Bond - Supplemental Note	12/29/2010	12/30/2010	\$ 51,520	\$ 1	\$ 51,521
Sponge Bond - Senior Note	6/29/2011	6/30/2011	27,273	-	27,273
Sponge Bond - Supplemental Note	6/29/2011	6/30/2011	154,608	1	154,609
Total Sponge Bonds			<u>\$ 233,401</u>	<u>\$ 2</u>	<u>\$ 233,403</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,

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, 2011 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	\$ -	\$ 233,401	\$ (233,401)	\$ -	\$ -

H. Net Assets and Fund Equity

1. Governmental Fund Balances

Fund balances of governmental funds are classified as:

- Nonspendable – amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be intact. Examples include inventories and permanent fund principal.
- Restricted – amounts where legally enforceable constraints are imposed by an external party such as a grantor, by the State Legislature, or by the constitution at the same time the revenue is created.
- Committed – amounts where constraints are imposed by formal action of the government's

highest level of decision-making authority, the State Legislature or the Governor, which cannot be used for any other purpose unless the constraint is changed by similar action. These constraints are imposed separately from the creation of the revenue.

- Assigned – amounts where constraints are imposed on the use of resources through the intent made by any level of decision-making authority in the government if the governing body has expressly delegated that authority to the official or to a committee.
- Unassigned – the residual amount after all classifications have been considered. The General Fund is the only fund that reports a positive unassigned fund balance.

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For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

A summary of the nature and purpose of these reserves by fund type at June 30, 2011, are explained as follows (in thousands):

	<u>General Fund</u>	<u>Education</u>	<u>Health and Human Services</u>	<u>Highway and Transportation</u>	<u>Appropriated Bond Proceeds Capital Outlay</u>	<u>Severance Tax Permanent</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable:								
Children's Health and Safety Programs	\$ -	\$ -	\$ 6,387	\$ -	\$ -	\$ -	\$ -	\$ 6,387
Deferred Charges	1,128	19	157	29,693	-	-	141	31,138
Inventories	7,508	-	3,839	14,311	-	-	58	25,716
Permanent Funds	-	-	-	-	-	3,966,034	725,758	4,691,792
Property Held for Resale	-	-	-	8,845	-	-	-	8,845
Total Nonspendable	<u>\$ 8,636</u>	<u>\$ 19</u>	<u>\$ 10,383</u>	<u>\$ 52,849</u>	<u>\$ -</u>	<u>\$ 3,966,034</u>	<u>\$ 725,957</u>	<u>\$ 4,763,878</u>
Restricted:								
American Recovery and Reinvestment Act	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,807	\$ 3,807
Capital Projects	-	-	1,741	82,105	-	-	102	83,948
Culture, Recreation and Natural Resources	54,375	-	-	-	-	-	24,068	78,443
Debt Service	-	-	-	178,962	-	-	310,472	489,434
Disability Health and Safety Programs	-	3,955	-	-	-	-	-	3,955
Environmental Programs	-	-	15,489	-	-	-	-	15,489
General Control	11,174	-	-	-	-	-	14,153	25,327
Health and Human Services	-	-	-	-	-	-	-	-
Higher Education	-	229	-	-	-	-	-	229
Judicial	4,822	-	-	-	-	-	2,871	7,693
Public Safety	8,514	-	-	3,331	-	-	9,468	21,313
Public School	-	-	-	-	-	-	-	-
Regulation and Licensing	2,497	-	-	-	-	-	95,694	98,191
State Roads	-	-	-	-	-	-	-	-
Tobacco Settlement	155,715	-	-	-	-	-	-	155,715
Workforce Programs	-	-	6,152	-	-	-	-	6,152
Total Restricted	<u>\$ 237,097</u>	<u>\$ 4,184</u>	<u>\$ 23,382</u>	<u>\$ 264,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,635</u>	<u>\$ 989,696</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

	<u>General Fund</u>	<u>Education</u>	<u>Health and Human Services</u>	<u>Highway and Transportation</u>	<u>Appropriated Bond Proceeds Capital Outlay</u>	<u>Severance Tax Permanent</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Committed:								
Aviation	\$ -	\$ -	\$ -	\$ 10,200	\$ -	\$ -	\$ -	\$ 10,200
Capital Projects	-	-	20,404	18,723	1,087,693	-	29,954	1,156,774
Culture, Recreation and Natural Resources	13,347	-	-	-	-	-	76,264	89,611
Debt Service	-	-	-	-	-	-	3,014	3,014
Environmental Programs	-	-	10,318	-	-	-	-	10,318
Family Social and Health Care	-	200	-	-	-	-	-	200
General Control	19,592	-	-	-	-	-	39,689	59,281
Health and Human Services	-	-	6,023	-	-	-	-	6,023
Higher Education	-	53,182	-	-	-	-	-	53,182
Judicial	13	-	-	-	-	-	7,317	7,330
Legislative	10,021	-	-	-	-	-	-	10,021
Native American Programs	-	1,839	-	-	-	-	-	1,839
Public Safety	12,894	-	-	430	-	-	2,545	15,869
Public School	-	9,695	-	-	-	-	-	9,695
Regulation and Licensing	352	-	-	-	-	-	30,194	30,546
State Roads	-	-	-	90,265	-	-	-	90,265
Total Committed	<u>\$ 56,219</u>	<u>\$ 64,916</u>	<u>\$ 36,745</u>	<u>\$ 119,618</u>	<u>\$ 1,087,693</u>	<u>\$ -</u>	<u>\$ 188,977</u>	<u>\$ 1,554,168</u>
Assigned:								
General Control	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,412	\$ 1,412
Health and Human Services	-	-	-	-	-	-	-	-
Judicial	7,866	-	-	-	-	-	2,333	10,199
Workforce Programs	-	-	-	-	-	-	-	-
Total Assigned	<u>\$ 7,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,745</u>	<u>\$ 11,611</u>

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For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

2. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$6,898 million of restricted net assets for the primary government of which \$703 million is restricted by enabling legislation.

3. Deficit Net Assets/ Fund Equity

Governmental Activities

The unreserved fund balance of the Education Fund, the Health and Human Services Fund, the Highway and Transportation Fund, the Regulation and Licensing Capital Projects Fund, and the Severance Tax Bonds Appropriated Capital Projects Fund had a deficit as a result of excessive program expenditures and overspending project appropriations.

Proprietary Activities

The unrestricted net assets of the Risk Management, the Information Processing, the New Mexico Magazine, and State Fair Commission funds had deficits as a result of general and administrative expenses exceeding current year revenue.

Component Units

The invested in capital assets, net of related debt of the New Mexico Mortgage Finance Authority had a deficit as a result of outstanding debt exceeding the net capital assets. The unrestricted net assets of the New Mexico Computing Applications had a deficit as a result of general and administrative expenses exceeding current year revenue. The unrestricted net assets of the New Mexico Lottery Authority had a deficit as a result of its investment in capital assets.

4. Net Assets/Fund Balance Restatements

Corrections of Errors

Premature Recognition of Revenues and Expenditures.

During the fiscal year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The purpose of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying existing governmental fund type definitions. As a result of the implementation, the State determined that revenues and expenditures from prior years were prematurely recognized prior to the State having met all conditions of the source of funds. The corrections to the applicable fund balance/net assets are presented in the “Premature Recognition of Revenues and Expenditures” column in the following schedule.

Internal Service Fund Liabilities

During the preparation of the 2010 CAFR, the State inadvertently included \$179,320 of internal service fund payables twice. The amount of \$177,720 classified as Claims Payable on the Statement of Net Assets – Proprietary Funds, and \$1,600 of compensated absences were duplicated under the line item of Other Liabilities when the internal service funds were combined with the governmental funds for the government-wide financial statements. The corrections to the applicable fund balance/net assets are presented in the “Duplication of Internal Service Funds’ Other Liabilities” column in the following schedule.

Other Corrections.

In 2010, the New Mexico Spaceport Authority issued \$62,965 in bonds for the construction of Spaceport America. In addition, \$39,814 of capital expenditures of Spaceport America were capitalized as construction in progress. This information was

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

unavailable at the time the CAFR was issued for fiscal year 2010.

Also, during fiscal year 2011, the State recorded adjustments to various funds to correct fiscal year 2010 year-end accruals for revenue and expenditures/expenses. The adjustment corrected certain federal accruals for federal grants, unemployment benefits, and payables. The State also corrected certain beginning balances on capital assets and long-term liabilities that were misstated in the 2010 CAFR. The corrections to the applicable fund balance/net assets are presented in the “Other Corrections of Errors” column in the following schedule.

Change in Reporting Entity

During fiscal year 2011, the operations of the University of New Mexico Medical Group, Inc. changed and is no longer a blended component unit of the University of New Mexico. This change constituted a change in reporting entity and required a restatement to the net assets of the Educational Institutions. The adjustment is presented under the “Change in Reporting Entity” column in the following schedule.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following schedule reconciles June 30, 2010 net assets/fund balance previously reported to beginning net assets/fund balance, as restated (in thousands):

	Net Assets/ Fund Balance at June 30, 2010, as Previously Reported	Corrections of Errors			Change in Reporting Entity	Net Assets/ Fund Balance at June 30, 2010, as Restated	Impact on Change in Net Assets/Fund Balance for the Year Ended June 30, 2010
		Premature Recognition of Revenues and Expenditures	Duplication of Internal Service Funds' Other Liabilities	Other Corrections of Errors			
Governmental Activities	\$ 11,557,048	\$ (47,430)	\$ 179,320	\$ 66,560	\$ -	\$ 11,755,498	\$ 38,241
Business-type Activities	4,056,004	-	-	(3,718)	(25,763)	4,026,523	(3,687)
Component Units	625,870	-	-	203	-	626,073	203
Governmental Activities:							
Major Special Revenue:							
Education	104,261	(29,692)	-	-	-	74,569	-
Health and Human Services	12,695	(14,710)	-	-	-	(2,015)	-
Nonmajor Special Revenue:							
American Recovery and Reinvestment Act	(22,859)	(418)	-	15,042	-	(8,235)	15,042
General Control	60,461	(786)	-	(497)	-	59,178	-
Judicial	13,666	(814)	-	-	-	12,852	-
Regulation and Licensing	88,722	(333)	-	23,199	-	111,588	23,199
Nonmajor Capital Projects:							
Culture, Recreation, and Natural Resources	11,138	(485)	-	-	-	10,653	-
Public Safety	241	(101)	-	-	-	140	-
Regulation and Licensing	(588)	(91)	-	-	-	(679)	-
Business-type Activities:							
Major Enterprise:							
Educational Institutions	3,371,895	-	-	-	(25,762)	3,346,133	257
Nonmajor Enterprise:							
Industries for the Blind	(35)	-	-	226	-	191	-
Unemployment Insurance	286,114	-	-	(3,944)	-	282,170	(3,944)
Component Units							
New Mexico Computing Applications Center	948	-	-	203	-	1,151	203

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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, 2011 were \$178,249. 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, 2011 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, 2010	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2011
Surety Bond	\$ 18	\$ -	\$ (4)	\$ 14
Public Property Reserve	1,804	7,676	(7,164)	2,316
Workers Compensation	34,260	16,611	(15,839)	35,032
Public Liability	97,577	20,168	(26,605)	91,140
State Unemployment	5,471	8,511	(5,600)	8,382
Local Public Body	1,166	1,910	(1,399)	1,677
Group Insurance Premium	37,424	308,647	(306,383)	39,688
Total	\$ 177,720	\$ 363,523	\$ (362,994)	\$ 178,249

	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

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

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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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, 2011 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	88	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	82
Other	63	16	9	363	-
Totals	<u>310</u>	<u>16</u>	<u>9</u>	<u>363</u>	<u>201</u>
Retirees and Beneficiaries					
Receiving Benefits	28,691	118	78	609	35,457
Terminated Plan Members					
not yet Receiving Benefits	9,186	21	16	783	33,011
Active Plan Members	48,163	114	45	5,867	61,673

*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 10-11A-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

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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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 25.3 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, 2011 was determined by the actuary to be \$776.

Effectively July 1, 2010, 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 were increased, established in State statute under Chapter 10, Article 11, NMSA 1978. Under the new requirements, 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 Plan 3, 4 and 5 are eligible to retire at 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.

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 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

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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 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.

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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 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 2011 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

The New Mexico Educational Retirement Board (ERB) was created by the Educational Retirement Act, Chapters 22-11-1 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

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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
- 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.

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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, 2011, 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 plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

3) *Benefit Options* - There are three benefit options available:

Option A – Single Life annuity- 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 plus interest less benefits paid.

Option B - The single life annuity monthly benefit is reduced to provide for a 100.0 percent survivor's benefit. The reduced

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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 single life annuity 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 provision that, upon death, the reduced 50.0 percent 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 the amount by which the benefit was reduced at retirement due to the election of Option C retroactively to the time of retirement.

- 4) *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.

- 5) *Disability Benefit:*

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.

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.

- 6) *Disability Retirement* - A member with five or more years of earned service credit on

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deferred status may retire when eligible under the Rule of 75 or when the member attains age 65.

- 7) 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.

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. Except as described in Section 22-11-47(D), which allows an employee participating in the ARP the option of switching to

the defined benefit retirement plan after 7 years of ARP participation, the decision to elect to participate in the ARP is irrevocable. ARP benefits are payable in accordance with the terms of the applicable contracts with vendors; provided, however, that retirement benefits shall, at the option of the employee, be paid in the form of a lifetime income, if held in an annuity contract; payment for a term of years; or a single-sum cash payment. Benefits are based upon contributions made and earnings on those contributions. Retirement, death, and other benefits, including disability benefits, cannot be paid from the Educational Retirement Fund and the ERB does not calculate or determine what benefits can be paid from an ARP account.

Prior to August 31, 2011, the two vendors approved to offer ARP plans to the participants were Teacher 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”). The ERB began a process to select new ARP vendors in the fall of 2010 and on April 29, 2011 selected TIAA-CREF and Fidelity Investments as the ARP vendors. New contracts with those vendors became effective September 1, 2011. Employees are normally allowed to transfer between vendors once each year; however, after the award of new APR contracts employees were allowed an additional period in the fall of 2011 to transfer vendors.

For the year ended June 30, 2011, employees under the ARP contribute 9.4 percent of their gross salaries. The colleges and universities are required to contribute 7.9 percent to the carrier on behalf of the participant and 3.0 percent to the regular defined benefit plan to help offset the impact of the ARP on the defined benefit plan. The 3.0 percent fee remitted to ERB for the year ended June 30, 2011 was \$4,042.

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The 3.0 percent fee does not provide retirement benefits. The colleges and universities are 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.

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 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 4.0 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 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

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member. Under the entry age method, a calculation is made to determine the average uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new participant during the entire period of his or her anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on their behalf. 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.

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.

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The funded status of each plan as of June 30, 2011, 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 Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
PERS*	June 30, 2011	\$ 11,878,725	\$ 16,852,739	\$ 4,974,014	70.5 %	\$ 1,935,014	256.9 %
JRS	June 30, 2011	78,199	139,709	61,510	56.0 %	12,267	501.4 %
MRS	June 30, 2011	33,121	55,429	22,308	59.8 %	3,405	655.1 %
VFRS	June 30, 2011	47,005	27,109	(19,896)	173.4 %	N/A+	N/A+
EERS	June 30, 2011	9,642,200	15,293,100	5,650,800	63.0 %	2,523,800	223.9 %

+Benefits are not based on salary, payroll information has been excluded.

*PERS Retirement Fund includes the Legislative Fund. The Legislative benefits are not based on salary, payroll information has been excluded.

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:

	PERS	JRS	MRS	VFRS	EERS
Valuation date	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	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*	7.8%	7.8%	7.8%	7.8%	7.8%
*Includes inflation at	3.5%	3.5%	3.5%	3.5%	3.0%
Post retirement benefit increases	3.0%	3.0%	3.0%	N/A+	-
Projected salary increases*	4.0% - 19.0%	4.8%	4.3%	N/A+	4.8% 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.

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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, 2011
and Two Preceding Years
(in Thousands)

System	2011	2010	2009
PERS	\$ 283,377	\$ 291,683	\$ 311,082
JRS	3,823	3,699	4,123
MRS	895	825	1,000
VFRS *		750	750
EERS	308,368	313,276	323,685

*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 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 2011 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 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 2011 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.

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Fund Balances as of June 30, 2011 are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund
Member Contribution Fund	\$ 2,154,574	\$ 9,047	\$ 3,003
Employers Accumulation Fund	3,668,415	48,937	22,362
Retirement Reserve Fund	6,171,466	20,842	7,833
Total	\$ 11,994,455	\$ 78,826	\$ 33,198

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 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 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.

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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 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 1.7 percent of each participating employee's annual salary; each participating employee is required to contribute 0.8 percent of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013, the contribution rates for employees and employers who are not members of an enhance plan will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.8 %	0.9 %
FY13	2.0 %	1.0 %

For employees who are members of an enhanced retirement plan (state police, adult correctional officers, fire fighters and judges) during the fiscal year ended June 30, 2011, the status required each participating employer to contribute 2.1 percent of each participating employee's annual salary, and each participating employee was required to contribute 1.0 percent of their salary.

In the fiscal years ending June 30, 2012 and June 30, 2013, the contributions rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	2.3 %	1.1 %
FY13	2.5 %	1.3 %

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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 funded status as of June 30, 2010, the most recent valuation date, 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 %

Three actuarial studies based on GASB 43 requirements have been completed and decreases are reported for the year ended June 30, 2010 in the UAAL and ARC. Factors in these reported increases as follows:

1. *Changes in Composition of Active Membership* – The number of active members reported increased slightly based on consistent data received from PERA and

the percentage of current-year covered payroll for the three preceding fiscal years are as follows:

Schedule of Required Contributions (In Thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers and Employees	Percentage Contributed
2010	\$ 309,920	\$ 105,624	34.1 %
2009	298,000	112,079	37.6 %
2008	286,538	96,817	33.8 %
2007	275,518	94,060	34.1 %

There are requirements for frequency and timing of actuarial valuations, as well as actuarial methods and assumptions that are acceptable for financial reporting. The Authority will obtain actuarial valuations at least biannually and a single actuarial valuation covers all plan members. The Authority will make various disclosures including the schedules of funding progress and required employer contributions presented as required supplementary information.

ERB reporting databases for the third actuarial study.

2. *Changes in Per Capita Costs and Trends* – 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.

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During the 2010 Legislative session, House Bill 854 (HB 854) was enacted. HB 854 enacts a two – year shift in retirement contributions. From July 1, 2009 to June 30, 2011, many ERB and PERA employees will contribute an additional 1.5 percent of earnings to PERA and ERB and employers will contribute 1.5 percent less to PERA and ERB. The change in contributions applies to any ERB or PERA employee earning \$20 or more per year. This new legislation has a neutral effect to the actuarial value of available assets.

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 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 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 unlimited rate of 5.0%

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The number of participating government employers, and the number of members in the Plan for the year ended June 30, 2011 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.

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 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

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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:

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed	Next Payment Due to IRS
Series 2005 General Obligation	3/1/2010	4/30/2010	X	3/1/2015
Series 2007 General Obligation	3/1/2012	4/30/2012		3/1/2017
Series 2008 A General Obligation	3/1/2013	4/30/2013		
Series 2009 General Obligation	5/28/2014	7/27/2014		7/1/2019
Series 2011 General Obligation	5/26/2016	7/25/2016		3/1/2021
Series 2003 B Supplemental Severance Tax	10/14/2008	12/13/2008	X	7/1/2013
Series 2004 B Supplemental Severance Tax	11/17/2009	1/16/2010	X	7/1/2014
Series 2005 A Severance Tax	6/15/2010	8/14/2010	X	7/1/2012
Series 2005 B-1 Severance Tax Refunding	6/15/2010	8/14/2010	X	7/1/2012
Series 2005 B-2 Supplemental Severance Tax	6/15/2010	8/14/2010	X	7/1/2012
Series 2006 A Severance Tax	6/20/2011	8/16/2011	X	
Series 2007 A Severance Tax	6/30/2011	8/29/2011	X	7/1/2012
Series 2008 A-1 Supplemental Severance Tax	6/25/2013	8/24/2013		6/25/2018
Series 2008 A-2 Supplemental Severance Tax	6/25/2013	8/24/2013		6/25/2018
Series 2009 A Severance Tax	7/30/2014	9/28/2014		7/1/2019
Series 2010 A Supplemental Severance Tax	3/24/2015	5/23/2015		3/24/2020
Series 2010 B Supplemental Severance Tax	3/24/2015	5/23/2015		3/24/2020
Series 2010 C Severance Tax Refunding	6/30/2015	8/29/2015		7/1/2015
Series 2010 D Severance Tax	12/8/2015	2/6/2016		7/1/2017

Interest earnings on invested bond proceeds through June 30, 2011 exceeded the interest costs of the bonds for STB Series 2006A by \$2,191. Such amounts would have been included as a restriction of fund balance in the accompanying financial statements. This amount (\$2,191) is due to the internal Revenue Service and is recorded as a liability – accrued arbitrage interest payable in the accompanying financial statements.

F. Commitments and Contingencies

Federal Funds

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

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Medical Assistance Program

The Medical Assistance Program has a deficit fund balance of \$87,202 as of June 30, 2011. The unusual balance is a result of a discrepancy in reporting of expenditures and reimbursement requests for the Medical Assistance Program totaling \$103 million.

Since June 30, 2010, the State is current with reconciliation of the Medicaid Program and returned any over-drawn funds to the federal government. The following table details how the liability is recorded in the financial statements as of June 30, 2011:

Medicaid Program Under-Reporting (In Thousands)

<u>Source of Discrepancy</u>	<u>Amount</u>
Medicaid Prior Year Reporting Shortfall	\$ 103,319
Two-year timely filing waiver request (Pending CMS action- classified as deferred revenue)	(40,265)
2011 Special Session Appropriation received in State fiscal year 2012	(11,807)
December 2010 Quarterly CMS64 Prior Quarter Adjustment	(2,305)
Balance (2012 Deficiency Appropriation Request)	<u>\$ 48,942</u>

If the State is unsuccessful in its request to the federal government to waive the two year filing limit, an additional deficiency appropriation will be required in the amount of \$40,265.

Litigation

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

Taxation and Revenue Department

The State is involved in various lawsuits by taxpayers claiming refunds from various tax programs for taxes under protest totaling \$201,718 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 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.

On June 1, 2011, the U.S. District Court for the District of Colorado gave preliminary approval to

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stipulations and agreements of settlement in certain putative class action lawsuits involving two Defendant Funds, Oppenheimer Champion Income Fund and Oppenheimer Core Bond Fund. On September 30, 2011, the court entered an order approving the settlements as fair, reasonable and adequate. Those orders are not subject to further appeal. These settlements do not resolve other outstanding lawsuits relating to Oppenheimer Champion Income Fund and Oppenheimer Core Bond Fund, nor do the settlements affect certain other putative class action lawsuits pending in federal court against the Manager, the Distributor, and other Defendant Funds and their independent trustees.

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.

On September 9, 2011, the court denied plaintiff's request for a hearing to determine the fairness of the settlement, finding that plaintiffs lacked standing to pursue derivative claims on behalf of the Trust. On October 27, 2011, the parties filed a joint motion for dismissal of these lawsuits with prejudice, which the court granted on October 28, 2011.

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 independent Trustees or Directors as defendants. None of the Oppenheimer funds invested in any funds or accounts managed by Madoff.

On February 28, 2011, a stipulation of partial settlement of three groups of consolidated putative class action lawsuits relating to these matters was filed in the U.S. District Court for the Southern District of New York. On August 19, 2011, the court entered an order and final judgment approving the settlement as fair, reasonable and adequate. In September 2011, certain parties filed notices of appeal from the court's order approving the settlement. On July 29, 2011, a stipulation of settlement between certain affiliates of the Manager and the Trustee appointed under the Securities Investor Protection Act to liquidate Bernard L. Madoff Investment Securities, LLC ("BLMIS") was filed in the U.S. Bankruptcy Court for the Southern District Court of New York to resolve purported preference and fraudulent transfer claims by the Trustee. On September 22, 2011, the court entered an order approving the settlement as fair, reasonable and adequate. In October 2011, certain parties filed notices of appeal from the court's order approving the settlement. The aforementioned settlements do not resolve other outstanding lawsuits against the Manager and its affiliates relating to BLMIS.

On April 16, 2010, a lawsuit was filed in New York state court against OFI, an affiliate of OFI and AAARDVARK IV Funding Limited ("AAARDVARK IV"), and entity advised by OFI's affiliate, in connection with investments made by the plaintiffs in AAARDVARK IV. Plaintiffs allege breach of contract against the defendants and seek compensatory damages, costs and disbursements, including attorney fees. On July 15, 2011, a lawsuit was filed in New

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York state court against OFI, an affiliate of OFI and AAardvark Funding Limited (“AAardvark I”), an entity advised by OFI’s affiliate, in connection with investments made by the plaintiffs in AAardvark I. The complaint alleges breach of contract against the defendants and seeks compensatory damages, cost and disbursements, including attorney fees. On November 9, 2011, a lawsuit was filed with in New York state court against OFI, an affiliate of OFI and AAardvark XS Funding Limited (“AAardvark XS”), an entity advised by OFI’s affiliate, in connection with investments made by the plaintiffs in AAardvark XS. The complaint alleges breach of contract against the defendants and seeks compensatory damages, cost and disbursements, including attorney fees.

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 2009 GSE Series D and 2011 Series C Bonds

On October 11, 2011, the State issued \$46,537 through the NMMFA of Single Family Mortgage Program 2009 GSE Series D and 2011 Series C Bonds. This bond issue is the last rollout of the 2009 Series Bonds issued under the GSE Escrow Bond

Purchase Program. The bond issue includes \$27.2 million of NIBP bonds and \$18.2 million 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 \$1,137 to fund assistance to borrowers in this bond issue.

Series 2011B Refunding Bonds

On July 29, 2011, the State issued \$ 28,050 through the Eastern New Mexico University, System Improvement and Refunding Revenue Bonds (Series 2011). The proceeds of the bonds will be used to (i) pay the cost of erecting, altering, improving, repairing, furnishing and equipping existing and new buildings, improvements and facilities for the use of the University, and (ii) to pay all costs incidental to the foregoing and the issuance of the bonds.

Other Events

New Mexico Mortgage Finance Authority

On October 20, 2011, the Authority called all bonds outstanding in the Series 1994D bond issue. The remaining residuals of the bond issue were transferred to the General Fund of the Authority.

On October 21, 2011, the Authority sold the MBSs and called all bonds outstanding from nine single family bond issues: Series 2000E, Series 2001A, Series 2001B, Series 2001C, Series 2001D, Series 2002A, Series 2002B, Series 2002C, and Series 2002D. The remaining residuals of the bond issues were transferred to the 2005 Master Indenture Surplus Fund.

New Mexico Finance Authority

NMFA closed thirty loans totaling \$103,121 in the Public Project Revolving Fund Program. In addition, NMFA closed two loans for the Drinking Water State Revolving Fund totaling \$623, 138 and twenty-four loan/grant projects totaling \$32,193 for the Water Projects Funds.

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New Mexico Office of the State Treasurer - Fair Value of the Investment Trust Fund

Additional information regarding the fair market value of the Investment Trust Fund's investment in The Reserve Primary Fund (Fund) was made available on July 29, 2011, when Credarian (the liquidating services agent for the Fund) released a statement of assets and potential claims for the Fund (now referred to as Primary Fund – In Liquidation). The statement listed Fund assets as of May 14 of \$110 million and potential claims on those assets of \$106 million. The remaining \$3.8 million is subject to additional claims by the estate. Distributions to claimants are ongoing and litigation surrounding potential claims has been initiated. Until there is final resolution of the matter, Reserve Contingency Fund participants have a pro-rata claim on any distributed assets.

New Mexico Higher Education Savings Plan

The Education Plan

As of August 26, 2011, the following Underlying Investments and benchmarks will be modified. The OFIPI Large Cap Core Index Strategy, OFIPI Small Cap Index Strategy, OFIPI International Index Strategy and OFIPI Baring International Strategy will be removed as Underlying Investments, and the Vanguard Extended Market Index and the TIAA-CREF International Equity Index Fund will be introduced as new Underlying Investments.

Effective August 26, 2011, the Dreyfus S&P 500 Index Fund was renamed Dreyfus BASIC S&P 500 Stock Index Fund.

