

STATE OF NEW MEXICO

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012



SUSANA MARTINEZ, GOVERNOR

PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

*THOMAS E. CLIFFORD, PH. D.
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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	ix
State of New Mexico Selected State Officials	xiii
State of New Mexico Organizational Chart.....	xiv

FINANCIAL SECTION

Report of Independent Accountants	2
Management's Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Assets	22
Statement of Activities	24
Governmental Fund Financial Statements	
Balance Sheet	28
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	36
Proprietary Fund Financial Statements	
Statement of Net Assets	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets	40
Statement of Cash Flows	42
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	46
Statement of Changes in Fiduciary Net Assets	47
Component Unit Financial Statements	
Combining Statement of Net Assets.....	50
Combining Statement of Activities	52
Index to Notes to the Financial Statements	54
Notes to the Financial Statements	55

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

TABLE OF CONTENTS

Required Supplementary Information

Budgetary Comparison Schedules	
General Fund	184
Education Fund	188
Health and Human Services Fund	189
Highway and Transportation Fund	191
Notes to the Required Supplementary Information – Budgetary Reporting.....	192
Schedules of Funding Progress	
Public Employees Retirement System.....	195
Judicial Retirement System	196
Magistrate Retirement System	197
Volunteer Firefighters Retirement System	198
Educational Employee Retirement System	199
Retiree Health Care Authority.....	200

Other Supplementary Information

Combining Statements and Individual Fund Statements and Schedules	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet – By Fund Type	204
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – By Fund Type	205
Nonmajor Special Revenue Funds	
Combining Balance Sheet	208
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	210
Budgetary Comparison Schedules	
Culture, Recreation, and Natural Resources	212
General Control.....	213
Judicial.....	214
Regulation and Licensing	216
Nonmajor Debt Service Funds	
Combining Balance Sheet	220
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	221
Budgetary Comparison Schedules	
Culture, Recreation, and Natural Resources	222
Nonmajor Capital Projects Funds	
Combining Balance Sheet	224
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	226

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

TABLE OF CONTENTS

Other Supplementary Information (Continued)

Combining Statements and Individual Fund Statements and Schedules (Continued)

Governmental Funds (Continued)

Nonmajor Capital Projects Funds (Continued)

Budgetary Comparison Schedules

Culture, Recreation, and Natural Resources	228
Judicial	229

Proprietary Funds

Nonmajor Enterprise Funds

Combining Statement of Net Assets	234
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	238
Combining Statement of Cash Flows.....	240
Budgetary Comparison Schedules	
Industries for the Blind	244
Corrections Industries Revolving Fund	245
New Mexico Magazine	246
New Mexico Public Schools Insurance Authority	247
Miners' Colfax Medical Center	248

Nonmajor Internal Service Funds

Combining Statement of Net Assets	250
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	252
Combining Statement of Cash Flows.....	254
Budgetary Comparison Schedules	
Fleet Operations	256
Risk Management	257
Printing and Records.....	258
Communication Services	269
Information Processing	260

Fiduciary Funds

Pension and Other Employee Benefits Trust Funds

Combining Statement of Fiduciary Net Assets	262
Combining Statement of Changes in Fiduciary Net Assets	264
Budgetary Comparison Schedules	
Public Employees Retirement System	266
Educational Employee Retirement System	267
Retiree Health Care Authority	268

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

TABLE OF CONTENTS

Other Supplementary Information (Continued)

Combining Statements and Individual Fund Statements and Schedules (Continued)

Fiduciary Funds (Continued)

Pension and Other Employee Benefits Trust Funds (Continued)

Revenues and Expenses by Type

The Public Employees Retirement System	269
The Judicial Retirement System	270
The Magistrate Retirement System.....	271
The Volunteer Firefighters Retirement System	272
The Educational Employee Retirement System.....	273
The Retiree Health Care Authority	274

External Investment Trust Funds

Combining Statement of Fiduciary Net Assets	276
Combining Statement of Changes in Fiduciary Net Assets	277

Private Purpose Trust Funds

Combining Statement of Fiduciary Net Assets	280
Combining Statement of Changes in Fiduciary Net Assets	281

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities	284
Combining Statement of Changes in Fiduciary Assets and Liabilities	285

Schedule of State General Fund Investment Pool (SGFIP) by Participant	288
---	-----

Schedule of Consolidated Investment Pool (SGFIP) by Participant	292
---	-----

STATISTICAL SECTION

Index to Statistical Section	296
------------------------------------	-----

Financial Trends Information

Schedule A-1	Net Assets by Component.....	298
Schedule A-2	Changes in Net Assets	300
Schedule A-3	Fund Balances, Governmental Funds	306
Schedule A-4	Changes in Fund Balances, Governmental Funds.....	308

Revenue Capacity Information

Schedule B-1	Schedule of Revenues, State General Fund	310
Schedule B-2	Revenue Base.....	316
Schedule B-3	Revenue Payers by Industry – Taxable Sales, Services, and Use Tax Purchases	318
Schedule B-4	Revenue Payers – Personal Income Tax	319
Schedule B-5	Personal Income Tax Rates.....	320

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

TABLE OF CONTENTS

Debt Capacity Information

Schedule C-1	Ratios of Outstanding Debt by Type.....	322
Schedule C-2	Long-Term Liabilities.....	324
Schedule C-3	Legal Debt Margin.....	326
Schedule C-4	Statutory Debt Limit – Severance Tax Bonds.....	328
Schedule C-5	Pledged Revenue Bond Coverage.....	330

Demographics and Economic Information

Schedule D-1	Demographic and Economic Indicators.....	332
Schedule D-2	Principal Employers.....	333
Schedule D-3	Composition of Labor Force.....	334
Schedule D-4	Public Higher Education Enrollment.....	336

Operating Information

Schedule E-1	Full-Time Equivalent State Employees by Function.....	338
Schedule E-2	Operating Indicators by Function.....	340
Schedule E-3	Capital Assets Statistics by Function.....	346

Other Information

Schedule F-1	Expenditures – Historical and Constant Dollars.....	348
Schedule F-2	Per Capita Expenditures – Historical and Constant Dollars.....	349

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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
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Susana Martinez
Governor

Thomas Clifford
Cabinet Secretary

Ricky A. Bejarano, CPA
Deputy Cabinet Secretary/
State Controller

August 30, 2013

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

In accordance with the provisions of Chapter 6-5-4.1 of the New Mexico Statutes Annotated 1978, it is our pleasure to transmit to you the State of New Mexico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Department of Finance and Administration Financial Control Division prepared this report, and is responsible for the accuracy, completeness, and fairness of all data presented, including all disclosures.

This CAFR presents the financial position and operating results of the State under generally accepted accounting principles (GAAP) applicable to State and local governments, as established by the Governmental Accounting Standards Board (GASB). The State operates in accordance with standards provided in GASB Statements No. 34 and 35. In addition to providing traditional fund financial statements, the objective of this reporting model is to provide a single, unified, transparent picture of the State's fiscal health; thus this CAFR displays all of the State's revenues, expenses, assets and liabilities. This report also include a Management's Discussion and Analysis section, which provides users with an objective and easy-to-read analysis of New Mexico's financial performance for the fiscal year ended June 30, 2012. We are confident that the data is accurate in all material respects and presented in a manner designed to set forth fairly the financial position and results of the State's operations, as measured by the fiscal activity of its various funds, and includes all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs.

The basic financial statements contained in this report have been reviewed by an independent accounting firm. 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, the independent accounting firm does not express such an opinion. The review was conducted in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those

To the Honorable Governor Susana Martinez, the New Mexico State
Legislature, and the Citizens of the State of New Mexico
August 30, 2013

standards require the independent accounting firm to perform procedures to obtain limited assurance that there are no material modifications that should be made to the basic financial statements.

PROFILE OF STATE OF NEW MEXICO

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. The State of New Mexico's estimated population is 2,082,224 as of July 2011.

Structure – New Mexico's government comprises three branches: executive, legislative, and judicial and are shown in the organizational chart on page xiv. The powers and duties of each branch of government 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. In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, this CAFR for the fiscal year ended June 30, 2012 includes 136 government agencies that comprise the State of New Mexico, including 10 higher educational institutions and 58 discretely presented component units (8 major component units and 55-non major component units).

Types and levels of services provided – The State of New Mexico provides its citizens with the following types of services: health and human services; education services; highway and transportation services; environmental services; public safety services; legislative services; judicial services; culture, recreation and natural resource services; among others and administers five cost-sharing multiple-employer public employees' retirement systems.