Scholar's Edge

Effective August 26, 2011, the OFIPI Baring International Strategy was removed as an Underlying Investment from all Portfolios. The Oppenheimer International Growth Fund and Thornburg International Value Fund were introduced as new Underlying Investments. Beginning on October 28, 2011, Class B Units will no longer be offered by the

Plan. Any Contributions for Class B Units received by the Program Manager after October 28, 2011 will automatically be directed to Class A Units. Current account Owners are permitted to remain in Class B Units.

New Mexico Department of Transportation

Update Fair Value of Swaps

The estimated fair value of the Department of Transportation swaps at June 8, 2012 (in thousands):

	<u>Notional Value</u>	<u>Fair Value</u>	<u>Collateral Posted</u>
Goldman Sachs	\$ 50,000	\$ (14,885)	\$ -
Deutsche	50,000	(14,885)	-
Royal Bank of Canada	100,000	(29,769)	11,200
JPMorgan Chase Bank	110,000	(41,924)	14,440
UBS AG	110,000	(41,924)	15,720
	<u>\$ 420,000</u>	<u>\$ (143,387)</u>	<u>\$ 41,360</u>

The date of the collateral posting report is June 18, 2012.

Taxable Line of Credit

In February 2012, the Department of Transportation renegotiated the \$20,000 taxable line of credit to \$40,000. Its proceeds are used to finance a portion of the collateral posted against the negative fair value of the swaps. As of June 18, 2012, \$35,000 has been used for collateral. (Cash from other sources has also been used to post collateral.) This LOC is now considered long term and matures on February 14, 2015.

New Mexico Computing Applications Center, Inc. (NMCAC)

Cerelink, Inc. owed \$632 at June 30, 2011. Subsequent to year-end, Cerelink, Inc. declared bankruptcy and informed NMCAC that they would not pay any amount of the outstanding balance. NMCA wrote off \$632 of accounts receivable at June 30, 2011 to reflect the bankruptcy filing by Cerelink, Inc. Total assets were reduced to \$178 after the write-off.

See accountant's report

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

New Mexico Lottery Authority

Effective January 15, 2012, the Powerball game will be changing to a \$2 price point from the current \$1 price point. Along with this price change, the jackpot will start at \$40 million, up from the current \$20 million jackpot. This will be a 5 of 59 and 1 of 35 game with the first set of numbers remaining the same and the second set of numbers going from 39 to 35. Two prize levels are changing. The Match 5 + 0 prize level is changed from a \$200,000 cash prize to \$1 million cash prize. The Match 0 + 1 prize level is changed from a \$3 prize to a \$4 prize. All other prize levels remain the same. The odds of winning a prize playing Powerball will improve from 1 in approximately 35 to 1 in approximately 31.8 to 1. The jackpot odds will improve from 1 in approximately 195 million to 1 in approximately 175 million. Power Play will still be \$1 per wager. The multiplier options (2x, 3x, 4x, and 5x) will be discontinued. Instead, the Power Play option will offer increased set prizes levels; starting with the Match 5 + 0 and Power Play paying \$2 million and going to the lowest prizes for Match 0 + 1 and Power Play or Match 1 + 1 and Power Play paying a \$12 prize with incremental Power Play prizes in between. The Match 5 BONUS Roll Down prize, which occurred when the jackpot is capped at the previous “record” jackpot by jumps of no more than \$25 million annuity, has been removed and will no longer be used. The effect on the Lottery’s Powerball ticket sales because of these game changes is not known at this time, but may result in a loss in wagers.

New Mexico Public Employees Retirement Association

Contribution Rate Changes

From July 1, 2009 through June 30, 2013, for members whose annual salary is greater than \$20, the employer contribution rate will decrease by 1.5 percent and the employee contribution rate will increase by 1.5 percent.

An additional contribution was approved from July 1, 2011 through June 30, 2013, for members whose annual salary is greater than \$20, the employer contribution rate will decrease by 1.8 percent, and the employee contribution rate will increase by 1.8 percent.

For fiscal year 2012 and 2013, this will be a combined contribution swap of 3.3 percent between employee and employer.

Public Employees Retirement Association (PERA) was successful in getting language added to the legislation bill to conduct an actuarial study to determine any negative actuarial impact to the PERA Fund caused by the contribution shifts. PERA can then request a supplement appropriation during the 2014 legislative session if the fund is negatively affected.

PERA “Ideal Plan”

The PERA Board continued to address fund solvency issues resulting from investment losses incurred during the 2008-2009 market down turn. During the 2011 regular legislative session, the PERA Board proposed legislation creating a second tier of benefits for both uniformed and non-uniformed members commonly referred to as “The Ideal Plan.” This proposal would extend retirement eligibility, lower pension factors, and reduce cost of living adjustments for new hires. By lowering the Normal Cost for retirement going forward, the Ideal Plan is projected to extend the solvency of the PERA fund by eight to 10 years. However, various stakeholder groups lobbied against the implementation of the Ideal Plan and prevented its passage during the legislative session. During the past year the PERA Board has worked closely with these stakeholder groups to build consensus on a revised Ideal Plan which will be introduced in the 2012 regular legislative session.

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

New Mexico Retiree Health Care Authority

Effective July 1, 2011, the required employer and employee contribution levels have been increased per Chapter 10-7C-15, NMSA 1978. The employer will contribute 1.8 percent and the employee will contribute 0.9 percent. Then effective July 1, 2012, the employer will be required to contribute 2.0 percent and the employee will contribute 1.0 percent.

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.

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 2013 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.

During the 2012 legislative session, the New Mexico Legislature passed Senate Bill 32, which provides for a gradual increase in contributions in order to improve the financial condition of the Unemployment Fund.

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 operating expenses for fiscal year 2012. 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.
- In fiscal year 2011, NMCAC will seek to charge universities for their use of the supercomputer.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

- 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.

New Mexico Magazine

During the fiscal year ended June 30, 2011, the New Mexico Magazine (the Magazine), a business-type fund, generated an operating loss of \$795, had bank overdrafts of \$417, and had an overall negative net asset balance of \$1,561. Large operating losses have been generated by the Magazine repeatedly the past three years. The Magazine's recurring operating deficits, deficit net asset balance and lack of assets raise substantial doubt about its ability to continue as a going concern.

Planned actions included a reduction of workforce of the Magazine. The Magazine has reduced the number of employees from 20 to 7 as of the date of this report. In addition, the Magazine is being reviewed by management of the New Mexico Tourism Department (Department) for opportunities to increase profitability. Management has also requested appropriation money from the New Mexico Legislature, but it is unknown if this request will be successful.

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 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.

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For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Changes in Land Grant Permanent Fund Held for Beneficiaries (Expressed in Thousands)

Beneficiary	Balance June 30, 2010	Earnings From State Land Office	Other Increases in Capital Accounts, Net	Balance June 30, 2011	Participation Percentage June 30, 2011
Benefiting the State, Included in Governmental Funds:					
Charitable, Penal and Reform	\$ 80,480	\$ 2,739	\$ 13,268	\$ 96,487	0.9%
Miners' Colfax Medical Center	92,049	2,312	15,128	109,489	1.0%
New Mexico Boys School	592	18	97	707	0.0%
New Mexico State Hospital	21,218	532	3,489	25,239	0.2%
Improvements to the Rio Grande	24,246	416	3,976	28,638	0.3%
Water Reservoirs	102,364	3,765	16,883	123,012	1.1%
Penitentiary of New Mexico	179,905	8,413	29,746	218,064	2.0%
Public Buildings - Capitol	103,640	3,242	17,051	123,933	1.2%
	604,494	21,437	99,638	725,569	6.7%
Benefiting the State, Included in Enterprise Funds:					
Eastern New Mexico University	7,625	408	1,266	9,299	0.1%
New Mexico Highlands University	2,566	44	421	3,031	0.0%
New Mexico Institute of Mining and Technology	18,429	815	3,045	22,289	0.2%
New Mexico Military Institute	299,934	14,219	49,494	363,647	3.4%
New Mexico School for the Deaf	183,598	7,862	30,327	221,787	2.1%
New Mexico School for the Blind and Visually Impaired	183,131	7,862	30,251	221,244	2.1%
New Mexico State University	44,658	1,403	7,367	53,428	0.5%
Northern New Mexico College	2,016	44	331	2,391	0.0%
University of New Mexico	141,728	3,365	23,292	168,385	1.6%
University of New Mexico Saline Lands	518	-	85	603	0.0%
Carrie Tingley Hospital	3	170	16	189	0.0%
Western New Mexico University	2,582	44	423	3,049	0.0%
	886,788	36,236	146,318	1,069,342	9.9%
Not Considered to Benefit the State, Included in Fiduciary Funds:					
Public Schools	7,395,622	353,823	1,222,175	8,971,620	83.4%
Total Net Assets Held in Trust for Pool Participants	\$ 8,886,904	\$ 411,496	\$ 1,468,131	\$ 10,766,531	100.0%

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

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	\$ 999	8,584	107,055	36,660	29,886	71,895	13,558	17,238	746,366
Other Assets	591	1,319	268,352	34,487	6,175	64,014	388,737	5,598	438,556
Capital Assets, Net	53,488	31,212	420,774	122,077	78,682	130,795	63,601	29,306	1,268,867
Total Assets	55,078	41,115	796,181	193,224	114,743	266,704	465,896	52,142	2,453,789
Current Liabilities	3,432	2,879	67,326	18,044	10,405	14,034	4,634	5,071	265,730
Long-term Liabilities	1,956	12,607	170,190	17,022	31,674	16,772	1,298	3,800	645,405
Total Liabilities	5,388	15,486	237,516	35,066	42,079	30,806	5,932	8,871	911,135
Invested in Capital Assets, net	50,925	17,903	283,895	110,137	46,477	130,795	61,117	25,692	690,617
Restricted	1,739	1,319	138,764	19,815	24,068	77,634	383,457	11,415	338,683
Unrestricted	(2,974)	6,407	136,006	28,206	2,119	27,469	15,390	6,164	513,354
Total Net Assets	\$ 49,690	\$ 25,629	\$ 558,665	\$ 158,158	\$ 72,664	\$ 235,898	\$ 459,964	\$ 43,271	\$ 1,542,654
Condensed Statement of Activities									
Operating Revenues:									
Charges for Services	\$ 11,873	21,904	29,306	9,605	5,288	5,582	5,727	2,364	93,639
Net Student Tuition and Fees	-	-	64,871	13,891	8,982	7,107	2,787	4,678	121,563
State, Local, and Private Grants and Contracts	-	-	43,869	9,578	3,370	27,004	2,727	2,043	59,201
Patient Income	-	-	-	-	-	-	-	-	535,249
Federal Funds	-	447	188,977	27,533	15,319	64,425	1,003	8,749	267,755
Other Operating Revenues	110	156	33,346	2,668	2,354	6,481	148	1,275	254,603
Total Operating Revenue	11,983	22,507	360,369	63,275	35,313	110,599	12,392	19,109	1,332,010

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

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	\$ 6,704	9,345	\$ 422,142	70,717	45,758	60,428	17,435	25,644	835,808
Depreciation Expense	3,066	2,078	28,415	6,734	5,838	9,807	3,242	2,343	60,047
General and Administrative	6,158	13,491	111,168	46,158	22,585	93,081	8,790	8,407	794,828
Total Operating Expenses	15,928	24,914	561,725	123,609	74,181	163,316	29,467	36,394	1,690,683
Operating Income (Loss)	(3,945)	(2,407)	(201,356)	(60,334)	(38,868)	(52,717)	(17,075)	(17,285)	(358,673)
Nonoperating Revenue (Expense)									
Clinical Operations	-	-	-	-	-	-	-	-	59,607
Government Grants and Contracts	-	-	188,650	58,200	28,372	37,365	-	17,450	300,419
Net Investment Income	1	2,662	4,119	3,530	1,673	1,509	86,037	396	70,480
Other Revenue	-	-	14,186	4,169	-	9,019	175	-	90,081
Interest Expense	(104)	-	(7,233)	(522)	(1,427)	-	(209)	-	(19,941)
Other Expense	-	(4)	(2,345)	-	-	-	-	(1)	(518)
Total Nonoperating Income (Expense)	(103)	2,658	197,377	65,377	28,618	47,893	86,003	17,845	500,128
Capital Contributions	998	-	-	-	-	-	-	-	19,096
Permanent Fund Contributions	-	-	16,700	-	-	3,568	-	-	-
Net Transfers	5,001	-	24,087	8,781	10,292	4,208	6,130	2,092	(46,000)
Change in Net Assets	1,951	251	36,808	13,824	42	2,952	75,058	2,652	114,551
Net Assets, Beginning	47,739	25,378	521,857	144,334	72,622	232,946	384,906	40,619	1,428,103
Net Assets, Ending	\$ 49,690	\$ 25,629	\$ 558,665	\$ 158,158	\$ 72,664	\$ 235,898	\$ 459,964	\$ 43,271	\$ 1,542,654

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	State Fair Commission	Miners' Colfax Medical Center	Educational Institutions						University of New Mexico
			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	
Condensed Statement of Cash Flows									
Net Cash Provided (Used) by:									
Operating Activities	\$ (2,127)	924	(159,815)	(50,294)	(30,608)	(45,390)	(13,526)	\$ (16,298)	(235,807)
Noncapital Financing Activities	-	-	203,967	61,777	28,613	49,953	125	17,450	395,759
Capital and Related Financing Activities	2,221	(1,118)	(11,712)	(6,498)	(7,768)	(930)	(4,214)	(876)	(154,071)
Investing Activities	<u>1</u>	<u>8</u>	<u>15,439</u>	<u>2,281</u>	<u>1,430</u>	<u>(7,903)</u>	<u>17,888</u>	<u>(688)</u>	<u>62,677</u>
Cash and Cash Equivalents at Beginning of Year, as Restated	<u>1,396</u>	<u>3,143</u>	<u>59,716</u>	<u>19,523</u>	<u>30,691</u>	<u>46,196</u>	<u>6,278</u>	<u>2,614</u>	<u>190,618</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,491</u>	<u>\$ 2,957</u>	<u>\$ 107,595</u>	<u>\$ 26,789</u>	<u>\$ 22,358</u>	<u>\$ 41,926</u>	<u>\$ 6,551</u>	<u>\$ 2,202</u>	<u>\$ 259,176</u>

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STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION



Museum of Indian Arts & Culture, Museum Hill, Santa Fe
Source: New Mexico Tourism Department

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Taxes	\$ 5,418	\$ 5,418	\$ 5,406	\$ (12)
Federal Revenue	77,429	89,673	70,805	(18,868)
Investment Income	45,280	45,780	11,838	(33,942)
Rentals and Royalties	13,744	13,749	14,452	703
Charges for Services	15,316	16,758	32,705	15,947
Licenses, Fees, and Permits	41,283	42,813	43,652	839
Assessments	635	667	507	(160)
Miscellaneous and Other	6,140	8,101	8,799	698
Operating Transfers In	832,484	836,697	855,626	18,929
Total Revenues and Other Financing Sources	1,037,729	1,059,656	1,043,790	(15,866)
EXPENDITURES				
Culture, Recreation, and Natural Resources				
P536 Museums and Monuments	23,594	23,876	21,515	2,361
P537 Preservation	5,000	5,530	4,096	1,434
P539 Library Services	5,678	5,678	4,850	828
P540 Program Support	3,900	4,237	3,982	255
P551 Water Resource Allocation	12,674	13,097	12,781	316
P552 Interstate Stream Compact Compliance and Water Development	13,051	13,283	10,111	3,172
P553 Litigation and Adjudication	6,637	7,360	6,730	630
P554 Program Support	3,963	3,963	3,407	556
P615 Commissioner of Public Lands	13,502	13,502	12,948	554
P684 Administration	755	755	690	65
P685 Livestock inspection	4,987	4,987	4,658	329
P690 Organic Commodity Commission	24	24	24	-
P701 Office of the Natural Resources Trustee	294	294	290	4
P716 Sport Hunting and Fishing	19,809	20,436	17,085	3,351
P717 Conservation Services	5,991	6,211	4,822	1,389
P718 Wildlife Depredation and Nuisance Abatement	531	531	301	230
P719 Program Support	8,283	8,283	6,366	1,917
P740 Renewable Energy and Energy Efficiency	1,422	1,461	1,443	18
P741 Healthy Forests	14,950	14,950	10,295	4,655
P743 Mine Reclamation	6,297	7,843	4,983	2,860
P744 Oil and Gas Conservation	4,601	4,683	4,361	322
P745 Program Leadership and Support	5,325	5,445	4,712	733
P761 Arts	2,332	2,771	2,463	308
Total Culture, Recreation, and Natural Resources	163,600	169,200	142,913	26,287
General Control				
P541 Policy Development, Budget Oversight and Educational Accountability	3,455	3,455	2,761	694
P542 Program Support	1,586	1,586	1,423	163
P543 Community Development, Local Government Assistance and Fiscal Oversight	2,163	2,163	2,004	159
P544 Fiscal Management and Oversight	5,544	5,544	5,299	245
P572 Program Support	20,667	20,736	19,593	1,143

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

GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
General Control (Continued)				
P573 Tax Administration	\$ 31,692	\$ 31,714	\$ 29,814	\$ 1,900
P574 Motor Vehicle	24,269	31,235	26,706	4,529
P575 Property Tax	3,295	3,459	3,070	389
P579 Compliance Enforcement	2,246	2,246	2,205	41
P604 Procurement Services	1,471	1,471	1,185	286
P608 Business Office Space Management and Maintenance Services	12,509	12,509	11,639	870
P625 Legal Services	15,583	15,480	14,741	739
P628 State Auditor	3,046	3,046	2,893	153
P629 State Investment Council	34,478	36,353	22,989	13,364
P636 New Mexico Sentencing Commission	688	688	687	1
P637 Governor	3,815	3,815	3,340	475
P638 Lieutenant Governor	752	752	635	117
P641 State Commission of Public Records	2,544	2,614	2,410	204
P642 Administration and Operations	3,356	3,822	3,735	87
P643 Personnel Board	3,994	3,994	3,992	2
P644 State Treasurer	3,912	3,912	3,788	124
P720 Public Defender Department	39,659	39,991	39,702	289
P738 Public Employees Labor Relations Board	253	253	177	76
P783 Elections	1,095	1,095	1,085	10
Total General Control	222,072	231,933	205,873	26,060
Judicial				
P205 Supreme Court Law Library	1,556	1,560	1,524	36
P208 New Mexico Compilation Commission	1,981	2,052	1,809	243
P210 Judicial Standards Commission	731	731	717	14
P215 Court of Appeals	5,472	5,472	5,444	28
P216 Supreme Court	2,853	2,853	2,843	10
P219 Supreme Court Building Commission	772	771	766	5
P231 First Judicial District Court	6,534	6,719	6,585	134
P232 Second Judicial District Court	21,954	22,467	22,265	202
P233 Third Judicial District Court	6,267	6,320	6,221	99
P234 Fourth Judicial District Court	2,011	2,091	2,087	4
P235 Fifth Judicial District Court	6,103	6,073	5,979	94
P236 Sixth Judicial District Court	3,040	3,161	3,143	18
P237 Seventh Judicial District Court	2,208	2,194	2,175	19
P238 Eighth Judicial District Court	2,646	2,676	2,619	57
P239 Ninth Judicial District Court	3,685	3,699	3,651	48
P240 Tenth Judicial District Court	738	738	731	7
P241 Eleventh Judicial District Court	5,089	5,064	5,042	22
P242 Twelfth Judicial District Court	2,458	2,458	2,449	9
P243 Thirteenth Judicial District Court	6,614	6,858	6,726	132
P244 Bernalillo County Metropolitan Court	22,270	22,670	22,621	49
P251 First Judicial District Attorney	4,644	4,731	4,667	64
P252 Second Judicial District Attorney	16,565	16,793	16,382	411

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 GENERAL FUND (CONTINUED) For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Judicial (Continued)				
P253 Third Judicial District Attorney	\$ 4,294	\$ 4,294	\$ 4,296	\$ (2)
P254 Fourth Judicial District Attorney	2,965	3,123	3,010	113
P255 Fifth Judicial District Attorney	4,135	4,135	4,121	14
P256 Sixth Judicial District Attorney	2,400	2,576	2,485	91
P257 Seventh Judicial District Attorney	2,258	2,258	2,235	23
P258 Eighth Judicial District Attorney	2,448	2,535	2,494	41
P259 Ninth Judicial District Attorney	2,602	2,602	2,595	7
P260 Tenth Judicial District Attorney	946	967	951	16
P261 Eleventh Judicial District Attorney-Division I	4,079	4,286	3,713	573
P262 Twelfth Judicial District Attorney	2,447	2,447	2,344	103
P263 Thirteenth Judicial District Attorney	4,544	4,850	4,790	60
P264 Administrative Office of the District Attorneys	2,037	2,014	1,930	84
P265 Eleventh Judicial District Attorney-Division II	1,950	1,958	1,953	5
P559 Administrative Support	3,023	3,023	3,016	7
P620 Special Court Services	2,450	3,451	3,448	3
Total Judicial	168,769	172,670	169,827	2,843
Legislative				
P100 Legislative Council Service	3,885	3,885	3,705	180
Public Safety				
P503 Program Support	23,545	23,545	18,172	5,373
P504 Law Enforcement	78,639	80,196	70,937	9,259
P530 Program Support	8,108	8,107	4,496	3,611
P531 Inmate Management and Control	241,129	242,948	242,206	742
P534 Community Offender Management	29,753	29,793	26,480	3,313
P704 Parole Board	459	459	422	37
P705 Juvenile Parole Board	24	24	6	18
P706 Victim Compensation	1,805	1,805	1,780	25
P721 National Guard Support	17,441	17,490	14,209	3,281
P759 Homeland Security and Emergency Management Department	38,376	38,377	18,257	20,120
P781 Motor Transportation Program	26,158	27,153	20,463	6,690
Total Public Safety	465,437	469,897	417,428	52,469
Regulation and Licensing				
P512 Economic Development	3,019	3,049	2,976	73
P514 Film	1,125	1,095	917	178
P515 Mexican Affairs	338	308	200	108
P526 Program Support	3,141	3,141	3,002	139
P529 Technology Commercialization	105	135	124	11
P547 Program Support	1,602	1,602	1,588	14
P548 Tourism Development	1,125	1,195	1,159	36
P549 Marketing and Promotion	5,994	5,994	5,869	125
P599 Construction Industries and Manufactured Housing	8,494	8,802	8,464	338
P600 Financial Institutions and Securities	2,554	2,554	2,274	280

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 GENERAL FUND (CONTINUED) For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Regulation and Licensing (Continued)				
P601 Alcohol and Gaming	\$ 883	\$ 883	\$ 844	\$ 39
P602 Program Support	3,254	3,351	2,848	503
P611 Policy and Regulation	7,322	7,322	6,878	444
P612 Public Safety	5,947	6,193	5,062	1,131
P613 Program Support	3,346	3,346	2,996	350
P645 Board of Examiners for Architects	362	362	267	95
P675 Insurance Policy	6,783	6,784	6,123	661
P676 Medical Board	1,654	1,654	1,382	272
P677 Board of Nursing	2,368	2,368	1,521	847
P679 State Board of Licensure/Professional Engineers and Surveyors	798	828	723	105
P680 Gaming Control Board	5,408	5,586	5,311	275
P681 State Racing Commission	2,085	2,085	1,962	123
P683 Board of Veterinary Medicine	330	330	304	26
P760 Sports Authority	345	275	275	-
P765 Office of Military Base Planning and Support	132	132	126	6
P770 Spaceport Authority	1,129	1,129	904	225
Total Regulation and Licensing	69,643	70,503	64,099	6,404
Total Expenditures and Other Financing Uses	1,093,406	1,118,088	1,003,845	114,243
Net Change Budgetary Basis	\$ (55,677)	\$ (58,432)	\$ 39,945	\$ (130,109)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 39,945	
Differences Budget to GAAP:				
Revenue and Transfers In Not Budgeted, State General Fund			5,818,218	
Multiple Year Revenues			8,197	
Multiple Year Expenditures			(72,708)	
Expenditures Not Budgeted			(26,422)	
Transfers Out Not Budgeted, State General Fund			(5,506,736)	
Transfers Out Not Budgeted, Reversions			(27,750)	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 232,744	

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, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Federal Revenue	\$ 46,554	\$ 53,042	\$ 43,457	\$ (9,585)
Investment Income	113	113	176	63
Charges for Services	-	-	17	17
Licenses, Fees, and Permits	1,687	3,933	4,094	161
Miscellaneous and Other	500	686	1,352	666
Operating Transfers In	106,466	107,524	97,051	(10,473)
Total Revenues and Other Financing Sources	<u>155,320</u>	<u>165,298</u>	<u>146,147</u>	<u>(19,151)</u>
EXPENDITURES				
Education				
P505 Policy Development and Institutional Financial Oversight	23,797	30,386	26,283	4,103
P506 Student Financial Aid	78,087	82,548	82,152	396
P508 Rehabilitation Services	29,284	29,284	21,691	7,593
P509 Independent Living Services	1,466	1,467	1,373	94
P511 Disability Determination	14,378	14,378	12,220	2,158
P527 Public Education Department	15,588	16,003	14,744	1,259
P785 Education Trust	-	2,246	481	1,765
Total Expenditures and Other Financing Uses	<u>162,600</u>	<u>176,312</u>	<u>158,944</u>	<u>17,368</u>
Net Change Budgetary Basis	<u>\$ (7,280)</u>	<u>\$ (11,014)</u>	<u>\$ (12,797)</u>	<u>\$ (36,519)</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ (12,797)	
Differences Budget to GAAP:				
Multiple Year Revenues and Transfers In			2,871,653	
Multiple Year Expenditures and Transfers Out			(2,915,077)	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ (56,221)</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, 2011 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 591	\$ 591
Federal Revenue	3,986,416	3,986,416	3,828,522	(157,894)
Investment Income	2,367	2,367	3,148	781
Rentals and Royalties	2,577	2,577	2,644	67
Charges for Services	94,137	94,137	67,747	(26,390)
Licenses, Fees, and Permits	6,780	6,780	6,350	(430)
Assessments	11,607	11,607	12,404	797
Miscellaneous and Other	101,412	102,551	99,094	(3,457)
Operating Transfers In	1,399,569	1,399,569	1,378,600	(20,969)
Total Revenues and Other Financing Sources	5,604,865	5,606,004	5,399,100	(206,904)
EXPENDITURES				
Health and Human Services				
P001 Administration	18,094	19,627	16,873	2,754
P002 Financial Oversight	194,033	195,805	167,170	28,635
P003 Epidemiology and Response	26,513	27,454	22,407	5,047
P004 Laboratory Services	11,323	12,769	11,542	1,227
P006 Program Area 6 - Facilities	137,125	137,125	131,391	5,734
P007 Developmental Disabilities Support	112,405	111,684	107,787	3,897
P008 Health Certification, Licensing and Oversight	12,409	12,849	11,277	1,572
P522 Program Support	43,387	44,560	41,465	3,095
P523 Child Support Enforcement	33,243	33,243	27,013	6,230
P524 Medical Assistance Program	3,339,068	3,446,756	3,345,652	101,104
P525 Income Support Program	720,823	876,253	819,700	56,553
P567 Program Support	8,494	8,428	6,961	1,467
P568 Water Quality	21,388	21,445	17,269	4,176
P569 Environmental Health	10,089	10,084	8,759	1,325
P570 Environmental Protection	17,787	18,122	15,627	2,495
P576 Program Support	17,479	19,061	17,976	1,085
P577 Juvenile Justice Facilities	40,770	41,921	40,299	1,622
P578 Protective Services	109,533	114,880	110,188	4,692
P580 Youth and Family Services	56,169	61,453	57,428	4,025
P591 Program Support	4,597	4,784	4,523	261
P592 Consumer and Elder Rights	1,982	2,762	2,275	487
P593 Adult Protective Services	12,757	12,757	12,684	73
P594 Aging Network	34,144	34,963	34,078	885
P595 Long Term Services	7,999	8,183	7,486	697
P691 Commission on Status of Women	1,772	1,623	1,270	353
P692 Office of African-American Affairs	716	716	658	58
P693 Commission For Deaf and Hard of Hearing	3,688	3,688	3,468	220
P694 Martin Luther King Jr., Commission	309	309	291	18
P695 Commission for the Blind	7,373	7,296	5,907	1,389
P696 Indian Affairs Department	3,234	3,411	2,641	770
P697 Workers' Compensation Administration	10,438	12,338	11,502	836
P698 Governor's Commission On Disability	1,143	1,174	1,081	93
P702 Health Policy Commission	151	176	153	23