Brief summary of budget process – Annually, the Governor is required to submit a balanced budget by fund, function and activity to the Legislature. The Legislature authorizes expenditures in the annual *Appropriations Act* by source which is signed into law by the Governor. Annual appropriations lapse at fiscal year-end. 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 the budget issues. Adjustments to the budget may also be made throughout the year for changes in departmental or fund revenues so that departments and funds will not end the fiscal year in a deficit position. Expenditures are controlled at the program appropriation unit level. The budget is adopted on a budgetary basis that is not consistent with GAAP.

To the Honorable Governor Susana Martinez, the New Mexico State
Legislature, and the Citizens of the State of New Mexico
August 30, 2013

ECONOMIC CONDITIONS AND OUTLOOK

The State of New Mexico's economy continues to recover from the deep recession.

- Non-farm employment in the state stood at 805,300 in March 2012, which was 5,000 jobs ahead of March 2011 but still 50,000 jobs below the May 2008 peak.
- New Mexico's petroleum sector is holding steady, with the oil rig count growing in response to rising world oil prices, while the gas rig count remains depressed due to the glut of natural gas and its falling prices.
- Taxable gross receipts, one of the best measures of economic activity in the state and the base for New Mexico's budget, were up 7.1% through the first seven months of fiscal year 2012, compared to the same period for fiscal year 2011. General fund recurring revenues were up 6.4% for the same period.

New Mexico is heavily reliant on federal spending and ranks 4th among the states in the amount of federal government expenditures per capita, according to the most recent data from the U.S. Census Bureau. The full impact of federal budget sequestration and other federal spending cuts is unclear at this time, but is certain to hit New Mexico relatively hard due to importance of federal spending to the state. Federal spending on salaries, wages and procurements make up 12.8% of New Mexico's economic activity. Added to this is the 6.6% of New Mexico's total state revenue accounted for by federal grants subject to sequester.

Source: April 2012 and March 2013 New Mexico Economic Summary published by the New Mexico Legislative Council Service and the New Mexico Legislative Finance Committee.

LONG-TERM FINANCING PLANNING

The State of New Mexico's Constitution and laws authorize the State to issue general obligation bonds, severance tax bonds and revenue bonds to finance or refinance the cost of State capital projects. General obligation bonds are secured by the full faith and credit of the State and payable from legally restricted revenues (collection of property taxes levied by local governments receiving the funding for capital projects). Payment of severance tax bonds are provided through the collection of severance taxes levied on the mining and production of various natural resources. The State pledges income derived from the related acquired or constructed asset to pay debt service for revenue bonds. The

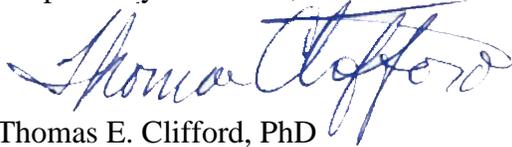
To the Honorable Governor Susana Martinez, the New Mexico State
Legislature, and the Citizens of the State of New Mexico
August 30, 2013

State continues to maintain a high bond rating from Moody's Investors Services and Standard and Poor's Corporation.

ACKNOWLEDGMENTS

This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. The professionalism and dedication demonstrated by my staff in effort to prepare this report is most appreciated.

Respectfully submitted,


Thomas E. Clifford, PhD
Cabinet Secretary


Ricky A. Bejarano, CPA
Deputy Cabinet Secretary/
State Controller

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2012

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

Petra Jimenez Maes, Chief Justice of the Supreme Court • **Patricio M. Serna**, Justice of the Supreme Court • **Charles W. Daniels**, 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, 2012

Citizens of New Mexico



STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

FINANCIAL SECTION



White Sands

Source: New Mexico Tourism Department, Dan Monaghan



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INTEGRITY COUNTS®

Independent Accountant's Review Report

The Honorable Susana Martinez, Governor of the State of New Mexico
Mr. Thomas Clifford, Ph.D., Secretary of the New Mexico Department of Finance
and Administration,
Mr. Ricky Bejarano, Deputy Secretary of the New Mexico Department of Finance
and Administration and State Controller

We have reviewed the accompanying 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 State of New Mexico, as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. A review includes applying analytical procedures to financial data and making inquiries of the State's management. 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 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 a review in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those statements require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

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

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 management's discussion and analysis, budgetary comparison schedules and Schedule of Funding Progress for Employee Retirement Systems and Plans, listed as required supplementary information 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, or historical context. The accompanying introductory section, other supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are also not required parts of the basic financial statements.