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 (CONTINUED) For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
EXPENDITURES (CONTINUED)				
Health and Human Services				
P726 Veterans' Services Department	\$ 2,877	\$ 2,877	\$ 2,643	\$ 234
P727 Developmental Disabilities Planning Council	962	996	886	110
P728 Brain Injury Advisory Council	93	91	87	4
P737 Office of Guardianship	3,296	3,696	3,499	197
P739 Consumer Services Program	296	298	296	2
P766 Medicaid Behavioral Health	307,201	272,253	74,043	198,210
P767 Behavioral Health Services	54,972	59,339	58,374	965
P774 Water and Wasterwater Infrastructure	10,324	10,435	6,959	3,476
P775 Workforce Transition Services	17,474	20,929	18,101	2,828
P776 Labor Relations	4,451	5,391	3,616	1,775
P777 Workforce Technology	4,519	6,768	4,341	2,427
P778 Business Services	4,966	6,215	4,804	1,411
P779 Program Support	21,311	23,531	16,677	6,854
P780 Uninsured Employers Fund	1,169	1,169	597	572
P782 Early Childhood Services	152,403	152,873	131,415	21,458
Total Expenditures and Other Financing Uses	<u>5,606,749</u>	<u>5,874,560</u>	<u>5,391,139</u>	<u>483,421</u>
Net Change Budgetary Basis	<u>\$ (1,884)</u>	<u>\$ (268,556)</u>	<u>\$ 7,961</u>	<u>\$ (690,325)</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 7,961	
Differences Budget to GAAP:				
Multiple Year Revenues and Transfers In			112,337	
Multiple Year Expenditures and Transfer Out			(140,071)	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ (19,773)</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 HIGHWAY AND TRANSPORTATION FUND For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 216,441	\$ 216,441	\$ 127,831	\$ (88,610)
Federal Revenue	409,914	443,514	354,779	(88,735)
Investment Income	477	477	4,122	3,645
Charges for Services	-	-	1,221	1,221
Licenses, Fees, and Permits	171,530	171,780	153,260	(18,520)
Miscellaneous and Other	10,860	16,378	10,087	(6,291)
Operating Transfers In	-	-	99,179	99,179
Total Revenues and Other Financing Sources	809,222	848,590	750,479	(98,111)
EXPENDITURES				
Highway and Transportation				
P562 Programs and Infrastructure	741,456	789,484	536,035	253,449
P563 Transportation and Highway Operations	229,713	232,750	134,431	98,319
P564 Program Support	53,762	53,762	48,592	5,170
Total Expenditures and Other Financing Uses	1,024,931	1,075,996	719,058	356,938
Net Change Budgetary Basis	\$ (215,709)	\$ (227,406)	\$ 31,421	\$ (455,049)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 31,421	
Differences Budget to GAAP:				
Multiple Year Revenues			146,046	
Multiple Year Expenditures			(252,698)	
Expenditures Not Budgeted			(84,924)	
Other Financing Sources Not Budgeted, Debt Issuance Activity			749,104	
Other Financing Uses Not Budgeted, Payment to Escrow Agent			(470,285)	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 118,664	

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, 2011

(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. Program appropriation unit is identified in the State's accounting records and in the budgetary schedules as P-Codes, such as P523 Child Support Enforcement." Budgeted program 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 (personnel, contractual, and other) 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, the Public Safety Special Revenue Fund, the General Control Capital Project Fund, the Public Safety Capital Project Fund, the Regulation and

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2011

(In Thousands)

Licensing Capital Project Fund, the Severance Tax Bonds Appropriated Capital Project Fund, the Severance Tax Bonds Appropriated Capital Project 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 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, the Environment Department, State Infrastructure Bank, Unemployment Insurance, 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, 2011

(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

For the Last Ten Years Ending June 30, 2011

(In Thousands)

Pension Trust Fund Schedule of Funding Progress +

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL) --Entry Age	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 11,878,725	\$ 16,852,739	\$ 4,974,014	70.5 %	\$ 1,935,014	256.9 %
June 30, 2010	12,265,839	15,628,136	3,362,299	78.5 %	1,993,517	168.4 %
June 30, 2009	12,575,142	14,932,624	2,357,482	84.2 %	2,081,259	113.1 %
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 %

Schedule of Employer Contributions +

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 356,050	100.0 %
2010	328,203	100.0 %
2009	302,614	100.0 %
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 %

+Public Employees Retirement Fund includes Legislative Retirement Fund

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

For the Last Ten Years Ending June 30, 2011
(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, 2011	\$ 78,199	\$ 139,709	\$ 61,510	56.0 %	\$ 12,267	501.4 %
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 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 5,784	88.9 %
2010	5,658	85.7 %
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 %

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 MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years Ending June 30, 2011
(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, 2011	\$ 33,121	\$ 55,429	\$ 22,308	59.8 %	\$ 3,405	655.1 %
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 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 2,014	62.5 %
2010	1,698	68.0 %
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 %

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

For the Last Ten Years Ending June 30, 2011
(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, 2011	\$ 47,005	\$ 27,109	\$ (19,896)	173.4 %	N/A+	N/A
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

Schedule of Employer Contributions *

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed #
2011	\$ -	750.0 %
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 %

+ 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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM

For the Last Ten Years Ending June 30, 2011
(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, 2011	\$ 9,642,200	\$ 15,293,100	\$ 5,650,800	63.0 %	\$ 2,523,800	223.9 %
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
2011	\$ 377,885	81.6 %
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

For the Last Three Years Ending June 30, 2011
(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
2010	\$ 309,920	\$ 105,624	34.1 %
2009	298,000	112,079	37.6 %
2008	286,538	96,816	33.8 %
2007	275,518	94,224	34.2 %
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%

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION



Roswell Museum and Arts Center, Roswell
Source: New Mexico Tourism Department, Mike Stauffer

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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 209.

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 221.

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 225.

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, 2011
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 38,799	\$ 2,438	\$ -	\$ 26,623	\$ 67,860
Investment in State General Fund					
Investment Pool	242,072	191,951	28,157	3,014	465,194
Deferred Charges and Other Assets	119	-	22	-	141
Due From Other Funds	27,426	-	28,426	914	56,766
Receivables, Net	146,024	121,463	1,606	24,697	293,790
Investments	55,442	-	-	707,935	763,377
Inventories	58	-	-	-	58
Total Assets	<u>\$ 509,940</u>	<u>\$ 315,852</u>	<u>\$ 58,211</u>	<u>\$ 763,183</u>	<u>\$ 1,647,186</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 70,608	\$ 175	\$ 13,687	\$ -	\$ 84,470
Accrued Liabilities	10,286	-	7	-	10,293
Due To Other Funds	108,452	-	13,347	3,010	124,809
Due To Brokers	-	-	-	34,415	34,415
Intergovernmental Payables	547	-	-	-	547
Funds Held for Others	6	-	-	-	6
Other Obligations	349	-	-	-	349
Deferred Revenue	9,701	2,191	4,789	-	16,681
Total Liabilities	<u>199,949</u>	<u>2,366</u>	<u>31,830</u>	<u>37,425</u>	<u>271,570</u>
Fund balances:					
Non-spendable	177	-	22	725,758	725,957
Restricted	150,061	310,472	102	-	460,635
Committed	156,008	3,014	29,955	-	188,977
Assigned	3,745	-	-	-	3,745
Unassigned (Deficit)	-	-	(3,698)	-	(3,698)
Total Fund Balances	<u>309,991</u>	<u>313,486</u>	<u>26,381</u>	<u>725,758</u>	<u>1,375,616</u>
Total Liabilities and Fund Balances	<u>\$ 509,940</u>	<u>\$ 315,852</u>	<u>\$ 58,211</u>	<u>\$ 763,183</u>	<u>\$ 1,647,186</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, 2011

(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
REVENUES					
General and Selective Taxes	\$ 88,196	\$ 500,613	\$ 4,747	\$ -	\$ 593,556
Other Revenues:					
Federal Revenue	852,915	-	1,793	-	854,708
Investment Income	11,310	21,867	34	130,779	163,990
Rentals and Royalties	4,264	-	687	-	4,951
Charges for Services	16,793	-	-	-	16,793
Licenses, Fees, and Permits	32,550	187	-	-	32,737
Assessments	11,431	-	4	-	11,435
Miscellaneous and Other	30,507	-	832	-	31,339
Total Revenues	<u>1,047,966</u>	<u>522,667</u>	<u>8,097</u>	<u>130,779</u>	<u>1,709,509</u>
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	55,476	-	11,627	-	67,103
Education	212,228	-	6,080	-	218,308
General Control	140,388	-	14,622	-	155,010
Health and Human Services	326,832	-	2,643	-	329,475
Infrastructure Projects	4,820	-	79	-	4,899
Judicial	58,869	-	764	-	59,633
Land Grant	-	-	-	1,132	1,132
Public Safety	17,062	-	796	-	17,858
Regulation and Licensing	20,400	-	6,385	-	26,785
Unemployment Benefits	15,809	-	-	-	15,809
Capital Outlay	145,519	-	77,609	-	223,128
Debt Service:					
Interest and Other Charges	2,787	68,140	-	-	70,927
Principal	1,980	153,249	-	-	155,229
Bond Costs	-	-	922	-	922
Total Expenditures	<u>1,002,170</u>	<u>221,389</u>	<u>121,527</u>	<u>1,132</u>	<u>1,346,218</u>
Excess Revenues Over (Under)					
Expenditures	<u>45,796</u>	<u>301,278</u>	<u>(113,430)</u>	<u>129,647</u>	<u>363,291</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	20,560	-	18,645	-	39,205
Bond Premium	-	-	17,965	-	17,965
Refunding Bond Issue	-	-	140,520	-	140,520
Payment to Refunded Bond Escrow Agent	-	(198,305)	-	-	(198,305)
Sale of Capital Assets	506	-	164	-	670
Transfers In	249,666	504,793	121,236	27,738	903,433
Transfers Out	(255,798)	(568,891)	(186,983)	(36,124)	(1,047,796)
Total Other Financing Sources (Uses)	<u>14,934</u>	<u>(262,403)</u>	<u>111,547</u>	<u>(8,386)</u>	<u>(144,308)</u>
Net Change in Fund Balances	60,730	38,875	(1,883)	121,261	218,983
Fund Balances - Beginning, as Restated	249,261	274,611	28,264	604,497	1,156,633
Fund Balances - Ending	<u>\$ 309,991</u>	<u>\$ 313,486</u>	<u>\$ 26,381</u>	<u>\$ 725,758</u>	<u>\$ 1,375,616</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 2011. 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.

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, 2011

(In Thousands)

	American Recovery and Reinvestment Act	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 478	\$ 4	\$ -	\$ 124
Investment in State General Fund					
Investment Pool	-	82,579	64,396	15,678	12,594
Deferred Charges and Other Assets	-	-	-	25	-
Due From Other Funds	9,956	3,889	8,575	1,870	2,239
Receivables, Net	119,531	8,010	14,617	1,370	819
Investments	-	18,896	-	-	-
Inventories	-	31	-	-	-
Total Assets	\$ 129,487	\$ 113,883	\$ 87,592	\$ 18,943	\$ 15,776
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 46,494	\$ 5,115	\$ 15,285	\$ 1,487	\$ 1,168
Accrued Liabilities	3,472	2,434	83	1,153	47
Due To Other Funds	72,229	5,775	16,391	3,643	2,432
Intergovernmental Payables	394	-	13	22	116
Funds Held for Others	-	-	1	5	-
Other Obligations	-	-	349	-	-
Deferred Revenue	3,090	196	216	87	-
Total Liabilities	125,679	13,520	32,338	6,397	3,763
Fund balances:					
Non-spendable	-	31	-	25	-
Restricted	3,808	24,068	14,153	2,871	9,468
Committed	-	76,264	39,689	7,317	2,545
Assigned	-	-	1,412	2,333	-
Total Fund Balances	3,808	100,363	55,254	12,546	12,013
Total Liabilities and Fund Balances	\$ 129,487	\$ 113,883	\$ 87,592	\$ 18,943	\$ 15,776

Regulation and Licensing	Total
\$ 38,193	\$ 38,799
66,825	242,072
94	119
897	27,426
1,677	146,024
36,546	55,442
27	58
<u>\$ 144,259</u>	<u>\$ 509,940</u>

\$ 1,059	\$ 70,608
3,097	10,286
7,982	108,452
2	547
-	6
-	349
6,112	9,701
<u>18,252</u>	<u>199,949</u>

121	177
95,693	150,061
30,193	156,008
-	3,745
<u>126,007</u>	<u>309,991</u>
<u>\$ 144,259</u>	<u>\$ 509,940</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, 2011

(In Thousands)

	American Recovery and Reinvestment Act	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
REVENUES					
Taxes:					
General and Selective Taxes	\$ -	\$ 8,181	\$ 73,023	\$ -	\$ -
Total Taxes	-	8,181	73,023	-	-
Other Revenues:					
Federal Revenue	809,792	4,139	26,957	5,592	6,411
Investment Income	-	9,541	35	-	8
Rentals and Royalties	-	3,916	60	62	-
Charges for Services	-	2,168	10	13,663	391
Licenses, Fees, and Permits	-	5,161	2,442	826	2,454
Assessments	-	13	-	-	-
Miscellaneous and Other	813	19,652	6,522	2,362	536
Total Revenues	810,605	52,771	109,049	22,505	9,800
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	21,384	34,092	-	-	-
Education	212,228	-	-	-	-
General Control	6,641	-	133,747	-	-
Health and Human Services	326,832	-	-	-	-
Infrastructure Projects	4,820	-	-	-	-
Judicial	985	-	-	57,884	-
Public Safety	5,171	-	-	-	11,891
Regulation and Licensing	610	-	-	-	-
Unemployment Benefits	15,809	-	-	-	-
Capital Outlay	128,096	3,097	4,370	1,221	-
Debt Service:					
Interest and Other Charges	-	-	-	-	-
Principal	-	-	-	-	-
Total Expenditures	722,576	37,189	138,117	59,105	11,891
Excess Revenues Over (Under)					
Expenditures	88,029	15,582	(29,068)	(36,600)	(2,091)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	-
Sale of Capital Assets	-	488	-	18	-
Transfers In	56,897	31,609	108,513	38,282	12,096
Transfers Out	(132,883)	(13,601)	(83,369)	(2,006)	(5,585)
Total Other Financing Sources (Uses)	(75,986)	18,496	25,144	36,294	6,511
Net Change in Fund Balances	12,043	34,078	(3,924)	(306)	4,420
Fund Balances - Beginning, as Restated	(8,235)	66,285	59,178	12,852	7,593
Fund Balances - Ending (Deficit)	\$ 3,808	\$ 100,363	\$ 55,254	\$ 12,546	\$ 12,013

Regulation and Licensing	Total
\$ 6,992	\$ 88,196
<u>6,992</u>	<u>88,196</u>
24	852,915
1,726	11,310
226	4,264
561	16,793
21,667	32,550
11,418	11,431
622	30,507
<u>43,236</u>	<u>1,047,966</u>
-	55,476
-	212,228
-	140,388
-	326,832
-	4,820
-	58,869
-	17,062
19,790	20,400
-	15,809
8,735	145,519
2,787	2,787
1,980	1,980
<u>33,292</u>	<u>1,002,170</u>
<u>9,944</u>	<u>45,796</u>
20,560	20,560
-	506
2,269	249,666
(18,354)	(255,798)
<u>4,475</u>	<u>14,934</u>
14,419	60,730
111,588	249,261
<u>\$ 126,007</u>	<u>\$ 309,991</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

NONMAJOR SPECIAL REVENUE FUNDS – CULTURE, RECREATION, AND NATURAL RESOURCES

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,976	\$ 5,997	\$ 8,181	\$ 2,184
Federal Revenue	620	856	3,859	3,003
Investment Income (Loss)	5	65	(910)	(975)
Rentals and Royalties	54	54	3,115	3,061
Charges for Services	712	712	2,140	1,428
Licenses, Fees, and Permits	4,134	4,134	4,134	-
Assessments	-	-	14	14
Miscellaneous and Other	374	374	1,314	940
Operating Transfers In	85	85	10,180	10,095
Total Revenues and Other Financing Sources	11,960	12,277	32,027	19,750
EXPENDITURES				
Culture, Recreation, and Natural Resources				
P536 Museums and Monuments	362	362	362	-
P688 Youth Conservation Corps	3,547	3,547	3,153	394
P690 Organic Commodity Commission	281	311	273	38
P701 Office of the Natural Resources Trustee	2,000	2,000	242	1,758
P716 Sport Hunting and Fishing	1,513	2,013	1,568	445
P717 Conservation Services	1,817	2,084	1,612	472
P718 Wildlife Depredation and Nuisance Abatement	525	525	288	237
P741 Healthy Forests	514	526	363	163
P742 State Parks	25,094	26,119	20,394	5,725
P743 Mine Reclamation	799	863	767	96
P744 Oil and Gas Conservation	4,535	4,556	1,094	3,462
Total Expenditures and Other Financing Uses	40,987	42,906	30,116	12,790
Net Change Budgetary Basis	\$ (29,027)	\$ (30,629)	\$ 1,911	\$ 6,960
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 1,911	
Differences Budget to GAAP:				
Multiple Year Revenues and Transfers In			52,353	
Multiple Year Expenditures			(20,186)	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 34,078	

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS – GENERAL CONTROL

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 15,568	\$ 15,568
Federal Revenue	1,580	1,847	776	(1,071)
Licenses, Fees, and Permits	500	500	570	70
Miscellaneous and Other	1,015	1,015	1,029	14
Operating Transfers In	476	476	2,079	1,603
Total Revenues and Other Financing Sources	3,571	3,838	20,022	16,184
EXPENDITURES				
General Control				
P604 Procurement Services	625	625	452	173
P626 Medicaid Fraud	2,256	2,152	1,574	578
P642 Administration and Operations	450	450	-	450
P643 Personnel Board	29	29	23	6
P644 State Treasurer	85	85	85	-
P720 Public Defender Department	240	695	127	568
P783 Elections	-	371	371	-
Total Expenditures and Other Financing Uses	3,685	4,407	2,632	1,775
Net Change Budgetary Basis	\$ (114)	\$ (569)	\$ 17,390	\$ 14,409

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis) \$ 17,390

Differences Budget to GAAP:

Multiple Year Revenues and Transfers In 197,540

Multiple Year Expenditures (218,854)

Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances

\$ (3,924)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS – JUDICIAL For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Federal Revenue	\$ 8,829	\$ 11,194	\$ 5,819	\$ (5,375)
Rentals and Royalties	56	56	62	6
Charges for Services	2,656	2,587	13,660	11,073
Licenses, Fees, and Permits	-	-	825	825
Miscellaneous and Other	10,534	11,004	1,513	(9,491)
Operating Transfers In	36,876	37,145	38,118	973
Total Revenues and Other Financing Sources	58,951	61,986	59,997	(1,989)
EXPENDITURES				
Judicial				
P210 Judicial Standards Commission	25	25	-	25
P231 First Judicial District Court	424	424	243	181
P232 Second Judicial District Court	828	828	462	366
P233 Third Judicial District Court	562	562	531	31
P234 Fourth Judicial District Court	10	10	9	1
P235 Fifth Judicial District Court	70	70	67	3
P236 Sixth Judicial District Court	15	15	7	8
P237 Seventh Judicial District Court	348	315	296	19
P238 Eighth Judicial District Court	30	30	3	27
P239 Ninth Judicial District Court	18	18	16	2
P240 Tenth Judicial District Court	22	22	-	22
P241 Eleventh Judicial District Court	1,231	1,304	1,251	53
P242 Twelfth Judicial District Court	574	677	588	89
P243 Thirteenth Judicial District Court	106	146	139	7
P244 Bernalillo County Metropolitan Court	2,204	2,204	1,649	555
P252 Second Judicial District Attorney	874	791	787	4
P253 Third Judicial District Attorney	1,261	1,368	896	472
P255 Fifth Judicial District Attorney	-	213	84	129
P256 Sixth Judicial District Attorney	349	259	246	13
P257 Seventh Judicial District Attorney	-	16	-	16
P259 Ninth Judicial District Attorney	-	149	106	43
P262 Twelfth Judicial District Attorney	279	790	466	324
P264 Administrative Office of the District Attorneys	-	1,728	807	921
P265 Eleventh Judicial District Attorney-Division II	124	363	167	196
P535 Community Corrections/Vendor-Run	3,706	3,706	-	3,706
P559 Administrative Support	7,298	9,387	7,680	1,707
P560 Statewide Judiciary Automation	7,794	8,257	7,832	425
P610 Magistrate Court	26,889	27,884	24,986	2,898
P620 Administrative Support	5,030	5,071	4,375	696
P706 Victim Compensation	617	617	194	423
P707 Federal Grant Administration	4,647	5,367	5,269	98
P721 National Guard Support	1,158	1,158	1,147	11
Total Expenditures and Other Financing Uses	66,493	73,774	60,303	13,471
Net Change Budgetary Basis	\$ (7,542)	\$ (11,788)	\$ (306)	\$ (15,460)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS – JUDICIAL (CONTINUED) For the Year Ended June 30, 2011 (In Thousands)

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)	\$	(306)
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Differences Budget to GAAP:

Multiple Year Revenues and Transfers In		490
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Multiple Year Expenditures		<u>(490)</u>
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Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances

	<u>\$</u>	<u>(306)</u>
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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

NONMAJOR SPECIAL REVENUE FUNDS –REGULATION AND LICENSING

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 6,216	\$ 6,216
Federal Revenue	371	1,604	32	(1,572)
Investment Income	72	72	1,686	1,614
Rentals and Royalties	65	81	222	141
Charges for Services	563	563	389	(174)
Licenses, Fees, and Permits	7,885	7,885	10,222	2,337
Miscellaneous and Other	25	609	623	14
Operating Transfers In	2,481	2,481	2,162	(319)
Bond Proceeds	-	-	20,560	20,560
Total Revenues and Other Financing Sources	11,462	13,295	42,112	28,817
EXPENDITURES				
Regulation and Licensing				
P528 Job Creation & Job Growth	-	6,972	561	6,411
P548 Outreach	1,336	1,336	959	377
P599 Financial Institutions and Securities	207	207	86	121
P600 Financial Institutions and Securities	856	1,170	844	326
P612 Public Safety	1,044	1,044	1,044	-
P613 Program Support	115	115	115	-
P646 Border Authority	430	2,246	358	1,888
P647 New Mexico Public Accountancy Board	510	510	444	66
P648 Board of Acupuncture and Oriental Medicine	226	226	165	61
P649 New Mexico Athletic Commission	141	148	107	41
P650 Athletic Trainer Practice Board	21	21	15	6
P651 Board of Barbers and Cosmetologists	902	902	605	297
P652 Chiropractic Board	161	161	112	49
P653 Counseling and Therapy Practice Board	417	437	329	108
P654 New Mexico Board of Dental Health Care	425	425	295	130
P655 Interior Design Board	28	30	24	6
P657 Board of Landscape Architects	33	35	32	3
P658 Massage Therapy Board	260	273	232	41
P659 Board of Nursing Home Administrators	43	45	40	5
P660 Nutrition and Dietetics Practice Board	35	35	22	13
P661 Board of Examiners for Occupational Therapy	74	74	42	32
P662 Board of Optometry	72	72	60	12
P663 Board of Osteopathic Medical Examiners	81	81	59	22
P664 Board of Pharmacy	1,532	1,609	1,355	254
P665 Physical Therapy Board	134	134	72	62
P666 Board of Podiatry	35	35	22	13
P667 Private Investigations Advisory Board	147	147	115	32
P668 New Mexico State Board of Psychologist Examiners	213	213	156	57
P669 Real Estate Appraisers Board	180	189	165	24
P670 New Mexico Real Estate Commission	1,465	1,465	950	515
P671 Advisory Board of Respiratory Care Practitioners	68	72	63	9
P672 Board of Social Work Examiners	370	370	309	61
P673 Speech Language Pathology, Audiology and Hearing Aid Board	171	171	107	64

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

NONMAJOR SPECIAL REVENUE FUNDS –REGULATION AND LICENSING (CONTINUED)

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
P674 Board of Thanatopractice	144	144	116	28
P675 Insurance Policy	6,929	6,929	6,929	-
P758 Naprapathic Practice Board	5	5	1	4
P768 Animal Sheltering Services Board	88	88	64	24
P769 Signed Language Interpreting Practices Board	160	160	78	82
Total Expenditures and Other Financing Uses	19,058	28,296	17,052	11,244
Net Change Budgetary Basis	\$ (7,596)	\$ (15,001)	\$ 25,060	\$ 17,573

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ 25,060

Differences Budget to GAAP:

Multiple Year Revenues and Transfers In

23,953

Multiple Year Expenditures

(34,594)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ 14,419

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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, 2011

(In Thousands)

	Culture, Recreation, and Natural Resources	General Obligation Bonds	Severance Tax Bonds	Total
ASSETS				
Cash and Cash Equivalents	\$ 2,438	\$ -	\$ -	\$ 2,438
Investment in State General Fund				
Investment Pool	1,799	29,033	161,119	191,951
Receivables, Net	1	-	121,462	121,463
Total Assets	<u>\$ 4,238</u>	<u>\$ 29,033</u>	<u>\$ 282,581</u>	<u>\$ 315,852</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 4	\$ 171	\$ 175
Other Liabilities	-	-	2,191	2,191
Total Liabilities	<u>-</u>	<u>4</u>	<u>2,362</u>	<u>2,366</u>
Fund balances:				
Restricted	1,224	29,029	280,219	310,472
Committed	3,014	-	-	3,014
Total Fund Balances	<u>4,238</u>	<u>29,029</u>	<u>280,219</u>	<u>313,486</u>
Total Liabilities and Fund Balances	<u>\$ 4,238</u>	<u>\$ 29,033</u>	<u>\$ 282,581</u>	<u>\$ 315,852</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, 2011

(In Thousands)

	Culture, Recreation, and Natural Resources	General Obligation Bonds	Severance Tax Bonds	Total
REVENUES				
General and Selective Taxes	\$ 638	\$ 58,624	\$ 441,351	\$ 500,613
Other Revenues:				
Investment Income	6	3,693	18,168	21,867
Licenses, Fees, and Permits	187	-	-	187
Total Revenues	<u>831</u>	<u>62,317</u>	<u>459,519</u>	<u>522,667</u>
EXPENDITURES				
Debt Service:				
Interest and Other Charges	1,006	19,978	47,156	68,140
Principal	1,979	61,725	89,545	153,249
Total Expenditures	<u>2,985</u>	<u>81,703</u>	<u>136,701</u>	<u>221,389</u>
Excess Revenues Over (Under)				
Expenditures	<u>(2,154)</u>	<u>(19,386)</u>	<u>322,818</u>	<u>301,278</u>
OTHER FINANCING SOURCES (USES)				
Payment to Refunded Bond Escrow Agent	-	-	(198,305)	(198,305)
Transfers In	1,165	32,826	470,802	504,793
Transfers Out	(946)	(30,239)	(537,706)	(568,891)
Total Other Financing Sources (Uses)	<u>219</u>	<u>2,587</u>	<u>(265,209)</u>	<u>(262,403)</u>
Net Change in Fund Balances	<u>(1,935)</u>	<u>(16,799)</u>	<u>57,609</u>	<u>38,875</u>
Fund Balances - Beginning	<u>6,173</u>	<u>45,828</u>	<u>222,610</u>	<u>274,611</u>
Fund Balances - Ending	<u>\$ 4,238</u>	<u>\$ 29,029</u>	<u>\$ 280,219</u>	<u>\$ 313,486</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

NONMAJOR DEBT SERVICE FUNDS – CULTURE, RECREATION, AND NATURAL RESOURCES

June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 638	\$ 638
Investment Income	-	-	6	6
Licenses, Fees, and Permits	-	-	186	186
Operating Transfers In	-	-	1,165	1,165
Total Revenues and Other Financing Sources	-	-	1,995	1,995
EXPENDITURES				
Culture, Recreation, and Natural Resources				
P742 State Parks	2,302	3,178	3,177	1
Total Expenditures and Other Financing Uses	2,302	3,178	3,177	1
Net Change Budgetary Basis	\$ (2,302)	\$ (3,178)	\$ (1,182)	\$ 1,994

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ (1,182)

Differences Budget to GAAP:

Multiple Year Revenues

1

Multiple Year Expenditures

(754)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ (1,935)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR CAPITAL PROJECTS FUND FINANCIAL STATEMENTS

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 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.

Severance Tax Appropriated

These funds account for appropriated severance tax bond proceeds to be used for the acquisition or construction of capital facilities used in state and local government.

State General Fund Appropriated

These funds account for appropriated State General Fund proceeds to be used for the acquisition or construction of capital facilities used in state and local government.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2011
(In Thousands)

	Bond Proceeds	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
ASSETS					
Investment in State General Fund					
Investment Pool	\$ -	\$ 5,064	\$ 19,467	\$ -	\$ 101
Deferred Charges and Other Assets	-	22	-	-	-
Due From Other Funds	-	4,554	3,341	437	179
Receivables, Net	-	1,408	-	-	198
Total Assets	<u>\$ -</u>	<u>\$ 11,048</u>	<u>\$ 22,808</u>	<u>\$ 437</u>	<u>\$ 478</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ 3,544	\$ 998	\$ 90	\$ 49
Accrued Liabilities	-	7	-	-	-
Due To Other Funds	-	486	-	347	429
Deferred Revenue	-	634	1,394	-	-
Total Liabilities	<u>-</u>	<u>4,671</u>	<u>2,392</u>	<u>437</u>	<u>478</u>
Fund balances:					
Nonspendable	-	22	-	-	-
Restricted	-	102	-	-	-
Committed	-	6,253	20,416	-	-
Unassigned (Deficit)	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>6,377</u>	<u>20,416</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 11,048</u>	<u>\$ 22,808</u>	<u>\$ 437</u>	<u>\$ 478</u>

<u>Regulation and Licensing</u>	<u>Severance Tax Bonds Appropriated</u>	<u>State General Fund Appropriated</u>	<u>Total</u>
\$ -	\$ -	\$ 3,525	\$ 28,157
-	-	-	22
5,902	13,983	30	28,426
-	-	-	1,606
<u>\$ 5,902</u>	<u>\$ 13,983</u>	<u>\$ 3,555</u>	<u>\$ 58,211</u>
\$ 3,165	\$ 5,572	\$ 269	\$ 13,687
-	-	-	7
1,789	10,296	-	13,347
2,761	-	-	4,789
<u>7,715</u>	<u>15,868</u>	<u>269</u>	<u>31,830</u>
-	-	-	22
-	-	-	102
-	-	3,286	29,955
(1,813)	(1,885)	-	(3,698)
<u>(1,813)</u>	<u>(1,885)</u>	<u>3,286</u>	<u>26,381</u>
<u>\$ 5,902</u>	<u>\$ 13,983</u>	<u>\$ 3,555</u>	<u>\$ 58,211</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, 2011

(In Thousands)

	Bond Proceeds	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
REVENUES					
General and Selective Taxes	\$ -	\$ 4,747	\$ -	\$ -	\$ -
Other Revenues:					
Federal Revenue	-	1,210	-	-	583
Investment Income	-	-	34	-	-
Rentals and Royalties	-	-	687	-	-
Assessments	-	4	-	-	-
Miscellaneous and Other	-	358	72	388	-
Total Revenues	<u>-</u>	<u>6,319</u>	<u>793</u>	<u>388</u>	<u>583</u>
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	-	11,236	-	-	-
Education	-	-	-	-	-
General Control	-	-	4,474	-	-
Health and Human Services	-	-	-	-	-
Infrastructure Projects	-	-	-	-	-
Judicial	-	-	-	492	-
Public Safety	-	-	-	-	665
Regulation and Licensing	-	-	-	-	-
Capital Outlay	-	9,729	51,989	632	242
Debt Service:					
Bond Costs	922	-	-	-	-
Total Expenditures	<u>922</u>	<u>20,965</u>	<u>56,463</u>	<u>1,124</u>	<u>907</u>
Excess Revenues Over (Under)					
Expenditures	<u>(922)</u>	<u>(14,646)</u>	<u>(55,670)</u>	<u>(736)</u>	<u>(324)</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	18,645	-	-	-	-
Bond Premium	17,965	-	-	-	-
Refunding Bond Issue	140,520	-	-	-	-
Sale of Capital Assets	-	52	112	-	-
Transfers In	-	18,886	59,638	735	260
Transfers Out	(176,208)	(8,568)	(1,813)	-	(76)
Total Other Financing Sources (Uses)	<u>922</u>	<u>10,370</u>	<u>57,937</u>	<u>735</u>	<u>184</u>
Net Change in Fund Balances	-	(4,276)	2,267	(1)	(140)
Fund Balances - Beginning, as Restated	-	10,653	18,149	1	140
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 6,377</u>	<u>\$ 20,416</u>	<u>\$ -</u>	<u>\$ -</u>

Regulation and Licensing	Severance Tax Bonds Appropriated	State General Fund Appropriated	Total
\$ -	\$ -	\$ -	\$ 4,747
-	-	-	1,793
-	-	-	34
-	-	-	687
-	-	-	4
-	-	14	832
-	-	14	8,097
-	391	-	11,627
-	6,080	-	6,080
-	10,148	-	14,622
-	2,453	190	2,643
-	-	79	79
-	272	-	764
-	131	-	796
6,385	-	-	6,385
1,553	13,419	45	77,609
-	-	-	922
7,938	32,894	314	121,527
(7,938)	(32,894)	(300)	(113,430)
-	-	-	18,645
-	-	-	17,965
-	-	-	140,520
-	-	-	164
6,804	31,327	3,586	121,236
-	(318)	-	(186,983)
6,804	31,009	3,586	111,547
(1,134)	(1,885)	3,286	(1,883)
(679)	-	-	28,264
\$ (1,813)	\$ (1,885)	\$ 3,286	\$ 26,381

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

NONMAJOR CAPITAL PROJECT FUNDS – CULTURE, RECREATION, AND NATURAL RESOURCES

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,600	\$ 3,600	\$ 3,952	\$ 352
Federal Revenue	-	-	837	837
Assessments	-	-	4	4
Miscellaneous and Other	-	-	16	16
Operating Transfers In	-	746	746	-
Total Revenues and Other Financing Sources	<u>3,600</u>	<u>4,346</u>	<u>5,555</u>	<u>1,209</u>
EXPENDITURES				
Culture, Recreation, and Natural Resources				
P742 State Parks	5,350	5,368	4,267	1,101
Total Expenditures and Other Financing Uses	<u>5,350</u>	<u>5,368</u>	<u>4,267</u>	<u>1,101</u>
Net Change Budgetary Basis	<u>\$ (1,750)</u>	<u>\$ (1,022)</u>	<u>\$ 1,288</u>	<u>\$ 108</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ 1,288

Differences Budget to GAAP:

Multiple Year Revenues and Transfers In

19,650

Multiple Year Expenditures

(25,214)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ (4,276)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR CAPITAL PROJECT FUNDS – JUDICIAL For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Miscellaneous and Other	\$ -	\$ 388	\$ 388	\$ -
Total Revenues and Other Financing Sources	<u>-</u>	<u>388</u>	<u>388</u>	<u>-</u>
EXPENDITURES				
Judicial				
P244 Bernalillo County Metropolitan Court	-	388	388	-
Total Expenditures and Other Financing Uses	<u>-</u>	<u>388</u>	<u>388</u>	<u>-</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ -

Differences Budget to GAAP:

Multiple Year Expenditures

(736)

Transfers In, Multiple Year Activity

735

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ (1)

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise Funds

Enterprise funds report the activities for which fees are charged to external users for goods and services. Enterprise Funds are presented beginning on page 235.

Internal Service Funds

Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Internal Service Funds are presented beginning on page 251.

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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, 2011
(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	\$ 474	\$ 3	\$ -	\$ -	\$ 15,350
Investment in the State General Fund					
Investment Pool	-	2,609	89,845	-	424
Investment in the Local Government					
Investment Pool	-	-	-	-	62,508
Deferred Charges and Other Assets	-	-	-	2	-
Due From Other Funds	1	482	256	-	-
Receivables, Net	431	4	14,240	54	3,400
Inventories	2	1,097	-	82	-
Total Current Assets	<u>908</u>	<u>4,195</u>	<u>104,341</u>	<u>138</u>	<u>81,682</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	-	-	169,030	-	-
Investments	-	-	-	-	38,177
Other Noncurrent Assets	-	1	-	-	256
Nondepreciable Capital Assets	-	-	-	-	235
Capital Assets, Net	55	274	-	-	166
Total Noncurrent Assets	<u>55</u>	<u>275</u>	<u>169,030</u>	<u>-</u>	<u>38,834</u>
Total Assets	<u>963</u>	<u>4,470</u>	<u>273,371</u>	<u>138</u>	<u>120,516</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 194	\$ 178,141	\$ 359	\$ 194,521
18,870	2,853	-	-	114,601
-	-	-	-	62,508
-	-	-	2	4
1	513	365	-	1,618
1,932	4,555	60,417	97	85,130
-	364	-	-	1,545
<u>20,803</u>	<u>8,479</u>	<u>238,923</u>	<u>458</u>	<u>459,927</u>
-	-	-	541	541
-	-	-	-	169,030
-	1,319	-	591	40,087
-	-	-	-	257
-	294	-	819	1,348
-	31,126	-	52,669	84,290
-	<u>32,739</u>	-	<u>54,620</u>	<u>295,553</u>
<u>20,803</u>	<u>41,218</u>	<u>238,923</u>	<u>55,078</u>	<u>755,480</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2011
(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	\$ 587	\$ 159	\$ 10	\$ 16	\$ 14
Accrued Liabilities	10	42	5	928	7,735
Deferred Revenue	-	-	-	168	129
Due to Other Funds	111	-	45	301	107
Intergovernmental Payables	-	-	-	-	-
Funds Held for Others	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Liabilities	22	60	-	48	21,175
Total Current Liabilities	<u>730</u>	<u>261</u>	<u>60</u>	<u>1,461</u>	<u>29,160</u>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	-	-	-	213	42,283
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>213</u>	<u>42,283</u>
Total Liabilities	<u>730</u>	<u>261</u>	<u>60</u>	<u>1,674</u>	<u>71,443</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	126	345	-	-	426
Restricted for:					
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	31,594
Loans	-	-	273,311	-	-
Other Purposes	-	1,242	-	-	-
Unrestricted (Deficit)	107	2,622	-	(1,536)	17,053
Total Net Assets	<u>\$ 233</u>	<u>\$ 4,209</u>	<u>\$ 273,311</u>	<u>\$ (1,536)</u>	<u>\$ 49,073</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 653	\$ -	\$ 2,268	\$ 3,707
-	441	3,117	309	12,587
-	-	31,253	-	31,550
-	-	12,853	-	13,417
211	202	-	135	548
-	-	-	113	113
-	742	-	607	1,349
-	394	-	-	21,699
<u>211</u>	<u>2,432</u>	<u>47,223</u>	<u>3,432</u>	<u>84,970</u>
-	12,567	-	1,956	14,523
-	-	-	-	42,496
<u>-</u>	<u>12,567</u>	<u>-</u>	<u>1,956</u>	<u>57,019</u>
<u>211</u>	<u>14,999</u>	<u>47,223</u>	<u>5,388</u>	<u>141,989</u>
-	18,863	-	50,925	70,685
-	-	-	1,197	1,197
-	1,320	-	541	1,861
-	-	191,700	-	223,294
20,592	-	-	-	293,903
-	515	-	-	1,757
<u>-</u>	<u>5,521</u>	<u>-</u>	<u>(2,973)</u>	<u>20,794</u>
<u>\$ 20,592</u>	<u>\$ 26,219</u>	<u>\$ 191,700</u>	<u>\$ 49,690</u>	<u>\$ 613,491</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, 2011 (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	\$ 5,269	\$ 3,010	\$ -	\$ 2,877	\$ 326,622
Unemployment Insurance	-	-	-	-	-
Federal Revenue	-	-	17,255	-	-
Loan and Other Income	-	-	4,215	-	-
Other Operating Revenues	50	-	-	2	-
Total Operating Revenues	<u>5,319</u>	<u>3,010</u>	<u>21,470</u>	<u>2,879</u>	<u>326,622</u>
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	-	-	-	-
General and Administrative Expenses	366	1,140	537	1,108	1,186
Insurance Losses	-	-	-	-	298,626
Depreciation Expense	16	77	-	-	23
Other Operating Expenses	4,910	1,807	14,371	2,564	20,927
Total Operating Expenses	<u>5,292</u>	<u>3,024</u>	<u>14,908</u>	<u>3,672</u>	<u>320,762</u>
Operating Income (Loss)	<u>27</u>	<u>(14)</u>	<u>6,562</u>	<u>(793)</u>	<u>5,860</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	4	151	-	6,858
Interest and Other Expenses on Capital Asset-related Debt	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	(1)
Other Revenue	1	54	-	-	120
Total Nonoperating Revenues (Expenses)	<u>1</u>	<u>58</u>	<u>151</u>	<u>-</u>	<u>6,977</u>
Income (Loss) Before Transfers	<u>28</u>	<u>44</u>	<u>6,713</u>	<u>(793)</u>	<u>12,837</u>
CAPITAL CONTRIBUTIONS AND ENDOWMENTS					
Capital Grants and Gifts	-	-	-	-	-
TRANSFERS					
Transfers In	14	-	660	-	1,500
Transfers Out	-	-	(307)	-	-
Total Transfers	<u>14</u>	<u>-</u>	<u>353</u>	<u>-</u>	<u>1,500</u>
Change in Net Assets	42	44	7,066	(793)	14,337
Net Assets - Beginning, as Restated	191	4,165	266,245	(743)	34,736
Net Assets - Ending	<u>\$ 233</u>	<u>\$ 4,209</u>	<u>\$ 273,311</u>	<u>\$ (1,536)</u>	<u>\$ 49,073</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 22,442	\$ -	\$ 11,983	\$ 372,203
-	-	207,140	-	207,140
-	447	437,718	-	455,420
62	-	-	-	4,277
-	-	-	-	52
<u>62</u>	<u>22,889</u>	<u>644,858</u>	<u>11,983</u>	<u>1,039,092</u>
-	-	742,883	-	742,883
-	13,491	-	6,158	23,986
-	-	-	-	298,626
-	2,080	-	3,065	5,261
-	8,542	-	6,704	59,825
-	<u>24,113</u>	<u>742,883</u>	<u>15,927</u>	<u>1,130,581</u>
<u>62</u>	<u>(1,224)</u>	<u>(98,025)</u>	<u>(3,944)</u>	<u>(91,489)</u>
21	703	7,566	1	15,304
-	(593)	-	(104)	(697)
-	-	-	-	(1)
-	<u>1,955</u>	<u>-</u>	<u>-</u>	<u>2,130</u>
<u>21</u>	<u>2,065</u>	<u>7,566</u>	<u>(103)</u>	<u>16,736</u>
<u>83</u>	<u>841</u>	<u>(90,459)</u>	<u>(4,047)</u>	<u>(74,753)</u>
-	-	-	998	998
-	-	-	5,000	7,174
-	-	(11)	-	(318)
-	-	(11)	5,000	6,856
83	841	(90,470)	1,951	(66,899)
20,509	25,378	282,170	47,739	680,390
<u>\$ 20,592</u>	<u>\$ 26,219</u>	<u>\$ 191,700</u>	<u>\$ 49,690</u>	<u>\$ 613,491</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2011

(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	\$ 5,261	\$ -	\$ -	\$ -	\$ 320,275
Sale of Products	-	3,010	-	3,008	-
Loan and Note Repayments	-	-	12,717	-	-
Unemployment Insurance	-	-	-	-	-
Other Sources	58	-	18,341	-	5,519
Cash Payments to or for:					
Suppliers	(4,683)	(913)	(414)	(2,533)	(19,228)
Employees	(371)	(1,135)	-	(1,154)	-
Unemployment Benefits	-	-	-	-	-
Loans and Loan Losses	-	-	(6,707)	-	(259,264)
Other Payments	-	(178)	(15,685)	-	(39,835)
Net Cash Provided (Used) by Operating Activities	<u>265</u>	<u>784</u>	<u>8,252</u>	<u>(679)</u>	<u>7,467</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	-	-	660	-	-
Transfers Out	-	-	(27)	-	-
Noncapital Debt Proceeds	111	-	-	406	1,620
Intergovernmental Receipts	-	-	-	-	-
Net Cash Provided by Noncapital Financing Activities	<u>111</u>	<u>-</u>	<u>633</u>	<u>406</u>	<u>1,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	(5)	-	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-
Capital Debt Service Payments - Interest	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	-	58	154	-	1,119
Purchase of Investments	-	-	-	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>58</u>	<u>154</u>	<u>-</u>	<u>1,119</u>
Net Increase (Decrease) in Cash	<u>376</u>	<u>837</u>	<u>9,039</u>	<u>(273)</u>	<u>10,206</u>
Cash and Cash Equivalents at Beginning of Year, as Restated	<u>98</u>	<u>1,775</u>	<u>80,806</u>	<u>273</u>	<u>68,076</u>
Cash and Cash Equivalents at End of Year	<u>\$ 474</u>	<u>\$ 2,612</u>	<u>\$ 89,845</u>	<u>\$ -</u>	<u>\$ 78,282</u>
Cash and Cash Equivalents					
Unrestricted	\$ 474	\$ 3	\$ -	\$ -	\$ 15,350
Restricted	-	-	-	-	-
Investment in the State General Fund Investment Pool	-	2,609	89,845	-	424
Investment in the Local Government Investment Pool	-	-	-	-	62,508
Total Cash and Cash Equivalents	<u>\$ 474</u>	<u>\$ 2,612</u>	<u>\$ 89,845</u>	<u>\$ -</u>	<u>\$ 78,282</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 23,643	\$ -	\$ 15,831	\$ 365,010
-	-	-	-	6,018
4,359	-	-	-	17,076
-	-	195,335	-	195,335
2,518	89	436,143	-	462,668
-	(8,914)	-	(10,870)	(47,555)
-	(13,211)	-	(7,355)	(23,226)
-	-	(742,532)	-	(742,532)
-	-	-	-	(265,971)
-	-	-	-	(55,698)
<u>6,877</u>	<u>1,607</u>	<u>(111,054)</u>	<u>(2,394)</u>	<u>(88,875)</u>
-	-	-	-	660
-	-	(16,842)	-	(16,869)
-	-	165	-	2,302
-	-	117,803	-	117,803
<u>-</u>	<u>-</u>	<u>101,126</u>	<u>-</u>	<u>103,896</u>
-	(409)	-	(6,033)	(6,447)
-	(717)	-	(570)	(1,287)
-	(593)	-	(101)	(694)
-	-	-	7,121	7,121
-	8	-	-	8
<u>-</u>	<u>(1,711)</u>	<u>-</u>	<u>417</u>	<u>(1,299)</u>
-	6	8,012	-	9,349
-	1	-	-	1
<u>-</u>	<u>7</u>	<u>8,012</u>	<u>-</u>	<u>9,350</u>
6,877	(97)	(1,916)	(1,977)	23,072
<u>11,993</u>	<u>3,144</u>	<u>180,057</u>	<u>2,877</u>	<u>349,099</u>
<u>\$ 18,870</u>	<u>\$ 3,047</u>	<u>\$ 178,141</u>	<u>\$ 900</u>	<u>\$ 372,171</u>
\$ -	\$ 194	\$ 178,141	\$ 359	\$ 194,521
-	-	-	541	541
18,870	2,853	-	-	114,601
-	-	-	-	62,508
<u>\$ 18,870</u>	<u>\$ 3,047</u>	<u>\$ 178,141</u>	<u>\$ 900</u>	<u>\$ 372,171</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2011

(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)	\$ 27	\$ (14)	\$ 6,562	\$ (793)	\$ 5,860
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)					
by Operating Activities:					
Depreciation	16	77	-	-	23
Bad Debt Expense	-	-	-	-	-
Loss on Investment in Local Government Investment Pool	-	-	-	-	3,080
Reserve for Losses	-	-	-	-	(495)
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	28	663	1,157	142	(843)
Notes/Loans	-	-	1,416	-	-
Inventories	-	145	-	22	-
Prepaid Items/Deferred Charges	-	(1)	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	194	(86)	(883)	(85)	(173)
Unearned Revenue	-	-	-	35	15
Net Cash Provided (Used) by Operating Activities	<u>\$ 265</u>	<u>\$ 784</u>	<u>\$ 8,252</u>	<u>\$ (679)</u>	<u>\$ 7,467</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>
\$ 62	\$ (1,224)	\$ (98,025)	\$ (3,944)	\$ (91,489)
-	2,080	-	3,065	5,261
-	3,531	-	31	3,562
-	-	-	-	3,080
-	-	-	-	(495)
2,867	(3,501)	(14,474)	(2,176)	(16,137)
4,381	-	-	-	5,797
-	151	-	-	318
-	-	-	(90)	(91)
(433)	570	363	688	155
-	-	1,082	32	1,164
<u>\$ 6,877</u>	<u>\$ 1,607</u>	<u>\$ (111,054)</u>	<u>\$ (2,394)</u>	<u>\$ (88,875)</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – INDUSTRIES FOR THE BLIND

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 324	\$ 324	\$ 5,270	\$ 4,946
Operating Transfers In	-	-	14	14
Total Revenues and Other Financing Sources	324	324	5,284	4,960
EXPENDITURES				
Industries for the Blind				
P695 Commission for the Blind	324	401	370	31
Total Expenditures and Other Financing Uses	324	401	370	31
Net Change Budgetary Basis	\$ -	\$ (77)	\$ 4,914	\$ 4,929

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ 4,914

Differences Budget to GAAP:

Multiple Year Revenues

49

Multiple Year Expenditures

(4,921)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ 42

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – CORRECTIONS INDUSTRIES REVOLVING FUND For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ 7	\$ 7	\$ 4	\$ (3)
Charges of Services	4,735	4,735	3,013	(1,722)
Miscellaneous and Other	-	-	51	51
Total Revenues and Other Financing Sources	<u>4,742</u>	<u>4,742</u>	<u>3,068</u>	<u>(1,674)</u>
EXPENDITURES				
Corrections Industries Revolving Fund				
P533 Corrections Industries	4,743	4,743	3,024	1,719
Total Expenditures and Other Financing Uses	<u>4,743</u>	<u>4,743</u>	<u>3,024</u>	<u>1,719</u>
Net Change Budgetary Basis	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 44</u>	<u>\$ (3,393)</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – NEW MEXICO MAGAZINE

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Charges of Services	\$ 4,429	\$ 4,429	\$ 2,877	\$ (1,552)
Miscellaneous and Other	-	-	2	2
Total Revenues and Other Financing Sources	<u>4,429</u>	<u>4,429</u>	<u>2,879</u>	<u>(1,550)</u>
EXPENDITURES				
New Mexico Magazine				
P546 New Mexico Magazine	4,339	4,339	3,672	667
P549 Marketing and Promotion	90	90	-	90
Total Expenditures and Other Financing Uses	<u>4,429</u>	<u>4,429</u>	<u>3,672</u>	<u>757</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (793)</u>	<u>\$ (2,307)</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ 1,975	\$ 1,975	\$ 6,780	\$ 4,805
Assessments	337,133	337,133	318,564	(18,569)
Miscellaneous and Other	3,680	3,680	8,256	4,576
Operating Transfers In	1,296	1,296	1,500	204
Total Revenues and Other Financing Sources	<u>344,084</u>	<u>344,084</u>	<u>335,100</u>	<u>(8,984)</u>
EXPENDITURES				
Public Schools Insurance Authority				
P630 Benefits	286,308	286,308	261,381	24,927
P631 Risk	57,343	57,343	58,202	(859)
P632 Program Support	1,296	1,296	1,180	116
Total Expenditures and Other Financing Uses	<u>344,947</u>	<u>344,947</u>	<u>320,763</u>	<u>24,184</u>
Net Change Budgetary Basis	<u>\$ (863)</u>	<u>\$ (863)</u>	<u>\$ 14,337</u>	<u>\$ (33,168)</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – MINERS’ COLFAX MEDICAL CENTER For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Federal Revenue	\$ 322	\$ 322	\$ 447	\$ 125
Investment Income (Loss)	45	45	60	15
Rentals and Royalties	5	5	908	903
Charges for Services	17,453	18,733	22,205	3,472
Miscellaneous and Other	106	106	124	18
Operating Transfers In	5,094	5,444	-	(5,444)
Total Revenues and Other Financing Sources	23,025	24,655	23,744	(911)
EXPENDITURES				
Miners' Colfax Medical Center				
P723 MCMC Health Care/Acute Care	20,063	21,544	19,672	1,872
P724 MCMC Health Care/Long Term Care	2,602	2,677	2,619	58
P725 MCMC Black Lung Clinic	359	434	333	101
Total Expenditures and Other Financing Uses	23,024	24,655	22,624	2,031
Net Change Budgetary Basis	\$ 1	\$ -	\$ 1,120	\$ (2,942)

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis) \$ 1,120

Differences Budget to GAAP:

Multiple Year Revenues 1,803

Multiple Year Expenditures (2,082)

Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances

\$ 841

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR INTERNAL SERVICE FUNDS

Fleet Operations – This fund accounts for the operations of the Transportation Motor Pool and the State Aircraft Pool, which provide ground and air transportation services to all state agencies on a fee basis.

Risk Management – This fund provides insurance coverage for all state agencies. Areas covered include public liability, workers compensation, group health and life, unemployment compensation, surety bond, and property insurance. Agencies are charged a premium based on several factors, including history and number of employees.

Printing and Records – This fund accounts for the provision of printing services of all kinds to state agencies according to an approved fee schedule. The fund also includes services for the retention and storage of public records for all state agencies, which pay an assessment based on size and usage.

Communications Services – This fund provides voice and data telecommunications services to all state agencies, which are assessed an annual fee based on size and prior usage.