The required supplementary information, introductory section, other supplementary information and statistical section have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but they have been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information, introductory section, other supplementary information and statistical section and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

REDW LLC

Albuquerque, NM
August 30, 2013

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

▪ 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, 2012. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

▪ FINANCIAL HIGHLIGHTS

Government-wide

Net Assets

- ✦ The assets of the State of New Mexico exceeded its liabilities by \$16.8 billion as of June 30, 2012, a decrease of \$41.9 million or .2 percent from fiscal year 2011 (as restated). Net assets of the governmental activities decreased \$21.0 million or .2 percent. The net assets of the business-type activities decreased by \$20.9 million or .5 percent.
- ✦ The State General Fund ended the year with fund balances of 12.7 percent of recurring current year appropriations as compared to 9.6 percent in fiscal year 2011, an increase of 32.3 percent.

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, 2012. Depreciation of SHARE has been recorded for all implementation and development costs through June 30, 2012.
- ✦ 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 \$133 million or 3.4 percent through the payment on the prior year balance exceeding the issuance of new bonds. During the year, the State issued bonds totaling \$316 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, 2012

Fund Level

Governmental Funds

- ✦ As of June 30, 2012, the State's governmental funds reported a combined ending fund balance of \$7.6 billion, an increase of \$85 million or .1 percent from fiscal year 2011. The State reported a positive unassigned fund balance of \$561 million in fiscal year 2012.
- ✦ Total net tax collections for fiscal year 2012 were \$7.3 billion. Combined reporting system taxes (gross receipts, withholding, and compensating taxes) were the single largest category of collections at \$4.6 billion, or 63.2 percent of total collections. Mineral extraction taxes were next at \$1.1 billion or 14.5 percent. Income taxes were \$692 million or 9.4 percent. Motor vehicle taxes and fees were \$359 million or 4.9 percent and other state funds were \$585 million or 8.0 percent. Of the total tax collections, the Taxation and Revenue Department distributed a total of \$4.2 billion to the State General Fund to finance the State's appropriations.

Proprietary Funds

- ✦ The proprietary funds reported net assets of \$4.2 billion as of June 30, 2012, a decrease of \$21 million or .5 percent from fiscal year 2011, mainly due a slight decrease of revenue collections.
- ✦ 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 decreased its capital assets by approximately \$29 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, 2012

Reporting the State as a Whole

Government-wide Statements

The Statement of Net Assets and the Statement of Activities beginning on page 22 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 entities. 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 entities by charging fees to customers to cover all or most of the costs of providing the goods and services. Educational institutions, unemployment insurance, public schools insurance, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries, and industries for the blind are examples of business-type activities.

Component Units

The State includes seven major, and numerous nonmajor 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 28 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 account for 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 the following 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, 2012

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 primarily from outside of state government (e.g., water project loans to local governments) are accounted for in *enterprise funds* and reflect the same functions reported as *business-type activities*. 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 primarily 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.

Fiduciary Funds

Fiduciary funds account for assets held in a trustee or agency capacity for others. 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 reporting entity includes seven major and numerous nonmajor entities that provide services directly to the citizens of New Mexico. The financial position and activities of these component units 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.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 30 and 36 that reconcile and explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus).

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

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

- 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 55 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 program 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, 2011 net assets and fund balances. Governmental activities net assets and governmental fund balances were decreased by \$42 million to correct errors in certain previously reported revenue and expenditure accruals.