Information Processing – This fund provides automated data processing services for all state agencies, which are assessed an annual fee based on size and prior usage.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2011
(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
ASSETS					
Current Assets:					
Investment in the State General Fund					
Investment Pool	\$ 6,984	\$ 136,538	\$ 770	\$ 16,159	\$ 13,523
Due From Other Funds	264	234	83	2,910	9,283
Receivables, Net	1,475	75	181	8,957	82
Inventories	-	-	372	-	-
Total Current Assets	<u>8,723</u>	<u>136,847</u>	<u>1,406</u>	<u>28,026</u>	<u>22,888</u>
Noncurrent Assets:					
Capital Assets, Net	8,540	22	129	27,270	20,117
Total Noncurrent Assets	<u>8,540</u>	<u>22</u>	<u>129</u>	<u>27,270</u>	<u>20,117</u>
Total Assets	<u>17,263</u>	<u>136,869</u>	<u>1,535</u>	<u>55,296</u>	<u>43,005</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	349	13,735	183	1,159	629
Accrued Liabilities	453	-	290	358	496
Due to Other Funds	16	173	314	5,941	4,060
Other Liabilities	-	85,692	-	-	-
Total Current Liabilities	<u>818</u>	<u>99,600</u>	<u>787</u>	<u>7,458</u>	<u>5,185</u>
Noncurrent Liabilities:					
Other Liabilities	-	92,557	5	893	198
Total Noncurrent Liabilities	<u>-</u>	<u>92,557</u>	<u>5</u>	<u>893</u>	<u>198</u>
Total Liabilities	<u>818</u>	<u>192,157</u>	<u>792</u>	<u>8,351</u>	<u>5,383</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	8,540	21	130	27,270	20,117
Restricted for:					
Unemployment and Insurance	-	178,249	-	-	-
Other Purposes	-	-	-	-	18,439
Unrestricted (Deficit)	7,905	(233,558)	613	19,675	(934)
Total Net Assets	<u>\$ 16,445</u>	<u>\$ (55,288)</u>	<u>\$ 743</u>	<u>\$ 46,945</u>	<u>\$ 37,622</u>

Total

\$ 173,974
12,774
10,770
372
197,890

56,078
56,078
253,968

16,055
1,597
10,504
85,692
113,848

93,653
93,653
207,501

56,078
178,249
18,439
(206,299)
\$ 46,467

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

NONMAJOR INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2011

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
OPERATING REVENUES					
Charges for Services	\$ 7,736	\$ 402,778	\$ 2,208	\$ 44,552	\$ 6,066
Other Operating Revenues	-	-	14	19	3
Total Operating Revenues	<u>7,736</u>	<u>402,778</u>	<u>2,222</u>	<u>44,571</u>	<u>6,069</u>
OPERATING EXPENSES					
General and Administrative Expenses	1,704	3,904	3,791	9,600	4,352
Depreciation Expense	3,843	1	29	5,646	3,548
Other Operating Expenses	5,298	396,623	1,625	29,440	2,859
Total Operating Expenses	<u>10,845</u>	<u>400,528</u>	<u>5,445</u>	<u>44,686</u>	<u>10,759</u>
Operating Income (Loss)	<u>(3,109)</u>	<u>2,250</u>	<u>(3,223)</u>	<u>(115)</u>	<u>(4,690)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	275	-	-	8
Gain on Sale of Capital Assets	209	88	-	-	-
Total Nonoperating Revenues (Expenses)	<u>209</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>8</u>
Income (Loss) Before Transfers	<u>(2,900)</u>	<u>2,613</u>	<u>(3,223)</u>	<u>(115)</u>	<u>(4,682)</u>
TRANSFERS					
Transfers In	469	-	3,207	2,402	4,161
Transfers Out	(154)	(2,793)	(30)	(689)	-
Total Transfers	<u>315</u>	<u>(2,793)</u>	<u>3,177</u>	<u>1,713</u>	<u>4,161</u>
Change in Net Assets	<u>(2,585)</u>	<u>(180)</u>	<u>(46)</u>	<u>1,598</u>	<u>(521)</u>
Net Assets - Beginning, as Restated	<u>19,030</u>	<u>(55,108)</u>	<u>789</u>	<u>45,347</u>	<u>38,143</u>
Net Assets - Ending	<u>\$ 16,445</u>	<u>\$ (55,288)</u>	<u>\$ 743</u>	<u>\$ 46,945</u>	<u>\$ 37,622</u>

<u>Total</u>	
\$	463,340
	<u>36</u>
	<u>463,376</u>
	23,351
	13,067
	<u>435,845</u>
	<u>472,263</u>
	<u>(8,887)</u>
	283
	<u>297</u>
	<u>580</u>
	<u>(8,307)</u>
	10,239
	<u>(3,666)</u>
	<u>6,573</u>
	(1,734)
	<u>48,201</u>
\$	<u><u>46,467</u></u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2011

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from:					
Fees for Service	\$ 7,422	\$ 401,818	\$ 2,334	\$ 42,344	\$ 6,145
Other Sources	62	-	-	-	-
Cash Payments to or for:					
Suppliers	(5,034)	(405,070)	(2,284)	(30,092)	(2,591)
Employees	(1,740)	(4,043)	(3,810)	(9,469)	(4,481)
Other Payments	-	-	-	(185)	(250)
Net Cash Provided (Used) by Operating Activities	<u>710</u>	<u>(7,295)</u>	<u>(3,760)</u>	<u>2,598</u>	<u>(1,177)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	469	5,433	3,207	-	12,080
Transfers Out	(154)	(2,898)	(30)	(3,763)	(4,171)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>315</u>	<u>2,535</u>	<u>3,177</u>	<u>(3,763)</u>	<u>7,909</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(6)	-	(39)	-	(4,673)
Net Cash Used by Capital and Related Financing Activities	<u>(6)</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>(4,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	211	275	-	-	8
Net Cash Provided by Investing Activities	<u>211</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>8</u>
Net Increase (Decrease) in Cash	1,230	(4,485)	(622)	(1,165)	2,067
Cash and Cash Equivalents at Beginning of Year, as Restated	5,754	141,023	1,392	17,324	11,456
Cash and Cash Equivalents at End of Year	<u>\$ 6,984</u>	<u>\$ 136,538</u>	<u>\$ 770</u>	<u>\$ 16,159</u>	<u>\$ 13,523</u>
Cash and Cash Equivalents					
Investment in the State General Fund Investment Pool	\$ 6,984	\$ 136,538	\$ 770	\$ 16,159	\$ 13,523
Total Cash and Cash Equivalents	<u>\$ 6,984</u>	<u>\$ 136,538</u>	<u>\$ 770</u>	<u>\$ 16,159</u>	<u>\$ 13,523</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (3,109)	\$ 2,250	\$ (3,223)	\$ (115)	\$ (4,690)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	3,843	1	29	5,646	3,548
Reserve for Losses	-	(297)	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(314)	(3,209)	(79)	(2,432)	76
Inventories	-	(77)	60	-	-
Prepaid Items/Deferred Charges	-	-	(22)	26	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	290	(5,963)	(525)	(527)	(111)
Net Cash Provided (Used) by Operating Activities	<u>\$ 710</u>	<u>\$ (7,295)</u>	<u>\$ (3,760)</u>	<u>\$ 2,598</u>	<u>\$ (1,177)</u>

Total

\$ 460,063
62

(445,071)
(23,543)
(435)
(8,924)

21,189
(11,016)

10,173

(4,718)

(4,718)

494
494
(2,975)

176,949
\$ 173,974

\$ 173,974
\$ 173,974

\$ (8,887)

13,067
(297)

(5,958)
(17)
4

(6,836)

\$ (8,924)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR INTERNAL SERVICE FUNDS – FLEET OPERATIONS

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Rentals and Royalties	\$ 8,378	\$ 8,378	\$ -	\$ (8,378)
Charges for Services	1,851	1,851	7,573	5,722
Miscellaneous and Other	-	-	218	218
Operating Transfers In	469	469	469	-
Total Revenues and Other Financing Sources	<u>10,698</u>	<u>10,698</u>	<u>8,260</u>	<u>(2,438)</u>
EXPENDITURES				
Fleet Operations				
P609 Transportation Services	13,751	13,751	7,713	6,038
Total Expenditures and Other Financing Uses	<u>13,751</u>	<u>13,751</u>	<u>7,713</u>	<u>6,038</u>
Net Change Budgetary Basis	<u>\$ (3,053)</u>	<u>\$ (3,053)</u>	<u>\$ 547</u>	<u>\$ (8,476)</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ 547

Differences Budget to GAAP:

Multiple Year Expenditures

(3,132)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ (2,585)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR INTERNAL SERVICE FUNDS – RISK MANAGEMENT

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ 276	\$ 276
Assessments	427,447	427,447	385,502	(41,945)
Miscellaneous and Other	-	-	14,261	14,261
Operating Transfers In	10,537	15,537	52	(15,485)
Total Revenues and Other Financing Sources	<u>437,984</u>	<u>442,984</u>	<u>400,091</u>	<u>(42,893)</u>
EXPENDITURES				
Risk Management				
P598 Program Support	3,596	3,596	3,301	295
P606 Risk Management	81,594	109,194	77,954	31,240
P607 Employee Group Health Benefits	353,075	353,075	319,016	34,059
Total Expenditures and Other Financing Uses	<u>438,265</u>	<u>465,865</u>	<u>400,271</u>	<u>65,594</u>
Net Change Budgetary Basis	<u>\$ (281)</u>	<u>\$ (22,881)</u>	<u>\$ (180)</u>	<u>\$ (108,487)</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR INTERNAL SERVICE FUNDS – PRINTING AND RECORDS

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 2,110	\$ 2,090	\$ 1,893	\$ (197)
Assessment	-	-	52	52
Miscellaneous and Other	1	1	231	230
Operating Transfers In	-	-	3,253	3,253
Total Revenues and Other Financing Sources	<u>2,111</u>	<u>2,091</u>	<u>5,429</u>	<u>3,338</u>
EXPENDITURES				
Printing and Records				
P605 State Printing Services	1,966	1,966	1,468	498
P641 State Commission of Public Records	207	187	70	117
Total Expenditures and Other Financing Uses	<u>2,173</u>	<u>2,153</u>	<u>1,538</u>	<u>615</u>
Net Change Budgetary Basis	<u>\$ (62)</u>	<u>\$ (62)</u>	<u>\$ 3,891</u>	<u>\$ 2,723</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis) \$ 3,891

Differences Budget to GAAP:

Multiple Year Expenditures (3,937)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ (46)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR INTERNAL SERVICE FUNDS – COMMUNICATIONS SERVICES

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 52,551	\$ 52,851	\$ 44,552	\$ (8,299)
Operating Transfers In	-	-	1,713	1,713
Total Revenues and Other Financing Sources	<u>52,551</u>	<u>52,851</u>	<u>46,265</u>	<u>(6,586)</u>
EXPENDITURES				
Communications Services				
P773 Enterprise Services	52,552	52,852	41,545	11,307
Total Expenditures and Other Financing Uses	<u>52,552</u>	<u>52,852</u>	<u>41,545</u>	<u>11,307</u>
Net Change Budgetary Basis	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 4,720</u>	<u>\$ (17,893)</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ 4,720

Differences Budget to GAAP:

Multiple Year Revenues

19

Multiple Year Expenditures

(3,141)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ 1,598

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR INTERNAL SERVICE FUNDS – INFORMATION PROCESSING For the Year Ended June 30, 2011 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ 8	\$ 8
Charges for Services	-	-	6,066	6,066
Miscellaneous and Other	-	-	3	3
Operating Transfers In	10,081	10,081	4,068	(6,013)
Total Revenues and Other Financing Sources	<u>10,081</u>	<u>10,081</u>	<u>10,145</u>	<u>64</u>
EXPENDITURES				
Information Processing				
P771 Program Support	3,394	3,394	3,161	233
P772 Compliance and Project Managem	687	687	664	23
P784 Equipment Replacement Program	6,000	6,000	4,080	1,920
Total Expenditures and Other Financing Uses	<u>10,081</u>	<u>10,081</u>	<u>7,905</u>	<u>2,176</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,240</u>	<u>\$ (2,112)</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 2,240	
Differences Budget to GAAP:				
Multiple Year Revenues			93	
Multiple Year Expenditures			(2,854)	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ (521)</u>	

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.

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 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, 2011
(In Thousands)

	Public Employees Retirement	Judicial Retirement	Magistrate Retirement	Volunteer Firefighters Retirement	Educational Employees Retirement System
ASSETS					
Cash and Cash Equivalents	\$ 819,503	\$ 5,376	\$ 2,196	\$ 3,269	\$ 552,278
Investment in State General Fund Investment Pool	6,727	477	1,172	62	6,347
Investments					
U.S. Government and Agency Securities	1,381,394	9,062	3,701	5,511	1,048,825
International Securities	3,210,614	21,062	8,603	12,809	1,473,099
Corporate Equity Securities	2,957,661	19,402	7,926	11,800	2,698,483
Corporate and Municipal Bonds	1,461,464	9,588	3,916	5,831	1,419,706
Partnerships and Other Investments	2,552,062	16,711	6,824	10,162	2,475,205
Securities Lending Collateral Investments	529,477	3,487	1,449	2,092	213,455
Due From Other Funds	509	-	-	-	-
Receivables					
Brokers	1,066,288	6,995	2,857	4,254	86,434
Contributions	27,398	136	84	-	71,938
Accrued Interest and Other	43,110	280	114	169	33,127
Participant Loans	-	-	-	-	-
Capital Assets, Net	15,574	-	-	-	4,202
Total Assets	14,071,781	92,576	38,842	55,959	10,083,099
LIABILITIES					
Accounts Payable	9,194	-	-	-	2,965
Security Lending Liability	556,902	3,668	1,523	2,201	213,790
Accrued Liabilities	175	-	-	-	123
Due to Other Funds	-	176	74	93	-
Due to Brokers	1,510,172	9,907	4,046	6,025	277,238
Unearned Revenue	-	-	-	-	-
Deposits Held in Trust	-	-	-	-	191
Other Liabilities	319	-	-	-	229
Total Liabilities	2,076,762	13,751	5,643	8,319	494,536
NET ASSETS					
Held in Trust for:					
Pension Benefits	11,995,019	78,825	33,199	47,640	9,588,563
Other Employee Benefits	-	-	-	-	-
Defined Contribution	-	-	-	-	-
Net Assets	\$ 11,995,019	\$ 78,825	\$ 33,199	\$ 47,640	\$ 9,588,563

<u>New Mexico Retiree Health Care Authority</u>	<u>Deferred Compensation (IRC 457) Plan</u>	<u>Total</u>
\$ 5,080	\$ 2,074	\$ 1,389,776
17,636	-	32,421
-	-	2,448,493
-	-	4,726,187
-	-	5,695,272
-	-	2,900,505
217,436	379,966	5,658,366
-	-	749,960
2	-	511
7,959	-	1,174,787
16,134	-	115,690
4,087	-	80,887
	6,493	6,493
42	-	19,818
<u>268,376</u>	<u>388,533</u>	<u>24,999,166</u>
15,062	-	27,221
-	-	778,084
53	-	351
326	-	669
8,273	-	1,815,661
6,375	-	6,375
-	-	191
23,083	-	23,631
<u>53,172</u>	<u>-</u>	<u>2,652,183</u>
-	-	21,743,246
215,204	-	215,204
-	388,533	388,533
<u>\$ 215,204</u>	<u>\$ 388,533</u>	<u>\$ 22,346,983</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, 2011

(In Thousands)

	Public Employees Retirement	Judicial Retirement	Magistrate Retirement	Volunteer Firefighters Retirement	Educational Employees Retirement System
ADDITIONS					
Contributions:					
Employee Contributions	\$ 232,466	\$ 1,319	\$ 363	\$ -	\$ 247,408
Employer Contributions	283,377	3,823	895	-	308,368
Transfers In	-	-	-	750	-
Total Contributions	515,843	5,142	1,258	750	555,776
Investment Income (Loss):					
Net Increase in Fair Value of Investments	1,963,256	12,730	5,367	7,692	1,396,479
Interest and Dividends	246,362	1,602	651	953	183,076
	2,209,618	14,332	6,018	8,645	1,579,555
Less Investment Expense	(23,367)	-	(63)	(94)	(35,059)
Net Investment Income	2,186,251	14,332	5,955	8,551	1,544,496
Other Additions					
Other Operating Revenues	46,745	300	130	181	4,032
Total Other Additions	46,745	300	130	181	4,032
Total Additions	2,748,839	19,774	7,343	9,482	2,104,304
DEDUCTIONS					
Benefits and Claims	716,680	7,142	2,954	782	701,772
Retiree Healthcare Payments	-	-	-	-	-
Refunds	43,108	-	56	-	35,087
General and Administrative Expenses	10,524	177	12	-	11,407
Other Operating Expenses	-	-	-	-	-
Total Deductions	770,312	7,319	3,022	782	748,266
Change in Net Assets	1,978,527	12,455	4,321	8,700	1,356,038
Net Assets - Beginning	10,016,492	66,370	28,878	38,940	8,232,525
Net Assets - Ending	\$ 11,995,019	\$ 78,825	\$ 33,199	\$ 47,640	\$ 9,588,563

New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
\$ 130,168	\$ 35,818	\$ 647,542
66,708	-	663,171
-	-	750
<u>196,876</u>	<u>35,818</u>	<u>1,311,463</u>
33,746	30	3,419,300
(10,869)	52,978	474,753
<u>22,877</u>	<u>53,008</u>	<u>3,894,053</u>
-	-	(58,583)
<u>22,877</u>	<u>53,008</u>	<u>3,835,470</u>
35,577	-	86,965
<u>35,577</u>	<u>-</u>	<u>86,965</u>
<u>255,330</u>	<u>88,826</u>	<u>5,233,898</u>
-	28,584	1,457,914
210,805	-	210,805
-	-	78,251
2,605	987	25,712
5,470	123	5,593
<u>218,880</u>	<u>29,694</u>	<u>1,778,275</u>
36,450	59,132	3,455,623
178,754	329,401	18,891,360
<u>\$ 215,204</u>	<u>\$ 388,533</u>	<u>\$ 22,346,983</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ 32,476	\$ 32,476	\$ 100,244	\$ 67,768
Charges for Services	109	109	49	(60)
Total Revenues and Other Financing Sources	<u>32,585</u>	<u>32,585</u>	<u>100,293</u>	<u>67,708</u>
EXPENDITURES				
Public Employees Retirement				
P640 Pension Administration Program	32,584	32,854	31,086	1,768
Total Expenditures and Other Financing Uses	<u>32,584</u>	<u>32,854</u>	<u>31,086</u>	<u>1,768</u>
Net Change Budgetary Basis	<u>\$ 1</u>	<u>\$ (269)</u>	<u>\$ 69,207</u>	<u>\$ 65,940</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 69,207	
Differences Budget to GAAP:				
Revenues Not Budgeted			2,648,546	
Expenditures Not Budgeted			<u>(739,226)</u>	
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ 1,978,527</u>	

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS – EDUCATIONAL RETIREMENT SYSTEM

For the Year Ended June 30, 2011
(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ 26,908	\$ 37,208	\$ 37,208	\$ -
Total Revenues and Other Financing Sources	<u>26,908</u>	<u>37,208</u>	<u>37,208</u>	<u>-</u>
EXPENDITURES				
Educational Retirement Board				
P635 Educational Retirement Board	26,908	37,208	29,832	7,376
Total Expenditures and Other Financing Uses	<u>26,908</u>	<u>37,208</u>	<u>29,832</u>	<u>7,376</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,376</u>	<u>\$ (7,376)</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis) \$ 7,376

Differences Budget to GAAP:

Revenues Not Budgeted 2,067,096
Expenditures Not Budgeted (718,434)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances** \$ 1,356,038

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS – NEW MEXICO RETIREE HEALTH CARE AUTHORITY

For the Year Ended June 30, 2011

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ 103	\$ 103	\$ 41	\$ (62)
Miscellaneous and Other	220,565	220,564	230,920	10,356
Operating Transfers In	2,756	2,756	2,914	158
Total Revenues and Other Financing Sources	223,424	223,423	233,875	10,452
EXPENDITURES				
Retiree Health Care Authority				
P633 Healthcare Benefits Administration Program	220,668	220,668	213,719	6,949
P634 Program Support	2,757	2,757	2,598	159
Total Expenditures and Other Financing Uses	223,425	223,425	216,317	7,108
Net Change Budgetary Basis	\$ (1)	\$ (2)	\$ 17,558	\$ 3,344

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis)

\$ 17,558

Differences Budget to GAAP:

Revenues Not Budgeted

21,455

Expenditures Not Budgeted

(2,563)

**Total Other Financing Sources (Uses) as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ 36,450

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years Ending June 30, 2011
(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income (Expense)	
2011	\$ 232,466	\$ 283,377	\$ 2,186,251	\$ 46,745	\$ 2,748,839
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2011	\$ 716,680	\$ 10,524	\$ 43,108	\$ -	\$ 770,312
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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years Ending June 30, 2011

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2011	\$ 1,319	\$ 3,823	\$ 14,332	\$ 300	\$ 19,774
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2011	\$ 7,142	\$ 177	\$ -	\$ -	\$ 7,319
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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years Ending June 30, 2011

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2011	\$ 363	\$ 895	\$ 5,955	\$ 130	\$ 7,343
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2011	\$ 2,954	\$ 12	\$ 56	\$ -	\$ 3,022
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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM For the Last Ten Years Ending June 30, 2011 (In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income+	
2011	\$ -	\$ -	\$ 8,551	\$ 931	\$ 9,482
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)

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2011	\$ 782	\$ -	\$ -	\$ -	\$ 782
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

*Contributions are appropriated from the State of New Mexico Fire Protection Fund.

+Includes other operating revenue and transfers in.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM

For the Last Ten Years Ending June 30, 2011
(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2011	\$ 247,408	\$ 308,368	\$ 1,544,496	\$ 4,032	\$ 2,104,304
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)

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2011	\$ 701,772	\$ 11,407	\$ 35,087	\$ -	\$ 748,266
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

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE RETIREE HEALTH CARE AUTHORITY

For the Last Nine Years Ending June 30, 2011

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income+	
2011	\$ 130,168	\$ 66,708	\$ 22,877	\$ 35,577	\$ 255,330
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	
2011	\$ 210,805	\$ 2,605	\$ -	\$ 5,470	\$ 218,880
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.

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 the 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, 2011

(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,386	\$ 464,435	\$ 465,821
Investments			
Investment Pools	59,303	307,610	366,913
Receivables	2,430	659	3,089
Total Assets	<u>63,119</u>	<u>772,704</u>	<u>835,823</u>
LIABILITIES			
Due to Other Funds	89	-	89
Due to Brokers	2,256	-	2,256
Intergovernmental Payables	-	185,890	185,890
Other Liabilities	2,528	-	2,528
Total Liabilities	<u>4,873</u>	<u>185,890</u>	<u>190,763</u>
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	58,246	586,814	645,060
Net Assets	<u>\$ 58,246</u>	<u>\$ 586,814</u>	<u>\$ 645,060</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, 2011

(In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ -	\$ 20,214	* \$ 20,214
Investment Income (Loss):			
Net Increase in Fair Value of Investments	7,577	-	7,577
Interest and Dividends	7,337	(1,498)	5,839
Total Additions	<u>14,914</u>	<u>18,716</u>	<u>33,630</u>
DEDUCTIONS			
Pool Participant Withdrawals	20,303	-	20,303
General and Administrative Expenses	99	324	423
Total Deductions	<u>20,402</u>	<u>324</u>	<u>20,726</u>
Change in Net Assets	(5,488)	18,392	12,904
Net Assets - Beginning	<u>63,734</u>	<u>568,422</u>	<u>632,156</u>
Net Assets - Ending	<u>\$ 58,246</u>	<u>\$ 586,814</u>	<u>\$ 645,060</u>

*The pool participant deposits of \$20,214 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.

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, 2011

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
ASSETS					
Cash and Cash Equivalents	\$ 553	\$ 329,105	\$ 5,707	\$ 5,287	\$ 340,652
Investment in State General Fund Investment Pool	933	37,255	-	-	38,188
Investments					
U.S. Government and Agency Securities	-	117,205	-	-	117,205
Corporate Equity Securities	-	2,131	-	-	2,131
Partnerships and Other Investments	22,804	1,150,899	1,939,707	-	3,113,410
Investment Pools	-	7,481,062	-	45,876	7,526,938
Due From Other Funds	-	11,302	-	-	11,302
Receivables	935	305,305	2,811	1,158	310,209
Total Assets	<u>25,225</u>	<u>9,434,264</u>	<u>1,948,225</u>	<u>52,321</u>	<u>11,460,035</u>
LIABILITIES					
Accounts Payable	-	-	2,145	-	2,145
Accrued Liabilities	-	-	677	1,592	2,269
Due to Other Funds	34	-	-	81	115
Due to Beneficiaries	-	37,213	-	-	37,213
Due to Brokers	868	212,581	-	990	214,439
Other Liabilities	972	212,853	-	-	213,825
Total Liabilities	<u>1,874</u>	<u>462,647</u>	<u>2,822</u>	<u>2,663</u>	<u>470,006</u>
NET ASSETS					
Held in Trust for:					
Other Purposes	23,351	8,971,617	1,945,403	49,658	10,990,029
Net Assets	<u>\$ 23,351</u>	<u>\$ 8,971,617</u>	<u>\$ 1,945,403</u>	<u>\$ 49,658</u>	<u>\$ 10,990,029</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, 2011

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
ADDITIONS					
Member Contributions	\$ -	\$ -	\$ 636,475	\$ -	\$ 636,475
Transfers In	-	342,894	-	-	342,894
Total Contributions	-	342,894	636,475	-	979,369
Investment Income:					
Net Increase in Fair					
Value of Investments	-	1,484,800	307,306	5,848	1,797,954
Interest and Dividends	3,359	208,852	4,590	979	217,780
	3,359	1,693,652	311,896	6,827	2,015,734
Less Investment Expense	-	-	(13,038)	-	(13,038)
Net Investment Income	3,359	1,693,652	298,858	6,827	2,002,696
Total Additions	3,359	2,036,546	935,333	6,827	2,982,065
DEDUCTIONS					
Distributions	-	446,561	638,757	-	1,085,318
Other Operating Expenses	-	13,989	-	-	13,989
Transfers Out	5,000	-	-	4,000	9,000
Total Deductions	5,000	460,550	638,757	4,000	1,108,307
Change in Net Assets	(1,641)	1,575,996	296,576	2,827	1,873,758
Net Assets - Beginning	24,992	7,395,621	1,648,827	46,831	9,116,271
Net Assets - Ending	\$ 23,351	\$ 8,971,617	\$ 1,945,403	\$ 49,658	\$ 10,990,029

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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 Department of Finance and Administration, 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, 2011

(In Thousands)

	Culture, Recreation, and Natural Resources	Other Agency	Receipts Pending Distribution	Suspense Related	Total
ASSETS					
Cash and Cash Equivalents	\$ 347	\$ 362	\$ 501	\$ 455,919	\$ 457,129
Investment in State General Fund					
Investment Pool	340	38,348	28,733	363,055	430,476
Investment in Local Government					
Investment Pool	-	-	15	3,199	3,214
Investments					
Investment Pools	-	21,755	-	-	21,755
Due From Other Funds	-	16,559	-	221,944	238,503
Receivables, Net	94	10,027	633	-	10,754
Total Assets	<u>\$ 781</u>	<u>\$ 87,051</u>	<u>\$ 29,882</u>	<u>\$ 1,044,117</u>	<u>\$ 1,161,831</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 44,864	\$ 27,696	\$ 59	\$ 72,619
Due to Taxpayer	-	-	-	190,279	190,279
Intergovernmental Payables	-	18,522	127	292,236	310,885
Deposits Held in Trust	367	22,836	1,468	561,181	585,852
Other Liabilities	414	829	591	362	2,196
Total Liabilities	<u>\$ 781</u>	<u>\$ 87,051</u>	<u>\$ 29,882</u>	<u>\$ 1,044,117</u>	<u>\$ 1,161,831</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, 2011

(In Thousands)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
CULTURE, RECREATION, AND NATURAL RESOURCES				
Assets				
Cash and Cash Equivalents	\$ 350	\$ 7	\$ 10	\$ 347
Investment in State General Fund Investment Pool	253	92	5	340
Receivables, Net	-	297	203	94
Total Assets	<u>\$ 603</u>	<u>\$ 396</u>	<u>\$ 218</u>	<u>\$ 781</u>
Liabilities				
Deposits Held in Trust	\$ 231	\$ 147	\$ 11	\$ 367
Other Liabilities	372	107	65	414
Total Liabilities	<u>\$ 603</u>	<u>\$ 254</u>	<u>\$ 76</u>	<u>\$ 781</u>
	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
OTHER AGENCY				
Assets				
Cash and Cash Equivalents	\$ 672	\$ 811	\$ 1,121	\$ 362
Investment in State General Fund Investment Pool	206,288	5,763,020	5,930,960	38,348
Investments	20,965	13,778	12,988	21,755
Due From Other Funds	17,617	22,905	23,963	16,559
Receivables, Net	43,675	82,557	116,205	10,027
Total Assets	<u>\$ 289,217</u>	<u>\$ 5,883,071</u>	<u>\$ 6,085,237</u>	<u>\$ 87,051</u>
Liabilities				
Accounts Payable	\$ 38,140	\$ 921,465	\$ 914,741	\$ 44,864
Due to Other Funds	220,245	628,922	849,167	-
Intergovernmental Payables	8,817	818,634	808,929	18,522
Deposits Held in Trust	20,704	152,085	149,953	22,836
Other Liabilities	1,311	9,943	10,425	829
Total Liabilities	<u>\$ 289,217</u>	<u>\$ 2,531,049</u>	<u>\$ 2,733,215</u>	<u>\$ 87,051</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, 2011

(In Thousands)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
RECEIPTS PENDING DISTRIBUTION OF FUNDS				
Assets				
Cash and Cash Equivalents	\$ 646	\$ 218	\$ 363	\$ 501
Investment in State General Fund Investment Pool	2,218	405,287	378,772	28,733
Investment in Local Government Investment Pool	-	15	-	15
Due From Other Funds	1,214	229	1,443	-
Receivables, Net	796	192	355	633
Total Assets	<u>\$ 4,874</u>	<u>\$ 405,941</u>	<u>\$ 380,933</u>	<u>\$ 29,882</u>
Liabilities				
Accounts Payable	\$ -	\$ 31,937	\$ 4,241	\$ 27,696
Due to Other Funds	4,018	239,695	243,713	-
Intergovernmental Payables	128	14,644	14,645	127
Deposits Held in Trust	-	357,445	355,977	1,468
Other Liabilities	728	189	326	591
Total Liabilities	<u>\$ 4,874</u>	<u>\$ 643,910</u>	<u>\$ 618,902</u>	<u>\$ 29,882</u>
	Balance June 30, 2010,	Additions	Deletions	Balance June 30, 2011
SUSPENSE RELATED FUNDS				
Assets				
Cash and Cash Equivalents	\$ 463,654	\$ 54,102	\$ 61,837	\$ 455,919
Investment in State General Fund Investment Pool	610,555	12,333,333	12,580,833	363,055
Investment in Local Government Investment Pool	5,159	3,199	5,159	3,199
Due From Other Funds	204,317	158,690	141,063	221,944
Receivables, Net	742,747	1,551,188	2,293,935	-
Total Assets	<u>\$ 2,026,432</u>	<u>\$ 14,100,512</u>	<u>\$ 15,082,827</u>	<u>\$ 1,044,117</u>
Liabilities				
Accounts Payable	\$ -	\$ 375,391	\$ 375,332	\$ 59
Due to Other Funds	878,739	1,611,080	2,489,819	-
Due to Taxpayer	197,217	190,278	197,216	190,279
Intergovernmental Payables	264,036	291,860	263,660	292,236
Deposits Held in Trust	490,316	19,720,433	19,649,568	561,181
Other Liabilities	196,124	100,278	296,040	362
Total Liabilities	<u>\$ 2,026,432</u>	<u>\$ 22,289,320</u>	<u>\$ 23,271,635</u>	<u>\$ 1,044,117</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, 2011

(In Thousands)

	Balance June 30, 2010,	Additions	Deletions	Balance June 30, 2011
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$ 465,322	\$ 55,138	\$ 63,331	\$ 457,129
Investment in State General Fund Investment Pool	819,314	18,501,732	18,890,570	430,476
Investment in Local Government Investment Pool	5,159	3,214	5,159	3,214
Investments	20,965	13,778	12,988	21,755
Due From Other Funds	223,148	181,824	166,469	238,503
Receivables, Net	787,218	1,634,234	2,410,698	10,754
Total Assets	<u>\$ 2,321,126</u>	<u>\$ 20,389,920</u>	<u>\$ 21,549,215</u>	<u>\$ 1,161,831</u>
Liabilities				
Accounts Payable	\$ 38,140	\$ 1,328,793	\$ 1,294,314	\$ 72,619
Due to Other Funds	1,103,002	2,479,697	3,582,699	-
Due to Taxpayer	197,217	190,278	197,216	190,279
Intergovernmental Payables	272,981	1,125,138	1,087,234	310,885
Deposits Held in Trust	511,251	20,230,110	20,155,509	585,852
Other Liabilities	198,535	110,517	306,856	2,196
Total Liabilities	<u>\$ 2,321,126</u>	<u>\$ 25,464,533</u>	<u>\$ 26,623,828</u>	<u>\$ 1,161,831</u>

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

STATISTICAL SECTION



Sky City at Night, Acoma Pueblo
Source: New Mexico Tourism Department, KChavez

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

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.

Financial Trends Information

These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

Schedule A-1 Net Assets by Component.....	293
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Revenue Capacity Information

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule B-1 Revenues by Source and Expenditures by Function	305
Schedule B-2 Schedule of Revenues, State General Fund.....	307
Schedule B-3 Revenue Base.....	313
Schedule B-4 Revenue Payers by Industry – Taxable Sales, Services, and Use Tax Purchases	315
Schedule B-5 Revenue Payers – Personal Income Tax	316
Schedule B-6 Personal Income Tax Rates.....	317

Debt Capacity Information

These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.

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Schedule C-2 Other Long-Term Liabilities	321
Schedule C-3 Legal Debt Margin	323
Schedule C-4 Pledged Revenue Bond Coverage.....	325
Schedule C-5 Statutory Debt Limit	327

Demographics and Economic Information

These schedules contain demographic and economic indicators to help the reader to understand the environment within which the State's financial activities take place.

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Schedule D-2 Principal Employers.....	330
Schedule D-3 Composition of Labor Force.....	331
Schedule D-4 Public Higher Education Enrollment	333

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

INDEX TO STATISTICAL SECTION

Operating Information

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.

Schedule E-1 Full-Time Equivalent State Employees by Function.....	335
Schedule E-2 Operating Indicators by Function.....	337
Schedule E-3 Capital Asset Statistics by Function.....	343

Other Information

These graphs and schedules offer a historical view of expenditures in constant dollars.

Schedule F-1 Expenditures – Historical and Constant Dollars.....	345
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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 Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010, as Restated	2009, as Restated	2008, as Restated	2007, as Restated
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 6,671,011	\$ 6,994,968	\$ 6,995,306	\$ 6,204,269	\$ 5,516,914
Restricted	5,685,913	4,868,634	4,530,761	7,558,292	8,828,955
Unrestricted	303,792	(108,104)	606,498	486,879	214,145
Total Governmental Activities Net Assets	\$ 12,660,716	\$ 11,755,498	\$ 12,132,565	\$ 14,249,440	\$ 14,560,014
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 1,491,224	1,453,705	\$ 1,381,260	\$ 1,090,692	\$ 940,608
Restricted	1,978,206	1,841,424	1,853,252	2,610,808	2,422,434
Unrestricted	767,876	731,394	659,451	471,516	657,530
Total Business-type Activities Net Assets	\$ 4,237,306	\$ 4,026,523	\$ 3,893,963	\$ 4,173,016	\$ 4,020,572
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 8,162,235	8,448,673	\$ 8,376,566	\$ 7,294,961	\$ 6,457,522
Restricted	7,664,119	6,710,058	6,384,013	10,169,100	11,251,389
Unrestricted	1,071,668	623,290	1,265,949	958,395	871,675
Total Primary Government Net Assets	\$ 16,898,022	\$ 15,782,021	\$ 16,026,528	\$ 18,422,456	\$ 18,580,586

SCHEDULE A-1

(Accrual Basis of Accounting)

Fiscal Year				
2006	2005	2004	2003	2002
\$ 5,724,003	\$ 6,689,355	\$ 7,187,781	\$ 7,830,967	\$ 7,226,617
6,427,635	5,282,593	5,301,338	4,075,363	4,166,965
752,605	762,177	171,430	351,759	1,321,140
<u>\$ 12,904,243</u>	<u>\$ 12,734,125</u>	<u>\$ 12,660,549</u>	<u>\$ 12,258,089</u>	<u>\$ 12,714,722</u>
\$ 945,940	\$ 885,520	\$ 955,999	\$ 892,515	\$ 874,302
2,145,306	1,391,203	1,561,273	1,506,856	1,682,804
489,752	979,918	624,269	582,996	494,137
<u>\$ 3,580,998</u>	<u>\$ 3,256,641</u>	<u>\$ 3,141,541</u>	<u>\$ 2,982,367</u>	<u>\$ 3,051,243</u>
\$ 6,669,943	\$ 7,574,875	\$ 8,143,780	\$ 8,723,482	\$ 8,100,919
8,572,941	6,673,796	6,862,611	5,582,219	5,849,769
1,242,357	1,742,095	795,699	934,755	1,815,277
<u>\$ 16,485,241</u>	<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 Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010	2009, as Restated	2008, as Restated	2007, as Restated
Program Expenses					
Governmental Activities:					
General Control	\$ 1,217,362	\$ 1,197,734	\$ 1,313,985	\$ 1,020,981	\$ 921,198
Culture, Recreation, and Natural Resources	226,366	227,367	216,328	215,727	263,457
Highway and Transportation	905,469	1,007,714	939,111	999,407	1,126,085
Judicial	237,705	244,824	252,343	231,571	215,954
Legislative	26,147	25,474	27,766	22,236	22,079
Public Safety	449,734	456,583	505,599	453,297	451,320
Regulation and Licensing	105,199	117,728	132,021	119,865	115,717
Health and Human Services	5,631,423	5,995,540	5,297,968	4,854,810	4,471,413
Education	3,180,978	3,325,810	3,277,536	3,221,028	2,987,212
Unemployment Benefits	15,809 +	11,537 +	1,986 +	-	-
Interest	154,043	130,997	117,338	175,364	547,366
Total Governmental Activities Expenses	12,150,235	12,741,308	12,081,981	11,314,286	11,121,801
Business-type Activities:					
Educational Institutions	2,761,289	2,678,999	2,668,110	2,921,387	2,273,301
Public Schools Insurance	320,762	298,852	334,740	309,955	283,995
Environmental Loans	14,908	7,581	863	8,433	429
Lottery	- #	99,997	101,750	106,997	113,963
Miners' Colfax Medical Center	24,706	24,896	26,908	24,459	19,477
Unemployment Insurance	742,883	781,494	368,957	159,776	120,931
State Fair	16,031	18,916	20,025	19,381	17,626
Other Business-type Activities	11,988	8,726	9,909	10,347	9,643
Total Business-type Activity Expenses	3,892,567	3,919,461	3,531,262	3,560,735	2,839,365
Total Primary Government Expenses	\$ 16,042,802	\$ 16,660,769	\$ 15,613,243	\$ 14,875,021	\$ 13,961,166
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 187,280	\$ 196,030	\$ 246,637	\$ 381,779	\$ 804,054
Culture, Recreation, and Natural Resources	125,711	151,080	174,137	160,091	101,262
Highway and Transportation	272,038	78,887	162,366	146,165	24,988
Judicial	151,097	172,084	206,442	167,600	5,555
Public Safety	355,965	328,297	494,388	409,075	50,527
Regulation and Licensing	138,848	90,715	110,738	107,218	62,983
Commerce and Industry	-	-	-	-	-
Health and Human Services	275,408	361,077	101,945	86,810	73,499
Education	6,252	279	2,071	1,170	82,553
Operating Grants and Contributions	5,195,855	5,331,479	4,272,942	3,715,696	3,416,802
Capital Grants and Contributions	369,813	376,259	388,792	311,661	290,317
Total Governmental Activities	7,078,267	7,086,187	6,160,458	5,487,265	4,912,540
Program Revenues	7,078,267	7,086,187	6,160,458	5,487,265	4,912,540

In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary 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.

*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor propriety fund.

@ 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.

SCHEDULE A-2

(Accrual Basis of Accounting)

Fiscal Year				
2006, as Restated	2005, as Restated	2004, as Restated	2003, as Restated	2002, as Restated
\$ 869,013	\$ 882,809	\$ 537,442	\$ 279,041	\$ 367,506
202,330	185,303	183,074	203,607	169,027
1,027,618	877,638	785,042	585,187	875,972
194,452	184,319	168,013	158,362	153,391
14,052	12,412	12,036	22,424	11,874
390,557	378,394	345,779	338,676	323,909
97,956	88,722	81,551	75,894	100,022
4,055,602	3,729,641	3,732,015	3,424,129	3,148,466
2,902,753	2,637,052	2,611,476	2,381,521	2,336,909
-	-	-	-	-
92,505	125,476	132,440	246,340	92,062
<u>9,846,838</u>	<u>9,101,766</u>	<u>8,588,868</u>	<u>7,715,181</u>	<u>7,579,138</u>
2,142,898	1,996,827	1,876,567	1,801,107	1,733,310
259,513	247,248	223,798	199,749	174,113
565	328	374	454	334
113,721	102,512	106,661	100,463	99,878
21,511	19,408	18,173	17,468	15,082
109,936 *	129,422	159,954	174,705	135,748
17,639	15,931	15,891	16,221	14,073
10,154	9,880	9,491	10,074	116,004 @
<u>2,675,937</u>	<u>2,521,556</u>	<u>2,410,909</u>	<u>2,320,241</u>	<u>2,288,542</u>
<u>\$ 12,522,775</u>	<u>\$ 11,623,322</u>	<u>\$ 10,999,777</u>	<u>\$ 10,035,422</u>	<u>\$ 9,867,680</u>
\$ 865,759	\$ 551,802	\$ 426,919	\$ 336,123	\$ 251,768
109,033	69,493	53,766	42,331	69,913
26,906	17,149	13,268	10,446	4,878
5,981	3,812	2,949	2,322	20,309
54,404	34,675	26,828	21,122	30,091
67,816	43,223	33,441	-	-
-	-	-	26,329	19,771
79,139	50,440	39,025	30,725	261,074
88,888	56,654	43,832	34,510	62,914
3,283,620	3,268,985	3,182,126	2,765,888	2,413,596
323,013	275,053	292,847	324,588	334,663
<u>4,904,559</u>	<u>4,371,286</u>	<u>4,115,001</u>	<u>3,594,384</u>	<u>3,468,977</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010	2009, as Restated	2008, as Restated	2007, as Restated
Business-type Activities:					
Charges for Services					
Educational Institutions	1,169,885	1,116,796	1,104,240	997,629	768,176
Public Schools Insurance	326,622	322,741	320,132	293,758	288,168
Lottery	- #	143,539	142,316	147,152	148,080
Environmental Loans	4,215	-	-	-	69
Miners' Colfax Medical Center	22,442	20,588	15,650	15,022	16,720
Unemployment Insurance	-	-	35	-	103,718
Retiree Health Care	-	-	-	-	-
State Fair	11,983	13,859	14,489	12,763	15,632
Other Business-type Activities	11,218	11,883	8,812	9,312	8,955
Operating Grants and Contributions	1,306,820	1,188,887	692,833	454,131	650,982
Capital Grants and Contributions	998	26,966	29,682	73,918	99,347
Total Business-type Activities					
Program Revenues	<u>2,854,183</u>	<u>2,845,259</u>	<u>2,328,189</u>	<u>2,003,685</u>	<u>2,099,847</u>
Total Primary Government					
Program Revenues	<u>\$ 9,932,450</u>	<u>\$ 9,931,446</u>	<u>\$ 8,488,647</u>	<u>\$ 7,490,950</u>	<u>\$ 7,012,387</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,071,968)	(5,655,121)	\$ (5,921,523)	\$ (5,827,021)	\$ (6,209,261)
Business-type Activities	<u>(1,038,384)</u>	<u>(1,074,202)</u>	<u>(1,203,073)</u>	<u>(1,557,050)</u>	<u>(739,518)</u>
Total Primary Government Net Expense	<u>\$ (6,110,352)</u>	<u>\$ (6,729,323)</u>	<u>\$ (7,124,596)</u>	<u>\$ (7,384,071)</u>	<u>\$ (6,948,779)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,088,300	\$ 956,560	\$ 918,090	\$ 1,618,406	\$ 1,520,214
Corporate Income Tax	238,452	125,101	192,487	403,525	453,857
Sales and Use Tax	444,717	737,996	1,831,946	397,894	403,909
Business Privilege	2,272,909	2,071,687	1,341,753	3,319,760	2,962,550
Severance	-	-	-	-	-
Other Taxes	914,655	475,961	523,085	38,706	30,683
Tribal Gaming Revenue	-	-	-	-	-
Investment Income	1,618,785	1,252,935	(373,965)	595,463	1,622,183
Other Revenue (Expense)	103,917	183,159	134,477	(114,555)	276,242
Transfers	<u>(704,549)</u>	<u>(723,795)</u>	<u>(763,662)</u>	<u>(692,490)</u>	<u>(560,187)</u>
Total Governmental Activities	<u>5,977,186</u>	<u>5,079,604</u>	<u>3,804,211</u>	<u>5,566,709</u>	<u>6,709,451</u>

In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary fund.

SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

Fiscal Year				
2006	2005	2004	2003	2002
1,316,416	1,296,603	778,643	603,635	623,496
260,972	245,390	226,622	185,435	174,074
150,043	134,469	142,317	133,250	129,283
155	4,914	69	-	3,937
19,265	16,149	13,774	17,898	14,945
94,289	85,858	80,706	89,337	134,108
-	-	-	-	93,409
15,892	14,629	13,998	14,881	13,888
9,364	9,328	9,100	8,905	9,813
120,205	35,418	460,203	581,150	-
28,934	30,553	20,699	13,080	6,519
2,015,535	1,873,311	1,746,131	1,647,571	1,203,472
\$ 6,920,094	\$ 6,244,597	\$ 5,861,132	\$ 5,241,955	\$ 4,672,449
\$ (4,942,279)	\$ (4,730,480)	\$ (4,473,867)	\$ (4,120,797)	\$ (4,110,161)
(660,402)	(648,245)	(664,778)	(672,670)	(1,085,070)
\$ (5,602,681)	\$ (5,378,725)	\$ (5,138,645)	\$ (4,793,467)	\$ (5,195,231)
\$ 1,543,262	\$ 1,089,031	\$ 1,090,733	\$ 980,326	\$ 1,009,224
374,957	244,371	131,897	102,846	138,078
388,739	368,716	327,878	275,873	303,615
2,370,530	1,970,239	1,821,396	1,684,150	1,305,730
-	-	-	-	194,347
30,683	507,381	360,940	301,555	381,209
-	-	-	-	107,339
1,203,881	994,872	1,071,990	639,731	169,647
(264,596)	239,724	181,707	139,060	27,775
(533,035)	(495,101)	(481,507)	(473,007)	(484,860)
5,114,421	4,919,233	4,505,034	3,650,534	3,152,104

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010	2009, as Restated	2008, as Restated	2007, as Restated
Business-type Activities:					
Taxes					
Other Taxes	207,140	188,465	193,380	-	-
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	261,972	220,917	(188,463)	170,050	318,922
Other Revenue	75,506	103,066	93,204	424,018	299,983
Transfers	704,549	723,795	763,662	692,490	560,187
Total Business-type Activities	<u>1,249,167</u>	<u>1,236,243</u>	<u>861,783</u>	<u>1,286,558</u>	<u>1,179,092</u>
Total Primary Government	<u>\$ 7,226,353</u>	<u>\$ 6,315,847</u>	<u>\$ 4,665,994</u>	<u>\$ 6,853,267</u>	<u>\$ 7,888,543</u>
Change in Net Assets					
Governmental Activities	905,218	(575,517)	(2,117,312)	(260,312)	500,190
Business-type Activities	210,783	162,041	(341,290)	(270,492)	439,574
Total Primary Government	<u>\$ 1,116,001</u>	<u>\$ (413,476)</u>	<u>\$ (2,458,602)</u>	<u>\$ (530,804)</u>	<u>\$ 939,764</u>

SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

Fiscal Year				
2006	2005	2004	2003	2002
-	-	-	-	-
-	-	-	-	534,293
129,014	115,187	134,001	77,334	(55,987)
259,303	154,389	186,383	160,058	115,727
<u>533,035</u>	<u>495,101</u>	<u>481,507</u>	<u>473,007</u>	<u>484,860</u>
<u>921,352</u>	<u>764,677</u>	<u>801,891</u>	<u>710,399</u>	<u>1,078,893</u>
<u>\$ 6,035,773</u>	<u>\$ 5,683,910</u>	<u>\$ 5,306,925</u>	<u>\$ 4,360,933</u>	<u>\$ 4,230,997</u>
172,142	188,753	31,167	(470,263)	(958,057)
<u>260,950</u>	<u>116,432</u>	<u>137,113</u>	<u>37,729</u>	<u>(6,177)</u>
<u>\$ 433,092</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 Ten Fiscal Years
(In Thousands)

	Fiscal Year				2007
	2011	2010, as Restated	2009, as Restated	2008, as Restated	
General Fund					
Pre-GASB 54 Implementation					
Reserved	\$ -	\$ -	\$ 13,478	\$ 33,455	\$ 72,979
Unreserved	-	-	464,260	804,311	681,061
Post-GASB 54 Implementation					
Non-spendable	8,636	7,549	-	-	-
Restricted	237,097	184,417	-	-	-
Committed	56,219	15,562	-	-	-
Assigned	7,866	2,790	-	-	-
Unassigned	310,765	177,521	-	-	-
Total General Fund	620,583	387,839	477,738	837,766	754,040
All Other Governmental Funds					
Pre-GASB 54 Implementation					
Reserved	-	-	5,544,836	7,961,168	6,672,312
Unreserved, Reported in:					
Special Revenue Funds	-	-	593,975	576,290	898,371
Capital Projects Funds (Deficit)	-	-	5,962	(61,482)	114,637
Debt Service Funds	-	-	255,285	55,977	1,542
Post-GASB 54 Implementation					
Non-spendable	4,755,242	4,049,274	-	-	-
Restricted	752,599	311,917	-	-	-
Committed	1,497,949	2,039,275	-	-	-
Assigned	3,745	4,997	-	-	-
Unassigned (Deficit)	(147,796)	(63,938)	-	-	-
Total All Other Governmental Funds	\$ 6,861,739	\$ 6,341,525	\$ 6,400,058	\$ 8,531,953	\$ 7,686,862

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

Fiscal Year				
2006	2005	2004	2003	2002
\$ 76,990	\$ 69,687	\$ 186,655	\$ 230,781	\$ 197,938
859,338	732,395	427,605	172,240	298,084
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>936,328</u>	<u>802,082</u>	<u>614,260</u>	<u>403,021</u>	<u>496,022</u>
5,516,982	5,253,182	5,183,451	4,507,256	4,890,316
685,478	422,245	116,023	196,816	221,350
224,278	36,745	105,151	12,497	4,569
1,147	621,143	889,304	177,355	11,486
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,427,885</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 Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010, as Restated	2009, as Restated	2008, as Restated	2007
Revenues					
Taxes	\$ 4,993,360	\$ 4,407,236	\$ 4,769,862	\$ 5,778,291	\$ 5,360,317
Licenses, Fees, and Permits	356,897	212,328	288,697	218,066	202,897
Interest and Other Investment Income (Loss)	1,618,502	1,252,709	(375,149)	572,015	1,617,035
Rentals and Royalties	479,546	445,547	654,578	730,175	571,919
Charges for Services	212,816	241,411	69,934	66,159	57,883
Federal	5,565,668	5,722,781	4,661,734	4,027,357	3,708,912
Other Revenues	103,584	179,906	129,301	224,605	148,132
Total Revenues	13,330,373	12,461,918	10,198,957	11,616,668	11,667,095
Expenditures					
Current:					
General Control	376,279	421,810	430,195	592,814	546,890
Culture, Recreation, and Natural Resources	211,032	210,552	200,747	201,324	249,460
Highways and Transportation	307,454	429,522	372,406	409,321	623,619
Judicial	232,136	238,608	246,565	226,465	209,601
Legislative	24,651	24,128	26,401	20,876	20,564
Public Safety	437,529	442,777	485,937	438,744	437,857
Regulation and Licensing	99,528	110,411	129,504	118,611	112,887
Health and Human Services	5,623,871	5,907,586	5,291,005	4,851,140	4,527,036
Education	3,180,447	3,325,183	3,276,575	3,214,688	3,083,174
Unemployment Benefits	15,809	11,537 +	1,986 +	-	-
Land Grant	1,132	1,673 ^	-	-	-
Severance Tax	8,318	2,772 ^	-	-	-
Capital Outlay	721,706	710,727	864,676	727,171	502,040
Debt Service:					
Interest	227,115	139,666	113,284	171,673	547,366
Principal	347,486	332,447	230,504	175,043	903,289
Bond Issuance Costs	10,224	7,023	984	932	397
Advance Refunding Escrow	-	-	-	-	-
Total Expenditures	11,824,717	12,316,422	11,670,769	11,148,802	11,764,180
Excess (Deficiency) of Revenues Over Expenditures	1,505,656	24,778,340	(1,471,812)	467,866	(97,085)
Other Financing Sources (Uses)					
Bonds Issued	39,205	432,693	196,330	220,270	1,468,650
Bond Premium	129,344	56,025	28,082	9,120	-
Note Proceeds	2,025	80,534 ^	-	-	-
Refunding Bond Issue	776,220	174,990	-	490,950	-
Payment to Refunded Bond Escrow Agent	(668,590)	(72,570)	(95,290)	(498,480)	-
Proceeds from the Sale of Capital Assets	1,420	1,154 ^	-	-	-
Nonoperating Revenues (Expenditures)	-	-	-	-	137,964
Operating Transfers In	6,611,286	7,418,136	8,119,988	7,191,186	6,179,320
Operating Transfers Out	(7,643,610)	(8,336,960)	(9,269,658)	(7,906,532)	(6,746,776)
Total Other Financing Sources (Uses)	(752,700)	(245,998)	(1,020,548)	(493,486)	1,039,158
Net Change in Fund Balances	\$ 752,956	\$ 24,532,342	\$ (2,492,360)	\$ (25,620)	\$ 942,073

Debt Service as a Percentage of

Noncapital Expenditures 5.2% 4.1% 3.2% 3.3% 12.9%

+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				
2006	2005	2004	2003	2002
\$ 4,701,612	\$ 4,122,934	\$ 3,957,290	\$ 3,366,514	\$ 3,217,911
212,590	98,114	79,069	113,421	92,360
1,200,119	991,789	1,069,187	639,731	163,936
623,131	499,319	370,014	302,101	275,350
151,759	229,816	190,945	88,386	85,089
3,606,240	3,543,855	3,474,722	3,090,476	2,792,421
220,093	233,804	173,300	139,060	497,998
10,715,544	9,719,631	9,314,527	7,739,689	7,125,065
488,674	852,544	343,036	272,941	359,439
190,662	175,341	173,455	199,287	163,326
515,262	374,151	291,302	208,190	478,520
188,703	178,863	164,519	154,441	148,217
13,940	12,313	11,935	22,121	11,474
373,973	359,980	325,687	330,397	312,982
96,071	87,008	79,517	73,338	96,649
4,043,961	3,790,976	3,639,440	3,383,743	3,042,898
2,901,712	2,636,367	2,610,544	2,321,789	2,258,083
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
491,493	371,535	364,113	563,652	392,205
92,556	125,476	133,740	246,340	92,062
1,106,838	1,190,529	364,460	176,328	270,071
445	3,870	10,597	-	-
-	651	7,286	-	-
10,504,290	10,159,604	8,519,631	7,952,567	7,625,926
211,254	(439,973)	794,896	(212,878)	(500,861)
795,012	1,535,043	1,103,469	336,653	513,880
-	18,977	59,904	-	-
-	-	-	-	-
-	-	437,950	-	-
-	(75,077)	(408,856)	-	-
-	-	-	-	-
6,885	-	-	-	-
5,888,308	5,217,701	4,697,378	4,628,455	4,195,209
(6,425,666)	(5,725,723)	(5,180,257)	(5,103,650)	(4,681,988)
264,539	970,921	709,588	(138,542)	27,101
\$ 475,793	\$ 530,948	\$ 1,504,484	\$ (351,420)	\$ (473,760)

12.0%

13.4%

6.1%

5.7%

5.0%

^These are new expenditure categories beginning in fiscal year 2010.