▪ FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets decreased \$41.9 million or .2 percent in fiscal year 2012. In comparison, net assets in the prior year increased \$1.1 billion or 7.1 percent, as restated. Net assets invested in capital assets decreased approximately \$134 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 decreased by \$650 million or 8.5 percent less than the prior year. The decrease of \$143 million in restricted net assets of the governmental activities was primarily due to a decrease in investment income. Restricted net assets in business-type activities decreased by \$507 million. The increase of \$141 million in unrestricted net assets of governmental activities was primarily due to the increased measures to control spending. The increase of \$488 million in unrestricted net assets of business-type activities was the result of increase in revenue from charges for services and a reduction of expenses. 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, 2012

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011, as Restated	2012	2011	2012	2011, as Restated
Current and Other Assets	\$ 9,173,026	\$ 9,210,723	\$ 3,291,844	\$ 3,429,864	\$ 12,464,870	\$ 12,640,587
Capital Assets	8,344,527	8,478,900	2,340,291	2,271,547	10,684,818	10,750,447
Total Assets	17,517,553	17,689,623	5,632,135	5,701,411	23,149,688	23,391,034
Current Liabilities	1,579,886	1,956,328	432,149	527,021	2,012,035	2,483,349
Long-term Liabilities	3,340,500	3,115,038	983,472	937,084	4,323,972	4,052,122
Total Liabilities	4,920,386	5,071,366	1,415,621	1,464,105	6,336,007	6,535,471
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	6,539,390	6,671,011	1,488,738	1,491,224	8,028,128	8,162,235
Restricted	5,542,541	5,685,913	1,471,752	1,978,206	7,014,293	7,664,119
Unrestricted	515,236	261,333	1,256,024	767,876	1,771,260	1,029,209
Total Net Assets	\$ 12,597,167	\$ 12,618,257	\$ 4,216,514	\$ 4,237,306	\$ 16,813,681	\$ 16,855,563
Percentage change in total net assets from prior year	(0.2) %		(0.5) %		(0.2) %	

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 52.2 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 44.2 percent of the State's net assets is its restricted net assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation regarding how the assets may be used.

The remaining 3.6 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 governmental funds and business-type activities.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2012:

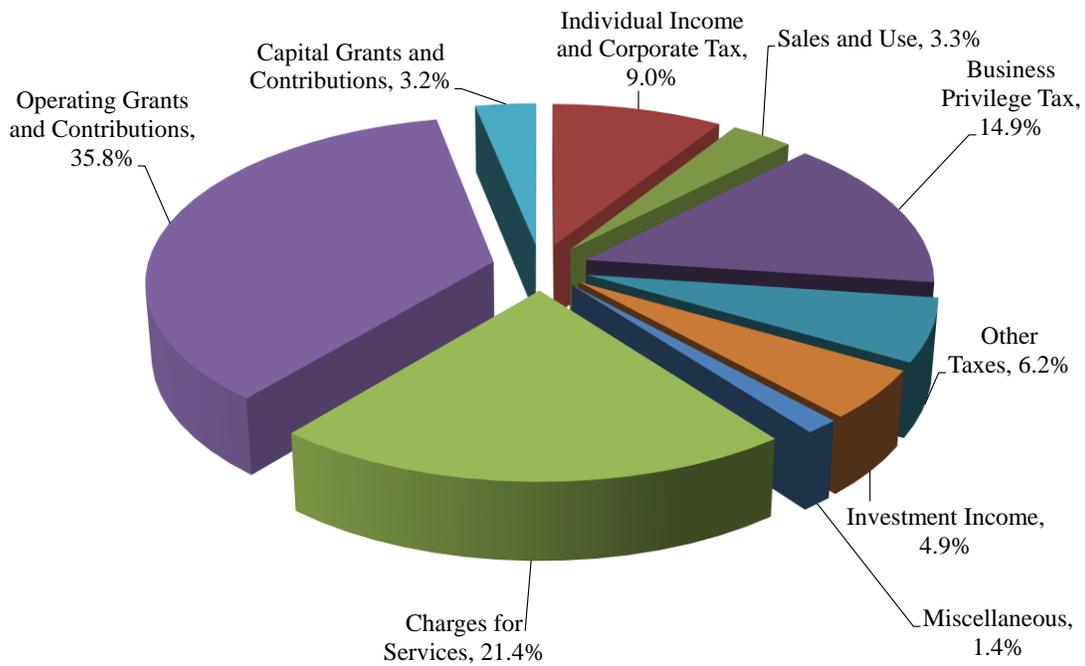
State of New Mexico Changes in Net Assets for the Fiscal Year Ended June 30, (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2011 to 2012
	2012	2011, as Restated	2012	2011	2012	2011, as Restated	
Revenues							
General Revenues:							
Taxes	\$ 5,321,538	\$ 4,891,952	\$ -	\$ 207,140	\$ 5,321,538	\$ 5,099,092	4.4 %
Other General Revenues	1,005,499	1,722,702	98,487	337,478	1,103,986	2,060,180	(46.4) %
Program Revenues:							
Charges for Services	1,517,042	1,512,599	1,881,218	1,546,365	3,398,260	3,058,964	11.1 %
Operating Grants and Contributions	4,635,542	5,220,477	1,041,706	1,306,820	5,677,248	6,527,297	(13.0) %
Capital Grants and Contributions	447,962	369,813	16,132	998	464,094	370,811	25.2 %
Total Revenues	12,927,583	13,717,543	3,037,543	3,398,801	15,965,126	17,116,344	
Expenses							
General Control	1,281,435	1,217,362	-	-	1,281,435	1,217,362	5.3 %
Culture, Recreation, and Natural Resources	308,748	226,366	-	-	308,748	226,366	36.4 %
Highway and Transportation	941,748	905,469	-	-	941,748	905,469	4.0 %
Judicial	230,465	237,705	-	-	230,465	237,705	(3.0) %
Legislative	24,047	26,147	-	-	24,047	26,147	(8.0) %
Public Safety	441,675	449,734	-	-	441,675	449,734	(1.8) %
Regulation and Licensing	145,748	105,199	-	-	145,748	105,199	38.5 %
Health and Human Services	5,603,724	5,631,423	-	-	5,603,724	5,631,423	(0.5) %
Education	3,117,733	3,180,978	-	-	3,117,733	3,180,978	(2.0) %
Unemployment Benefits	-	15,809	-	-	-	15,809	(100.0) %
Indirect Interest on Long-term Debt	121,970	154,043	-	-	121,970	154,043	(20.8) %
Provision for Potential Loss - State General Fund Investment Pool	101,735	-	-	-	101,735	-	-
Educational Institutions	-	-	2,768,492	2,761,289	2,768,492	2,761,289	0.3 %
Public Schools Insurance	-	-	322,904	320,762	322,904	320,762	0.7 %
Environmental Loans	-	-	874	14,908	874	14,908	100.0 %
Miners' Colfax Medical Center	-	-	22,608	24,706	22,608	24,706	(8.5) %
Unemployment Insurance	-	-	546,600	742,883	546,600	742,883	(26.4) %
State Fair	-	-	16,115	16,031	16,115	16,031	0.5 %
Other Business-type Activities	-	-	10,387	11,988	10,387	11,988	(13.4) %
Total Expenses	12,319,028	12,150,235	3,687,980	3,892,567	16,007,008	16,042,802	
Excess Before Transfers	608,555	1,567,308	(650,437)	(493,766)	(41,882)	1,073,542	
Transfers	(629,645)	(704,549)	629,645	704,549	-	-	
Change in Net Assets	(21,090)	862,759	(20,792)	210,783	(41,882)	1,073,542	
Net Assets -							
Beginning, as Restated	12,618,257	11,755,498	4,237,306	4,026,523	16,855,563	15,782,021	
Net Assets - Ending	\$ 12,597,167	\$ 12,618,257	\$ 4,216,514	\$ 4,237,306	\$ 16,813,681	\$ 16,855,563	(0.2) %