STATE OF NEW MEXICO

REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL FUND TYPES

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2011	2010, as Restated	2009, as Restated	2008, as Restated	2007, as Restated
Revenues by Source					
Taxes	\$ 5,166,173	4,555,770	\$ 5,000,741	\$ 5,805,490	\$ 5,405,246
Licenses, Fees, and Permits	-	-	-	-	361,099
Interest and Other Investment Income (Loss)	7,761,482	5,381,994	(7,426,625)	(1,246,963)	7,108,548
Rentals and Royalties	-	-	-	-	791,019
Charges for Services	3,325,071	3,151,937	3,233,328	3,041,802	3,257,602
Intergovernmental	7,002,706	7,056,708	5,595,536	4,746,377	3,893,922
Contributions	2,311,046	2,205,582	2,292,863	3,803,498	1,076,626
Other Sources	252,946	327,027	250,951	361,170	669,846
Total Revenues	\$ 25,819,424	\$ 22,679,018	\$ 8,946,794	\$ 16,511,374	\$ 22,563,908
Expenditures by Function					
Legislative	\$ 26,147	25,474	\$ 27,766	\$ 22,237	\$ 22,079
Judicial	237,705	244,824	498,750	231,577	215,954
General Control	4,683,676	5,779,890	5,574,427	4,722,551	4,847,573
Regulation and Licensing	105,199	117,728	132,021	119,868	115,717
Culture, Recreation and Natural Resources	257,305	227,367	216,328	215,416	263,457
Health and Human Services	6,414,821	6,007,077	5,299,954	4,746,873	4,534,851
Public Safety	449,734	456,583	505,599	453,309	451,320
Highway and Transportation	905,469	1,007,714	939,111	999,418	1,126,085
Education	6,263,029	7,245,271	5,945,646	6,102,434	5,357,146
Total Expenditures	\$ 19,343,085	\$ 21,111,928	\$ 19,139,602	\$ 17,613,683	\$ 16,934,182

SCHEDULE B-1

FISCAL YEAR				
2006	2005	2004	2003	2002*
\$ 4,727,838	\$ 4,179,738	\$ 3,653,775	\$ 3,275,713	\$ 3,283,859
212,590	98,114	79,069	113,421	92,360
4,477,484	3,539,435	4,521,673	1,545,064	(1,112,306)
842,823	792,131	558,013	182,946	484,890
3,224,728	2,688,146	1,926,916	1,579,478	2,045,448
3,759,989	3,640,312	3,992,434	3,695,529	3,334,171
900,114	832,132	849,577	805,552	674,600
407,193	399,677	187,348	80,286	121,375
<u>\$ 18,552,759</u>	<u>\$ 16,169,685</u>	<u>\$ 15,768,805</u>	<u>\$ 11,277,989</u>	<u>\$ 8,924,397</u>
\$ 14,052	\$ 12,412	\$ 12,036	\$ 22,424	\$ 11,874
194,452	184,319	168,013	158,362	153,391
3,670,838	3,271,862	2,741,228	2,392,404	2,589,502
97,956	88,722	81,551	75,894	100,022
202,330	185,303	183,074	203,607	169,027
4,055,602	3,729,641	3,732,015	3,424,129	3,148,466
390,557	378,394	345,779	338,676	323,909
1,027,618	877,638	785,042	585,187	875,972
5,118,191	4,633,879	4,488,043	4,182,628	4,070,219
<u>\$ 14,771,596</u>	<u>\$ 13,362,170</u>	<u>\$ 12,536,781</u>	<u>\$ 11,383,311</u>	<u>\$ 11,442,382</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2011	2010	2009	2008	2007
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,822,457	\$ 1,634,367	\$ 1,831,946	\$ 1,835,572	\$ 1,840,489
Compensating	69,135	50,935	69,947	63,778	61,352
Tobacco (Luxury)	88,158	45,731	49,580	48,115	46,775
Alcoholic Beverage	25,673	25,593	25,837	25,093	26,726
Insurance	132,659	130,347	121,893	109,825	108,044
Fire Protection	17,583	4,995	30,809	21,109	19,929
Racing	413	564	614	660	1,378
Private Car	480	382	532	936	384
Motor Vehicle and Other Excise Tax	103,653	92,264	100,497	127,622	131,254
Gaming Tax	65,787	65,116	69,207	56,149	70,893
Leased Vehicles Gross Receipts and Surcharge	5,047	5,663	4,901	7,541	6,036
Gasoline Tax	792	1,472	(1,241)	1,957	410
Telecommunications Relay Surcharge	121	114	104	104	101
Boat Excise Tax	494	543	534	652	751
Franchise Receipts	73	88	112	152	22
Total General and Selective Sales Tax	2,332,525	2,058,174	2,305,272	2,299,265	2,315,104
Income Taxes					
Gross Withholding	1,042,323	1,020,104	982,766	1,014,975	972,374
Final Settlements	382,690	337,782	387,901	546,498	516,122
Less:					
Transfer - Retiree Health Care	(18,047)	(15,935)	(14,996)	(15,704)	(9,647)
Transfer - PIT Suspense and Others	(352,633)	(384,055)	(450,902)	(344,184)	(299,375)
Refunds - TAA Suspense	-	-	(365)	(16,206)	(7,868)
Net Personal Income Taxes	1,054,333	957,896	904,404	1,185,379	1,171,606
Corporate Taxes	229,818	125,101	253,345	479,447	498,413
Less Refunds	-	-	(60,858)	(75,922)	(38,533)
Net Corporate Income Taxes	229,818	125,101	192,487	403,525	459,880
Estate Taxes	12	(1)	36	40	78
Fiduciary Taxes	42,589	(1,336)	13,650	13,011	8,597
Total Income Taxes	1,326,752	1,081,660	1,110,577	1,601,955	1,640,161
Severance Taxes					
Oil and Gas School Tax	376,104	324,544	370,354	557,332	420,254
7% Oil Conservation	19,371	16,353	18,260	24,065	19,916
Resources Excise	10,139	9,368	11,237	11,641	10,767
Natural Gas Processors	18,182	40,437	40,341	30,618	35,627
Total Severance Taxes	423,796	390,702	440,192	623,656	486,564
Total Taxes	4,083,073	3,530,536	3,856,041	4,524,876	4,441,829

SCHEDULE B-2

FISCAL YEAR				
2006	2005	2004	2003	2002
\$ 1,689,838	\$ 1,512,483	\$ 1,556,015	\$ 1,340,369	\$ 1,274,281
51,835	44,117	36,718	38,398	36,009
48,405	48,477	51,828	18,318	17,985
29,340	25,173	28,472	25,376	24,688
103,081	95,464	102,201	53,763	50,690
24,589	27,157	25,765	20,756	24,587
362	897	1,188	1,150	1,154
411	537	476	661	336
121,870	118,919	115,730	111,142	106,966
56,677	46,353	41,646	38,997	28,920
19,948	26,018	6,556	6,067	6,362
-	-	-	-	-
99	100	108	94	76
581	219	307	366	537
33	82	121	57	17
<u>2,147,069</u>	<u>1,945,996</u>	<u>1,967,131</u>	<u>1,655,514</u>	<u>1,572,608</u>
942,470	888,168	950,904	832,687	798,038
471,952	446,945	420,278	346,920	460,162
(8,453)	(7,623)	(7,368)	(6,017)	(5,373)
(373,974)	(247,158)	(281,740)	(248,067)	(234,204)
<u>(13,784)</u>	<u>(6,142)</u>	<u>(2,684)</u>	<u>(1,112)</u>	<u>(2,207)</u>
<u>1,018,211</u>	<u>1,074,190</u>	<u>1,079,390</u>	<u>924,411</u>	<u>1,016,416</u>
410,377	265,999	172,712	154,669	178,758
<u>(33,192)</u>	<u>(23,537)</u>	<u>(49,269)</u>	<u>(51,823)</u>	<u>(37,085)</u>
<u>377,185</u>	<u>242,462</u>	<u>123,443</u>	<u>102,846</u>	<u>141,673</u>
3,138	4,925	8,764	28,443	21,185
12,960	11,825	11,033	7,003	9,331
<u>1,411,494</u>	<u>1,333,402</u>	<u>1,222,630</u>	<u>1,062,703</u>	<u>1,188,605</u>
483,240	381,302	366,056	229,639	205,121
22,564	17,822	16,689	11,939	10,763
9,151	6,547	6,182	5,756	5,356
26,841	21,728	16,513	21,077	20,270
<u>541,796</u>	<u>427,399</u>	<u>405,440</u>	<u>268,411</u>	<u>241,510</u>
<u>4,100,359</u>	<u>3,706,797</u>	<u>3,595,201</u>	<u>2,986,628</u>	<u>3,002,723</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2011	2010	2009	2008	2007
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 549	\$ 579	\$ 590	\$ 648	\$ 652
Corporate Filing	2,850	2,777	2,821	2,997	2,955
Alcoholic Beverages and Gaming	3,840	4,419	3,627	3,593	4,195
Financial Institutions	3,109	3,082	3,148	3,046	3,011
Corporate Special	1,125	3,512	4,883	5,393	4,014
Construction Industries	5,682	6,580	6,052	7,648	7,369
Gaming License and Permit Fees	262	387	420	609	302
Securities Receipts	18,374	17,838	17,031	16,946	15,824
Public Utilities	13,734	10,892	11,333	9,407	10,182
Health Facilities Fees	-	-	-	158	172
Pipeline Fees	74	60	34	75	137
Motor Vehicles Miscellaneous Fees	150	139	159	156	146
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
Total License Fees	<u>49,749</u>	<u>50,265</u>	<u>50,098</u>	<u>50,676</u>	<u>48,959</u>
Total Taxes and License Fees	<u>4,132,822</u>	<u>3,580,801</u>	<u>3,906,139</u>	<u>4,575,552</u>	<u>4,490,788</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	446,227	437,128	433,497	390,484	364,697
Earnings on State Balances	17,633	22,126	67,754	114,975	87,307
Severance Tax Permanent Fund Earnings	184,571	187,072	191,292	177,172	170,973
Total Interest Earnings	<u>648,431</u>	<u>646,326</u>	<u>692,543</u>	<u>682,631</u>	<u>622,977</u>
Rents and Royalties					
Federal Mineral Leasing	411,819	355,302	507,229	45,085	501,124
Land Office	65,620	67,702	36,442	611,182	50,410
Total Rents and Royalties	<u>477,439</u>	<u>423,004</u>	<u>543,671</u>	<u>656,267</u>	<u>551,534</u>
Miscellaneous Receipts and Fees					
Miscellaneous	-	-	-	-	-
Environment Department Filing Fees	5,201	4,412	8,551	2,253	1,237
Tribal Revenue Sharing	65,891	64,118	65,385	66,560	56,158
Media Lease Payments	17	31	23	20	18
MVD Penalty Assessments	5,737	6,078	6,873	7,019	6,053
Fines and Forfeitures	7,104	7,276	8,756	9,110	8,086
Birth and Death Certificates	1,051	1,032	1,068	1,170	865
District Judge Receipts	1,196	1,260	1,202	1,208	1,042
Notary Public Fees	607	580	614	686	56

SCHEDULE B-2 (Continued)

FISCAL YEAR				
2006	2005	2004	2003	2002
\$ 674	\$ 728	\$ 623	\$ 440	\$ 485
2,841	2,810	2,651	2,540	2,239
3,509	3,541	4,075	3,480	3,471
3,073	2,845	2,585	2,288	2,123
8,339	4,070	4,620	4,356	4,267
6,825	6,800	6,432	4,881	4,846
327	322	267	246	263
14,840	13,830	16,273	12,307	12,454
8,064	8,923	8,320	7,347	8,326
290	175	271	329	391
11	38	55	56	71
139	142	141	123	124
39	41	46	27	31
-	-	-	-	110
48,971	44,265	46,359	38,420	39,201
4,149,330	3,751,062	3,641,560	3,025,048	3,041,924
354,156	350,285	292,235	275,684	258,049
77,935	34,386	25,374	40,504	67,162
171,798	173,249	172,434	170,955	159,183
603,889	557,920	490,043	487,143	484,394
556,541	445,004	334,883	268,366	229,323
52,696	42,044	22,061	20,727	19,919
609,237	487,048	356,944	289,093	249,242
-	-	-	-	130
1,272	1,181	1,492	1,449	2,300
49,520	41,263	58,634	33,096	107,339
18	19	18	19	-
5,704	5,894	5,933	6,597	6,081
8,425	8,243	8,041	8,443	8,223
661	576	572	709	533
986	1,032	986	968	978
728	721	783	751	808

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years

(In Thousands)

	FISCAL YEAR				
	2011	2010	2009	2008	2007
REVENUES (CONTINUED)					
Other Revenue Sources (Continued)					
Miscellaneous Receipts and Fees (Continued)					
Legislative Receipts	\$ 46	\$ 29	\$ 54	\$ 44	\$ 59
Workmen's Compensation Fees	15	-	70	80	67
Law Enforcement Protection	9,089	9,920	6,953	6,699	6,838
Small County Assistance	3,346	-	4,013	7,943	-
Unclaimed Property	18,352	11,757	13,538	-	12,291
Public Defender Reimbursement	414	429	533	430	404
Small Cities Assistance	-	1,546	-	-	-
Total Miscellaneous Receipts and Fees	<u>118,067</u>	<u>108,468</u>	<u>117,633</u>	<u>103,222</u>	<u>93,174</u>
Other Revenues					
Miscellaneous Nonrecurring	55,825	55,039	33,942	45,024	51,210
Transfers - Reversions	73,499	394,354	331,995	66,000	38,880
Total Other Revenues	<u>129,324</u>	<u>449,393</u>	<u>365,937</u>	<u>111,024</u>	<u>90,090</u>
Total Other Revenue Sources	<u>1,373,261</u>	<u>1,627,191</u>	<u>1,719,784</u>	<u>1,553,144</u>	<u>1,357,775</u>
Total Revenues	<u>\$ 5,506,083</u>	<u>5,207,992</u>	<u>\$ 5,625,923</u>	<u>\$ 6,128,696</u>	<u>\$ 5,848,563</u>

SCHEDULE B-2 (Continued)

FISCAL YEAR				
2006	2005	2004	2003	2002
\$ 38	\$ 59	\$ 44	\$ 61	\$ 40
10	21	2	29	-
8,593	7,042	-	669	1,096
-	1,563	1,669	2,561	3,170
12,501	13,456	7,463	6,201	7,415
389	595	260	223	207
-	447	371	1,851	559
<u>88,845</u>	<u>82,112</u>	<u>86,268</u>	<u>63,627</u>	<u>138,879</u>
42,209	44,653	4,896	93	-
45,030	82,589	45,984	50,340	42,119
<u>87,239</u>	<u>127,242</u>	<u>50,880</u>	<u>50,433</u>	<u>42,119</u>
1,389,210	1,254,322	984,135	890,296	914,634
<u>\$ 5,538,540</u>	<u>\$ 5,005,384</u>	<u>\$ 4,625,695</u>	<u>\$ 3,915,344</u>	<u>\$ 3,956,558</u>

STATE OF NEW MEXICO

REVENUE BASE

Last Ten Fiscal Years
(In Thousands)

	Calendar Year				
	2011	2010	2009, as Restated	2008	2007
Taxable Gross Receipts					
Agriculture, Forestry and Fishing	\$ 59,602	\$ 51,681	62,842	\$ 83,216	\$ 84,941
Mining	3,239,185	1,860,940	1,866,669	2,473,548	2,162,156
Construction	5,326,763	3,982,945	6,019,441	7,407,837	7,546,822
Manufacturing	1,643,653	1,038,527	1,110,799	1,340,101	1,373,810
Transportation	679,289	546,715	625,733	646,162	577,428
Communications and Utilities	4,648,079	3,445,649	3,470,163	3,396,282	3,298,025
Wholesale Trade	2,207,054	1,573,254	1,926,673	2,632,017	2,583,579
Retail Trade	11,912,593	9,292,428	11,883,094	12,610,702	12,884,778
Finance, Insurance and Real Estate	1,131,560	784,486	1,107,662	1,106,311	1,198,885
Services and Other	17,558,765	14,674,794	21,364,218	18,953,106	17,201,063
Public Administration	692,754	151,857	180,217	191,262	521,733
Total Taxable Gross Receipts	\$ 49,099,297	\$ 37,403,276	\$ 49,617,511	\$ 50,840,544	\$ 49,433,220
State Gross Receipts Tax Rate	5.1%	5.3%	5.0%	5.0%	5.0%
Personal Income by Industry					
Federal Civilian	\$ 3,331	\$ 3,395	3,166	\$ 2,999	\$ 2,900
Federal Military	1,596	1,447	1,250	1,087	1,129
State and Local Government	8,640	8,643	8,678	7,660	7,497
Farm Earnings	1,389	1,034	575	812	581
Forestry, Fishing, and Related Activities	99	115	108	112	124
Mining	2,045	2,040	1,891	2,037	1,904
Utilities	442	460	468	431	395
Construction	2,868	2,651	2,840	3,390	3,050
Manufacturing	2,272	2,197	2,094	2,341	2,658
Wholesale Trade	1,382	1,482	1,426	1,565	1,442
Retail	3,274	3,219	3,190	3,442	3,194
Transportation and Warehousing	1,318	1,221	1,220	1,346	1,249
Information	832	862	1,220	914	865
Financial, Insurance, Real Estate, Rental, and Leasing	2,361	2,036	2,065	2,211	2,316
Services	17,233	9,215	9,077	11,367	9,181
Other ¹	22,931	27,694	27,407	24,370	21,164
Total Personal Income	\$ 72,013	\$ 67,711	\$ 66,675	\$ 66,084	\$ 59,649
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	5.3%

¹Other income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deductions for insurance contributions from the SQ5N report prepared by the Bureau of Economic Analysis

Source: New Mexico Department of Taxation and Revenue Department, RP80 NAICS version,
<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3>

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report, <http://www.tax.newmexico.gov/Tax-Library/Economic-and-Statistical-Information/Pages/Quarterly-RP-80-Reports-Gross-Receipts-by-Geographic-Area-and-2-digit-NAICS-Code.aspx>

SCHEDULE B-3

Calendar Year				
2006	2005	2004	2003	2002
\$ 81,043	\$ 83,895	\$ 73,783	\$ 66,610	\$ 62,817
2,063,727	1,626,594	1,238,262	1,089,119	1,098,102
7,402,413	6,038,563	5,299,913	4,585,905	4,202,590
1,296,135	1,058,988	964,158	795,101	841,759
500,233	399,323	291,512	226,665	605,369
3,166,151	2,953,396	2,740,597	2,362,770	1,894,213
2,702,003	2,419,634	2,184,839	1,982,751	1,694,814
11,826,522	11,067,204	12,511,302	11,791,656	11,381,575
1,047,208	955,373	847,706	756,685	751,295
16,085,796	14,679,218	14,195,843	13,445,195	12,677,159
460,533	469,556	452,731	344,280	450,910
<u>\$ 46,631,764</u>	<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%	5.0%
\$ 2,768	\$ 2,580	\$ 2,451	\$ 2,254	\$ 2,185
1,125	1,125	1,115	1,036	931
7,584	7,692	7,264	6,788	6,399
414	659	681	528	498
127	120	114	113	115
1,820	1,477	1,258	1,230	1,115
372	360	338	305	295
3,102	2,776	2,456	2,239	2,113
2,468	2,264	2,188	2,117	2,090
1,373	1,249	1,161	1,100	1,096
3,053	2,940	2,824	2,711	2,633
1,201	1,125	1,056	929	904
834	753	725	733	741
2,250	2,150	2,036	1,932	1,900
8,906	7,827	7,403	6,934	6,549
20,734	18,896	16,743	15,701	15,421
<u>\$ 58,131</u>	<u>\$ 53,993</u>	<u>\$ 49,813</u>	<u>\$ 46,650</u>	<u>\$ 44,985</u>
5.3%	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 2011 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%	5,494	0.4%	\$ 59,602	0.1%
Mining	5,085	0.7%	1,098,102	3.1%	11,643	0.9%	3,239,185	6.6%
Construction	77,931	11.2%	4,202,590	11.8%	135,616	10.6%	5,326,763	10.8%
Manufacturing	29,293	4.2%	841,759	2.4%	51,840	4.1%	1,643,653	3.3%
Transportation	13,791	2.0%	605,369	1.7%	19,196	1.5%	679,289	1.4%
Communications and Utilities	8,718	1.2%	1,894,213	5.3%	84,149	6.6%	4,648,079	9.5%
Wholesale Trade	34,377	4.9%	1,694,814	4.8%	71,701	5.6%	2,207,054	4.5%
Retail Trade	142,234	20.4%	11,381,575	31.9%	249,660	19.6%	11,912,593	24.3%
Finance, Insurance and Real Estate	22,155	3.2%	751,295	2.1%	59,656	4.7%	1,131,560	2.3%
Services and Other	358,349	51.4%	12,677,159	35.5%	575,989	45.2%	17,558,765	35.8%
Public Administration	2,010	0.2%	450,910	1.2%	8,749	0.8%	692,754	1.4%
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>1,273,693</u>	<u>100.0%</u>	<u>\$ 49,099,297</u>	<u>100.0%</u>
State Gross Receipts Tax Rate		5.0%				5.1%		

¹Data available as of December 2011

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.

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				2009*			
	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%	14,804	1.6%	\$ 1,884,877	38.6%
\$100,000 - \$199,999	36,026	4.5%	781,752	23.2%	68,576	7.5%	1,208,518	24.8%
\$75,000 - \$99,999	43,361	5.4%	475,407	14.1%	63,674	6.9%	568,994	11.7%
\$50,000 - \$74,999	91,317	11.3%	562,587	16.7%	111,100	12.2%	615,683	12.6%
\$49,999 and lower	626,050	77.8%	679,431	20.0%	654,162	71.8%	600,047	12.3%
Total	804,851	100.0%	\$ 3,376,123	100.0%	912,316	100.0%	\$ 4,878,119	100.0%

* At the time of the issuance of the 2011 New Mexico State CAFR, the 2010 information was not available.

Source: "United States Department of the Treasury, Internal Revenue Service, Tax Year 2009: Historical Table 2 (SOI Bulletin)"

STATE OF NEW MEXICO

PERSONAL INCOME TAX RATES

Last Ten 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	
2011*	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
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 the time of publication

Source: New Mexico Department of Taxation and Revenue

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STATE OF NEW MEXICO

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010, as Restated	2009, as Restated	2008, as Restated	2007, as Restated
Governmental Activities					
General Obligation	\$ 379,228	\$ 423,854	\$ 453,730	\$ 388,318	\$ 371,129
Enhanced E-911 Revenue Bonds	-	-	-	-	745
Severance Tax Bonds	884,320	1,020,550	626,715	738,687	669,686
Revenue Bonds	1,859,403	1,703,481	1,707,996	1,790,900	1,829,528
Total Government	<u>3,122,951</u>	<u>3,147,885</u>	<u>2,788,441</u>	<u>2,917,905</u>	<u>2,871,088</u>
Business-type Activities*					
Revenue Bonds	832,306	866,692	802,924	833,836	699,319
Capital Leases	919	248	2,025	1,711	2,330
Total Primary Government	<u>833,225</u>	<u>866,940</u>	<u>804,949</u>	<u>835,547</u>	<u>701,649</u>
Total Debt	<u>\$ 3,956,176</u>	<u>\$ 4,014,825</u>	<u>\$ 3,593,390</u>	<u>\$ 3,753,452</u>	<u>\$ 3,572,737</u>
New Mexico Personal Income	\$ 71,993,000	\$ 71,993,000	\$ 65,648,333	\$ 66,337,250	\$ 62,001,991
Debt as a Percentage of Personal Income	5.5%	5.6%	5.5%	5.7%	5.8%
New Mexico Population	2,066	2,066	2,010	1,984	2,059
General Obligation Debt Per Capita	\$ 184	\$ 205	\$ 226	\$ 196	\$ 180
Total Long-Term Debt Per Capita	\$ 1,915	\$ 1,943	\$ 1,788	\$ 1,892	\$ 1,735

* Prior to fiscal year 2011, the schedule included the outstanding debt of the component units in error, for fiscal year 2011 these amounts have been taken out.

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, total debt was used to calculate the above ratios; beginning with fiscal year 2009, outstanding debt is used in the ratio calculation; therefore, all prior year balances were restated to reflect the change.

SCHEDULE C-1

Fiscal Year				
2006, as Restated	2005, as Restated	2004, as Restated	2003, as Restated	2002, as Restated
\$ 273,280	\$ 315,925	\$ 246,375	\$ 287,310	\$ 200,287
1,455	2,130	2,775	3,390	3,980
577,935	512,180	486,840	473,405	416,311
1,453,057	1,559,535	1,696,603	841,781	891,465
<u>2,305,727</u>	<u>2,389,770</u>	<u>2,432,593</u>	<u>1,605,886</u>	<u>1,512,043</u>
719,799	594,685	354,639	341,259	298,802
2,713	3,042	2,882	3,433	5,483
<u>722,512</u>	<u>597,727</u>	<u>357,521</u>	<u>344,692</u>	<u>304,285</u>
<u>\$ 3,028,239</u>	<u>\$ 2,987,497</u>	<u>\$ 2,790,114</u>	<u>\$ 1,950,578</u>	<u>\$ 1,816,328</u>
\$ 58,131,416	\$ 53,992,896	\$ 49,813,042	\$ 46,650,275	\$ 44,986,517
5.2%	5.5%	5.6%	4.2%	4.0%
2,014	1,969	1,930	1,900	1,876
\$ 136	\$ 160	\$ 128	\$ 151	\$ 107
\$ 1,504	\$ 1,517	\$ 1,446	\$ 1,027	\$ 968

STATE OF NEW MEXICO

OTHER LONG-TERM LIABILITIES

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010, As Restated	2009, As Restated	2008, As Restated	2007
Governmental Activities					
General Obligation Bonds, Net	\$ 379,228	\$ 423,854	\$ 481,812	\$ 388,318	\$ 371,874
Severance Tax Bonds	884,320	1,020,550	626,715	738,687	669,686
Revenue Bonds	1,859,403	1,703,481	1,729,205	1,790,900	1,829,528
Notes Payable	3,715	124,205	43,781	2,943	-
Claims and Judgments	225,248	222,821	217,426	238,714	44,826
Reserve for Losses	-	-	-	-	13,305
Compensated Absences	63,934	73,483	73,757	68,898	62,658
Pollution Remediation Obligation	86,741	86,289	7,992	8,813	-
Other	-	501	100	251	75,393
Total Governmental Activities	<u>3,502,589</u>	<u>3,655,184</u>	<u>3,180,788</u>	<u>3,237,524</u>	<u>3,067,270</u>
Business-type Activities					
Revenue Bonds, Net	832,306	866,692	809,215	833,836	699,453
Capital Leases	919	238	2,075	1,711	2,330
Compensated Absences	99,689	93,997	87,747	67,466	61,211
Reserve for Losses	63,406	63,901	70,286	63,090	-
Other	52,750	45,126	50,538	29,705	97,657
Total Business-type Activities	<u>1,049,070</u>	<u>1,069,954</u>	<u>1,019,861</u>	<u>995,808</u>	<u>860,651</u>
Total Primary Government					
Other Long-term Liabilities	<u>\$ 4,551,659</u>	<u>\$ 4,725,138</u>	<u>\$ 4,200,649</u>	<u>\$ 4,233,332</u>	<u>\$ 3,927,921</u>

Note: Details regarding the liabilities listed above can be found in Note 2.E Changes in Long-term Liabilities in the financial statements.

SCHEDULE C-2

Fiscal Year				
2006	2005	2004	2003	2002
\$ 273,280	\$ 315,925	\$ 246,375	\$ 287,310	\$ 200,287
577,935	512,180	486,840	473,405	416,311
1,453,057	1,559,535	1,696,603	841,781	891,465
-	-	-	-	-
48,466	44,666	37,000	36,555	36,043
13,743	71,466	51,157	43,613	38,753
60,194	56,040	54,006	51,968	52,270
-	-	-	-	-
63,318	7,155	65,322	116,060	123,471
<u>2,489,993</u>	<u>2,566,967</u>	<u>2,637,303</u>	<u>1,850,692</u>	<u>1,758,600</u>
719,799	594,685	354,639	341,259	298,561
2,713	3,042	2,882	3,433	5,483
57,648	49,118	48,159	42,699	65,669
-	-	-	-	-
95,072	27,366	30,844	51,979	104,108
<u>875,232</u>	<u>674,211</u>	<u>436,524</u>	<u>439,370</u>	<u>473,821</u>
<u>\$ 3,365,225</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 Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010	2009, As Restated	2008	2007
Net Taxable Value of Property	\$ 51,040,955	\$ 55,046,209	\$ 50,463,804	\$ 47,261,516	\$ 42,985,028
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	510,410	550,462	504,638	472,615	429,850
General Obligation Bonds	355,500	398,580	453,730	388,318	371,874
Enhanced E-911 Bonds	-	-	-	-	762
Total General Debt Outstanding	355,500	398,580	453,730	388,318	372,636
Legal Debt Margin	\$ 154,910	\$ 151,882	\$ 50,908	\$ 84,297	\$ 57,214
Legal Debt Margin as a Percentage of the Debt Limit	30.4%	27.6%	10.1%	17.8%	13.3%

Source: 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.

SCHEDULE C-3

Fiscal Year				
2006	2005	2004	2003	2002
\$ 38,910,768	\$ 35,890,023	\$ 32,149,435	\$ 31,750,454	\$ 30,901,933
1.0%	1.0%	1.0%	1.0%	1.0%
<u>389,108</u>	<u>358,900</u>	<u>321,494</u>	<u>317,505</u>	<u>309,019</u>
274,735	318,055	249,150	290,700	204,267
1,521	2,277	3,032	3,785	4,543
<u>276,256</u>	<u>320,332</u>	<u>252,182</u>	<u>294,485</u>	<u>208,810</u>
<u>\$ 112,852</u>	<u>\$ 38,568</u>	<u>\$ 69,312</u>	<u>\$ 23,020</u>	<u>\$ 100,209</u>
29.0%	10.7%	21.6%	7.3%	32.4%

STATE OF NEW MEXICO

PLEDGED REVENUE BOND COVERAGE

SCHEDULE C-4

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2011	\$ 398,576	\$ 145,546	\$ 28,497	229.0%
2010	374,234	154,858	23,357	210.0%
2009	550,222	113,637	20,555	410.0%
2008	573,595	116,365	20,561	418.9%
2007	510,140	78,417	14,588	548.5%
2006	996,911	93,463	13,691	930.4%
2005	817,872	72,130	15,218	936.3%
2004	629,339	73,789	13,082	724.5%
2003	614,828	67,667	13,084	761.4%
2002	463,859	65,418	11,599	602.3%
Highway Infrastructure Bonds				
2011	\$ 719,811	\$ 71,450	\$ 79,742	476.1%
2010	719,811	75,795	84,697	448.5%
2009	726,430	75,500	88,574	442.7%
2008	674,453	72,468	92,691	408.4%
2007	651,635	75,295	73,162	438.9%
2006	713,255	81,130	77,103	450.8%
2005	631,388	70,861	39,739	570.9%
2004	587,148	67,357	42,954	532.3%
2003	594,288	64,085	46,540	537.2%
2002	622,885	62,511	41,382	599.5%
Energy and Minerals Bonds				
2011	\$ 2,578	\$ 1,546	\$ 395	132.8%
2010	2,578	1,487	755	115.0%
2009	3,730	1,429	809	166.7%
2008	4,085	1,398	865	180.5%
2007	3,911	1,351	908	173.1%
2006	4,369	1,315	1,254	170.1%
2005	3,527	1,271	978	156.8%
2004	3,064	1,191	960	142.4%
2003	3,416	993	822	188.2%
2002	3,092	952	795	177.0%

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

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STATE OF NEW MEXICO

STATUTORY DEBT LIMIT

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Annual Deposits into Severance Tax Bonding Fund	\$ 398,576	\$ 374,228	\$ 550,222	\$ 573,595	\$ 508,508
50.0% of Annual Deposits	199,288	187,114	275,111	286,798	254,254
Statutory Debt Limit Amount	<u>199,288</u>	<u>187,114</u>	<u>275,111</u>	<u>286,798</u>	<u>254,254</u>
Annual Bond Servicing Amount	<u>174,043</u>	<u>178,215</u>	<u>203,150</u>	<u>200,633</u>	<u>93,005</u>
Statutory Debt Margin Amount	<u>\$ 25,245</u>	<u>\$ 8,899</u>	<u>\$ 71,961</u>	<u>\$ 86,165</u>	<u>\$ 161,249</u>
Statutory Debt Margin as a Percentage of Debt Limit	12.7%	4.8%	26.2%	30.0%	63.4%

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

SCHEDULE C-5

Fiscal Year				
2006	2005	2004	2003	2002
\$ 532,386	\$ 405,541	\$ 319,337	\$ 257,157	\$ 246,046
<u>266,193</u>	<u>202,771</u>	<u>159,669</u>	<u>128,579</u>	<u>123,023</u>
<u>266,193</u>	<u>202,771</u>	<u>159,669</u>	<u>128,579</u>	<u>123,023</u>
<u>107,154</u>	<u>87,348</u>	<u>86,869</u>	<u>80,751</u>	<u>77,016</u>
<u>\$ 159,039</u>	<u>\$ 115,423</u>	<u>\$ 72,800</u>	<u>\$ 47,828</u>	<u>\$ 46,007</u>
59.7%	56.9%	45.6%	37.2%	37.4%

STATE OF NEW MEXICO

DEMOGRAPHIC AND ECONOMIC INDICATORS

SCHEDULE D-1

Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling (Pop=25 Yrs & >)	Public School Enrollment
2011	2,065,932	\$ 71,993,000,000	\$ 34,575	36.7	N/A	328,591
2010	2,059,179	69,435,000,000	33,342	36.6	12.4	330,142
2009	2,009,671	66,745,000,000	33,212	35.5	12.4	323,882
2008	1,984,356	66,337,250,000	33,430	35.8	12.3	329,261
2007	2,059,075	62,001,991,000	31,474	35.7	12.3	326,525
2006	2,014,006	58,131,416,000	29,929	35.3	12.3	321,663
2005	1,969,291	53,992,896,000	28,175	36.1	12.3	320,452
2004	1,929,713	49,813,042,000	26,326	35.7	12.3	315,543
2003	1,899,846	46,650,275,000	24,945	35.4	12.2	313,037
2002	1,876,287	44,986,517,000	24,310	35.1	12.2	312,209

Source: Population, Per Capita Personal Income - New Mexico Bureau of Business and Economic Research, University of New Mexico
School Enrollment - New Mexico Department of Finance and Administration, Office of Education and Accountability.
Personal Income - Department of Commerce Bureau of Economic Analysis

STATE OF NEW MEXICO

PRINCIPAL EMPLOYERS

SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2002			Calendar Year 2010*		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
State of New Mexico (statewide)	N/A	N/A	N/A	21,832	1	2.5%
University of New Mexico (statewide)	N/A	N/A	N/A	20,042	2	2.3%
Wal-Mart Associates	11,269	1	1.5%	15,116	3	1.7%
Central NM Community College	N/A	N/A	N/A	11,177	4	1.3%
Albuquerque Public Schools	N/A	N/A	N/A	11,500	5	1.3%
Sandia Corporation/Lockheed Martin Corporation	7,928	2	1.1%	10,560	6	1.2%
Presbyterian Healthcare	5,671	3	0.8%	9,500	7	1.1%
Los Alamos National Laboratories	N/A	N/A	N/A	7,949	8	0.9%
City of Albuquerque	N/A	N/A	N/A	6,940	9	0.8%
White Sands Missile Range	N/A	N/A	N/A	6,636	10	0.7%
US Postal Service	N/A	N/A	N/A	5,096	11	0.6%
Las Cruces Public Schools	N/A	N/A	N/A	3,672	12	0.4%
Intel Corporation	5,196	4	0.7%	3,300	13	0.4%
PNM Resources Inc.	2,325	7	0.3%	3,000	14	0.3%
Eastern New Mexico University	N/A	N/A	N/A	2,955	15	0.3%
Lovelace Health Systems	3,224	5	0.4%	2,736	16	0.3%
Smith's Food and Drugs	2,129	10	0.3%	2,350	17	0.3%
New Mexico Highlands University	N/A	N/A	N/A	2,165	18	0.2%
Santa Fe Community College	N/A	N/A	N/A	2,027	19	0.2%
Santa Fe Public Schools	N/A	N/A	N/A	2,027	20	0.2%
University of New Mexico Hospital	N/A	N/A	N/A	N/A	N/A	N/A
Atlas Resources	2,997	6	0.4%	N/A	N/A	N/A
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
Total Employees of Principal Employers	45,140		6.1%	150,580		12.1%

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: Number of employees is based on a calendar year average.

Note: Data for 2011 was unavailable at time of publication of the 2011 New Mexico CAFR

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

Last Ten Fiscal Years
(In Millions)

	Calendar Year				
	2011	2010	2009, as Restated	2008, as Restated	2007
Nonagricultural Jobs					
Government	195,100	192,746	189,470	187,723	186,955
Mining	21,300	17,834	17,581	21,078	19,347
Construction	43,400	43,509	47,731	57,356	59,966
Manufacturing	29,400	28,693	30,013	35,035	37,606
Trade, Transportation and Utilities	133,300	130,652	134,337	143,162	142,935
Information	14,400	14,720	14,721	15,970	17,327
Financial Activity	32,500	21,813	22,144	33,350	33,822
Professional and Business Services	100,500	109,360	112,599	108,484	109,233
Education and Health Services	121,700	108,458	106,613	102,859	99,639
Leisure and Hospitality	86,300	83,079	84,167	86,625	89,249
Other Services	28,600	20,810	21,413	22,846	21,869
Total Nonagricultural Jobs	806,500	771,674	780,789	814,488	817,948
Civilian Labor Force	942,386	961,006	956,124	959,458	863,518
Total Employed	868,801	879,921	887,667	919,466	830,424
Unemployed	73,585	81,084	68,457	39,992	33,094
Unemployment Rate	7.8%	7.0%	7.2%	4.2%	3.5%
	7.8%	8.4%	7.2%	4.2%	3.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics Data, <http://www.bls.gov/data/>

Note: Employment information is available as of October of the same year.

SCHEDULE D-3

Calendar Year				
2006	2005	2004	2003	2002
183,436	181,088	178,280	175,067	171,687
18,624	16,860	15,010	14,221	13,945
59,191	54,356	50,301	47,166	45,746
37,659	36,306	35,870	36,472	38,365
139,875	138,417	136,223	134,167	133,918
15,859	14,651	14,816	15,906	16,864
33,870	33,617	33,171	32,643	32,452
102,361	92,472	89,996	88,553	89,033
96,060	93,236	90,856	86,713	82,116
86,621	83,763	82,443	81,447	80,051
21,817	21,362	21,133	20,802	20,293
<u>795,373</u>	<u>766,128</u>	<u>748,099</u>	<u>733,157</u>	<u>724,470</u>
846,790	826,405	812,365	798,594	785,739
807,063	778,233	760,449	745,935	737,418
39,727	48,172	51,916	52,659	48,321
4.2%	5.3%	5.8%	5.9%	5.5%
4.7%	5.8%	6.4%	6.6%	6.1%

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT

Last Ten Fiscal Years

	Academic Year				
	2010-11 ³	2010-11	2009-10	2008-09	2007-08
Eastern New Mexico University	6,238	6,523	5,639	4,300	4,180
Highlands University	3,804	4,723	4,688	3,524	3,457
New Mexico Institute of Mining and Technology	1,423	2,420	2,550	1,912	1,844
New Mexico State University	21,897	21,566	20,411	17,200	16,726
Northern New Mexico College ²	1,317	3,256	3,717	3,303	N/A
University of New Mexico	26,662	31,902	30,156	25,820	25,749
Western New Mexico University	2,109	4,429	4,052	2,820	2,727
Total All Four-Year Institutions	63,450	74,819	71,213	58,879	54,683

	Academic Year				
	2010-11	2010-11	2009-10	2008-09	2007-08
Albuquerque Technical Vocational Institute ¹	N/A	N/A	N/A	N/A	N/A
Central New Mexico Community College ¹	28,826	43,099	38,842	35,553	34,722
Clovis Community College	1,827	6,943	6,198	5,876	5,703
Luna Community College	1,943	2,854	2,970	3,078	2,870
Mesalands Community College	594	1,877	1,783	1,431	1,137
New Mexico Junior College	1,810	5,259	4,887	4,691	4,553
New Mexico Military Institute	607	607	549	564	588
Northern New Mexico College ²	N/A	N/A	N/A	N/A	N/A
San Juan Community College	18,918	18,308	20,736	17,050	15,541
Santa Fe Community College	6,826	9,806	9,397	9,040	8,960
Total All Two-Year Institutions	61,351	88,753	85,362	77,283	74,074
Total All Institutions	124,801	163,572	156,575	136,162	128,757

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

³Data obtained from Higher Education Department and various university and college web sites and represents Spring 2011

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>

SCHEDULE D-4

Academic Year				
2006-07	2005-06	2004-05	2003-04	2002-03
8,863	8,945	8,914	7,973	7,332
3,726	3,484	3,551	3,207	3,024
1,868	1,888	1,829	1,800	1,747
27,507	26,902	26,645	25,757	24,305
2,250	2,196	N/A	N/A	N/A
32,506	33,108	33,614	32,953	32,102
2,738	2,844	2,858	2,982	2,551
<u>79,458</u>	<u>79,367</u>	<u>77,411</u>	<u>74,672</u>	<u>71,061</u>

Academic Year				
2006-07	2005-06	2004-05	2003-04	2002-03
N/A	N/A	22,927	22,002	20,017
23,607	24,057	N/A	N/A	N/A
3,652	3,937	4,195	4,126	3,763
1,807	2,034	2,041	1,655	1,651
692	648	574	498	407
3,106	3,104	3,546	3,280	3,258
513	493	483	435	458
N/A	N/A	2,121	1,822	1,961
9,941	8,993	9,128	7,585	6,604
5,450	5,412	5,170	4,405	4,470
<u>48,768</u>	<u>48,678</u>	<u>50,185</u>	<u>45,808</u>	<u>42,589</u>
<u>128,226</u>	<u>128,045</u>	<u>127,596</u>	<u>120,480</u>	<u>113,650</u>

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2011	2010	2009	2008	2007
General Government					
Government Operations	1,255.3	1,314.3	1,315.3	1,311.3	1,231.1
Taxation and Revenue	1,150.5	1,280.0	1,206.0	1,241.7	1,124.7
Human Services and Youth Corrections	4,323.1	4,404.6	4,325.1	4,375.1	4,100.1
Adult Corrections	2,490.5	2,538.5	2,538.5	2,538.5	2,473.5
Public Safety	1,474.5	1,578.5	1,574.5	1,595.6	1,520.1
State Courts	3,503.1	3,502.5	3,477.0	3,481.0	3,175.3
Health and Environment					
Department of Health	4,098.0	4,182.0	4,138.0	4,141.0	4,065.5
Department of Environment	685.0	720.5	720.5	720.5	664.5
Miners Colfax Community Hospital	225.0	225.0	225.0	225.0	225.0
Employment and Family Services	652.5	698.5	696.5	696.5	674.0
Natural Resources	962.3	1,001.3	993.3	1,041.3	1,002.8
Cultural Affairs	534.2	572.0	551.0	586.0	565.5
Business, Labor and Agriculture	1,845.7	1,910.7	1,955.3	1,960.1	2,110.2
Education	412.2	435.2	423.2	427.8	391.8
Transportation	2,504.5	2,756.5	2,756.5	2,756.5	2,673.5
Total Full-Time Equivalent State Employees	26,116.4	27,120.1	26,895.7	27,097.9	25,997.6
Change	(3.8)%	0.8%	(0.8)%	4.1%	3.3%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation,
<http://legis.state.nm.us/lcs/lfc/lfbudget.asp>

Note: During 2006, Adult Protective Services Division was moved to Aging and Long-Term Services Department from Children, Youth, and Families Department.

SCHEDULE E-1

Fiscal Year				
2006	2005	2004	2003	2002
1,220.8	1,245.3	1,189.6	1,173.3	1,169.0
1,109.7	1,010.7	987.7	987.7	1,008.1
3,985.1	3,779.8	3,776.3	3,781.4	3,854.9
2,326.0	2,295.0	2,287.0	2,231.5	2,254.0
1,476.1	1,449.5	1,384.0	1,376.0	1,300.0
2,988.3	2,905.8	2,844.0	2,746.2	2,694.4
4,014.5	3,866.8	3,904.3	3,848.1	3,666.0
647.5	640.5	640.5	642.5	630.5
225.0	225.0	225.0	215.0	216.0
672.0	651.5	650.2	648.2	647.2
957.7	870.7	863.7	858.4	855.5
561.5	555.0	557.4	536.3	540.0
1,893.7	1,874.4	1,873.3	1,863.9	1,897.2
386.3	333.9	316.7	289.9	288.9
<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>	<u>2,675.5</u>
<u>25,137.7</u>	<u>24,377.4</u>	<u>24,173.2</u>	<u>23,871.9</u>	<u>23,697.2</u>
<u>3.0%</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 Eight Fiscal Years

	Fiscal Year			
	2011	2010	2009, as Restated	2008, as Restated
General Government				
Operations				
Public Employees' Retirement Fund's National Performance Ranking Percentile (Five-Year Annualized) ^{5 7 8}	49 th	81 st	49 th	49 th
Taxation				
% of Electronically Filed Personal Income Tax Returns ^{5 6}	63 %	55 %	51 %	49 %
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{5 6}	91 %	91 %	91 %	89 %
Amount of Delinquent Property Tax Collected and Distributed to Counties (New Measure Fiscal Year 2009, \$ Millions) ⁸	7	5	5	NA
Regulation				
# of Vehicular Port Traffic at New Mexico Ports ^{5 7}	830,000	434,061	864,020	742,395
Nursing Licenses Issued ^{5 7}	13,576	NA	13,897	13,930
Tri-Annual Physician Licenses Issued ^{5 7}	2,707	2,403	3,546	3,508
Biennial Physician Assistant Licenses Issued ^{5 7}	262	230	277	262
Public Safety				
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7}	25,000	18,013	23,453	28,422
# of Traffic Fatalities ⁵	306	351	384	371
# of Driving While Intoxicated Fatalities ⁵	89	147	153	163
# of Driving While Intoxicated Arrests ^{5 7}	3,309	4,311	3,694	3,363
Education				
Public				
# of High School Graduates ¹	N/A	NA	19,357	18,588
Student Dropout Rate for Grades 9 - 12 ²	N/A	NA	NA	5 %
Public School Capital Outlay Allocation (\$ Millions) ^{3 4}	N/A	NA	153	137
Higher				
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ⁸	43 %	NA	43 %	43 %
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{5 6 8}	71 %	NA	65 %	66 %

SCHEDULE E-2

Fiscal Year			
2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated
41 st	82 nd	83 rd	87 th
37 %	34 %	30 %	17 %
89 %	87 %	86 %	83 %
NA	NA	3	NA
740,931	693,583	623,855	664,528
13,281	11,885	11,099	11,586
2,831	3,010	2,787	1,668
245	221	411	201
25,817	26,196	48,774	20,250
424	519	469	521
137	199	146	217
3,883	3,261	3,879	4,314
18,260	17,660	17,830	18,080
6 %	5 %	5 %	5 %
160	242	280	248
42 %	37 %	39 %	39 %
65 %	65 %	64 %	64 %

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year			
	2011	2010	2009, as Restated	2008, as Restated
Health and Human Services				
% of Children Receiving Services in Medicaid Managed Care ^{5 6}	60 %	60 %	60 %	64 %
% of Child Support Collected of Support Owed ^{5 6}	57 %	58 %	59 %	58 %
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{5 7 8}	300	190	182	222
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7 8}	28 %	23 %	28 %	36 %
% of Abused Children with Repeat Maltreatment ^{5 6}		NA	6 %	8 %
% of Preschoolers Fully Immunized ^{5 6}	65 %	70 %	95 %	81 %
# of Operating School-Based Health Centers ^{5 6}		84	84	84
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7}	4 %	4	4	3
Corrections				
Juvenile				
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	47 %	60 %	38 %	75 %
% of Juveniles Who Complete Formal Probation ^{5 6}	92 %	90 %	91 %	90 %
% of Juveniles Recommended to a Youth Detention Facility ^{5 6}	11 %	8 %	10 %	4 %
Adult				
Turnover Rate of Correctional Officers ^{5 7}	13 %	15 %	10 %	13 %
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7}	35 %	32 %	40 %	33 %
% of Prisoners Reincarcerated within 36 Months After Release	40 %	44 %	46 %	NA
Culture and Recreation				
# of Visits to Visitor Information Centers (Millions) ^{5 7 8}	1	1	1	1
# of Unique Website Visitor Sessions (Millions) ^{5 7 8}	3	2	1	3
Circulation Rate for New Mexico Magazine ^{5 7 8}	90,000	85,264	85,264	105,665
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7 8}	845,000	827,281	843,475	840,520
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7 8}	80 %	87 %	83 %	83 %
Fish Output from Hatchery System (in Pounds) ^{5 7 8}	455,000	485,375	423,501	451,337
# of Visitors to State Parks (Millions) ^{5 6 8}	4	5	5	5
Natural Resources, Environment				
# of Inspections of Oil and Gas Wells and Associated Facilities	27,816	38,352	38,318	35,169
% of Required Mine Inspection Conducted ^{5 7 8}	100 %	100 %	100 %	99 %
% of Abandoned Uranium Mines with Current Site Assessments ^{5 7}	50 %	70 %	23 %	NA
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6}	97 %	NA	72 %	61 %
# of Wildlife Habitat Acres Conserved or Enhanced ⁸	65,000	106,138	76,861	132,00
# of Threatened/Endangered Species Monitored/Involved in Recovery Process ^{5 7 8}	35	46	82	77

SCHEDULE E-2 (CONTINUED)

Fiscal Year			
2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated
65 %	55 %	45 %	52 %
56 %	54 %	52 %	52 %
270	160	840	72
38 %	33 %	35 %	44 %
7 %	8 %	7 %	11 %
72 %	78 %	84 %	75 %
65	66	34	13
4	4	4	4
84 %	72 %	42 %	NA
91 %	90 %	80 %	83 %
13 %	14 %	17 %	17 %
15 %	21 %	11 %	12 %
38 %	41 %	38 %	NA
NA	NA	NA	NA
1	1	1	1
5	5	3	NA
105,275	107,870	106,758	113,333
790,175	902,282	886,812	808,457
83 %	85 %	84 %	85 %
410,579	441,707	477,665	312,625
4	4	4	4
NA	NA	NA	NA
NA	NA	NA	NA
NA	NA	NA	NA
66 %	71 %	80 %	88 %
110,621	106,921	NA	NA
69	58	49	42

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year			
	2011	2010	2009, as Restated	2008, as Restated
Business, Labor, and Agriculture				
% of Adults who Entered Employment in 1 st Quarter of Receiving Training Services ⁵	86 %	57 %	83 %	86 %
# of Rural Jobs Created ^{5 6}	958	1,446	1,641	2,200
# of Media Industry Worker Days ^{5 6}	181,366	142,524	162,190	110,000
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6}	697	559	746	175
Highways and Transportation				
# of System wide Miles in Deficient Condition ^{5 6}	3,407	3,171	2,951	3,468
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7 8}	1	1	1	6
# of Statewide Improved Pavement Surface Miles ^{5 6}	4,000	2,393	3,764	4,321

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

⁸Report of the Legislative Finance Committee to the 50th Legislature Second Session, January 2012, Vol. II, Pg. 92, 93, 95, 99, 100, 101, 102, 103, 104, 105, 106, 108, 112, 113, 114, 122, 123, 178, 187, 188, 194, 262, 287, 291, 303, 322, 323, 336, 338

NA Information not available.

N/A¹ Measure deleted in fiscal year 2009 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			
2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated
85 %	80 %	74 %	77 %
1,451	2,192	2,043	1,698
168,046	161,137	99,695	40,087
474	350	272	NA
3,468	3,905	5,567	5,768
2	2	2	2
2,424	4,144	3,700	5,337

STATE OF NEW MEXICO

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2011	2010	2009, as Restated	2008, as Restated	2007, as Restated
General Government					
Buildings	110	110	110	101	104
Public Safety					
Buildings (not inc. POE'S)	29	9	8	7	7
Vehicles	935	935	983	926	989
Ports of Entry	16	14	14	13	13
Health and Human Services					
Buildings - General Administrative	34	34	34	32	32
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	253	253	248	248
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	440	440	440	417	382
Corrections					
Buildings	330	330	330	326	322
Vehicles	369	369	369	379	300
Culture and Recreation					
Vehicles	48	59	57	57	61
Museums	8	8	8	8	8
Monuments	8	6	6	6	7
Natural Resources, Environment					
Vehicles	383	383	387	383	340
State Parks	35	35	35	34	34
Wildlife Management Areas (Acres)	171,241	171,241	171,241	171,241	166,000
Fish Hatcheries	6	6	6	6	6
Highways and Transportation					
Highway Lane Miles	26,598	26,598	26,688	30,417	30,417
Vehicles/Heavy Equipment	6,417	6,469	6,300	6,531	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.

SCHEDULE E-3

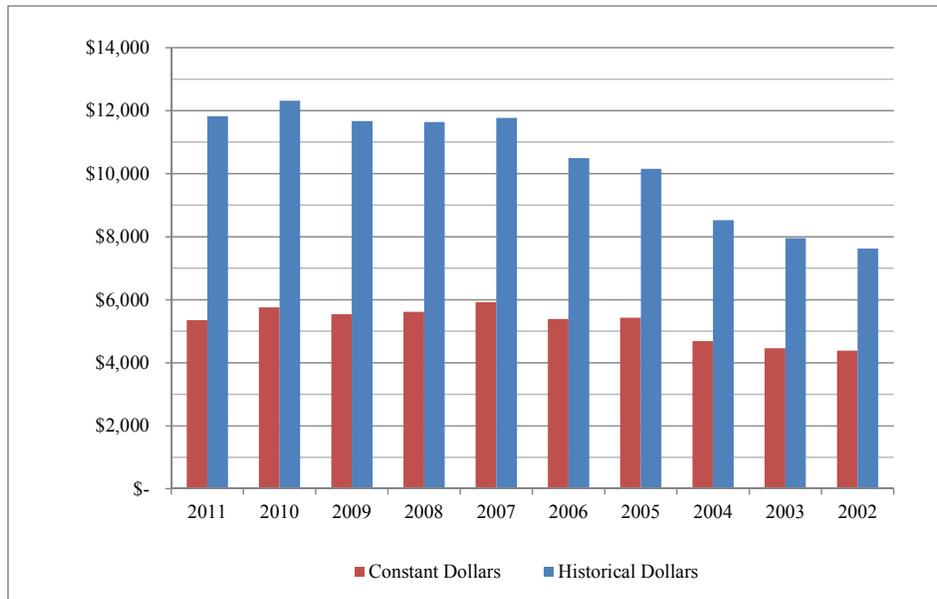
Fiscal Year				
2006	2005	2004	2003	2002
99	99	99	99	99
7	7	7	7	7
990	1,056	1,012	995	1,004
13	13	13	13	13
33	33	33	33	33
3	3	3	3	3
255	255	255	255	255
7	7	7	7	7
11	11	11	11	11
385	343	339	338	347
321	321	321	321	321
353	370	358	388	415
69	77	74	74	N/A
8	8	8	8	8
6	5	5	5	5
336	323	325	305	312
33	32	31	31	31
166,000	166,000	166,000	166,000	166,000
6	6	6	6	6
29,952	29,456	29,273	27,988	27,939
6,421	6,421	6,421	6,421	6,421

STATE OF NEW MEXICO

EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Ten Fiscal Years



Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2011	\$ 11,825	(4.2)%	\$ 5,357	(7.5)%
2010	12,316	5.2%	5,757	3.7%
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: 2010, 2009, and 2008 amounts have been restated.

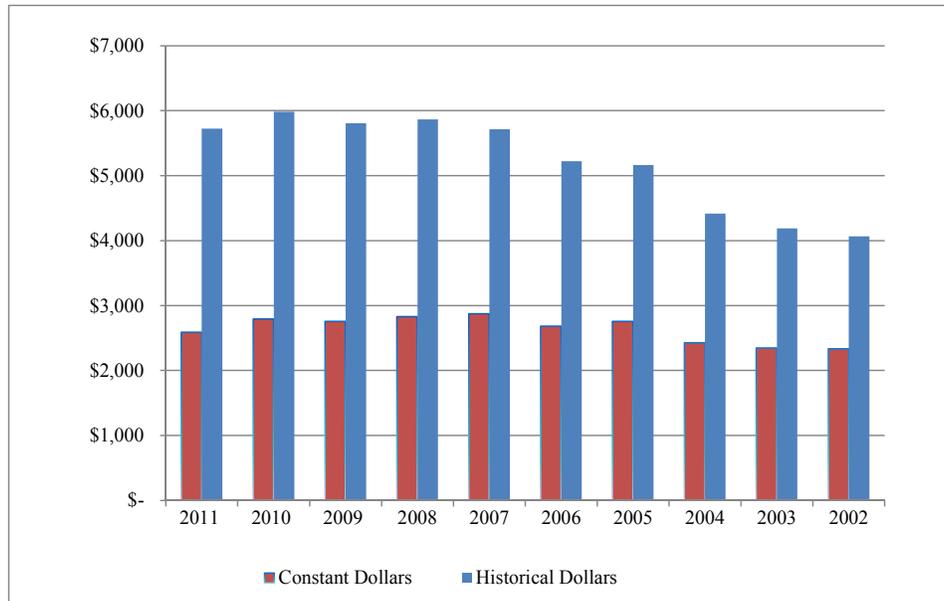
STATE OF NEW MEXICO

PER CAPITA EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS

SCHEDULE F-2

ALL GOVERNMENT FUND TYPES

Last Ten Fiscal Years



Fiscal Year	Per Capita Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2011	\$ 5,724	(4.5)%	\$ 2,593	(7.8)%
2010	5,981	2.9%	2,796	1.3%
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: 2010, 2009, and 2008 amounts have been restated.



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Bosque del Apache National Wildlife Refuge, New Mexico
Source: New Mexico Tourism Department, Don Mongahan