STATE OF NEW MEXICO

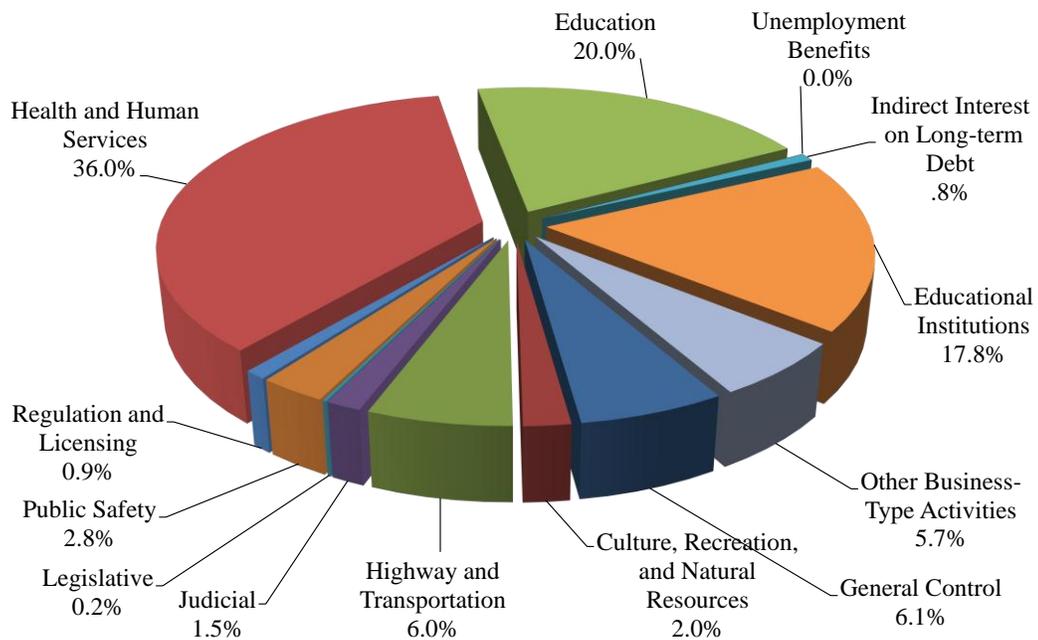
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

STATE OF NEW MEXICO TOTAL REVENUES - FY 2012



STATE OF NEW MEXICO TOTAL EXPENSES - FY 2012



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Changes in Net Assets

This year the entire State received 33.4 percent of its revenues from taxes and 39.0 percent of its revenues from grants and contributions that are primarily from federal sources. In the prior year, taxes accounted for 30.1 percent, and grants and contributions were 40.1 percent of total revenues, as restated. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 21.4 percent and 17.8 percent of total revenues for fiscal years 2012 and 2011 (as restated), respectively.

Governmental Activities

The State's total governmental revenues from all sources decreased \$904 million or 6.5 percent. The receipt of taxes increased by approximately \$363 million or 7.3 percent, which reflects a slow recovery 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 general revenue decreased by approximately \$799 million or 4.6 percent due to the investment income's decrease in market valuation at June 30, 2012. The operating grants and contributions decreased by approximately \$560 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 \$63 million and \$30 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 2012, state taxes and other general revenues covered 44.4 percent of expenses. The remaining \$6.6 million or 55.6 percent of the total expenses were covered by charges for services and grants and contributions.

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

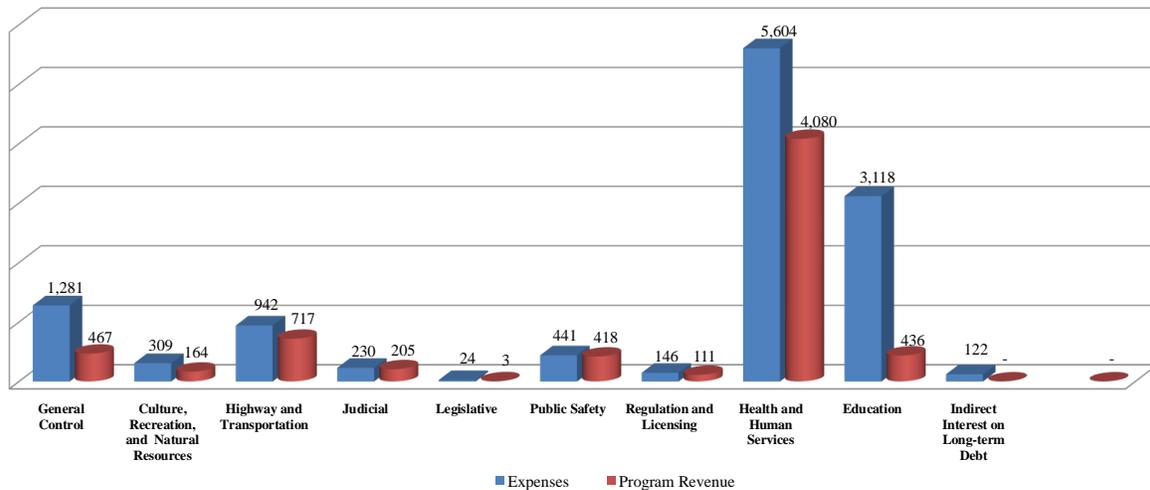
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
			2012	2011, as Restated	2012	2011, as Restated
General Control	\$ 1,281,435	\$ (466,846)	\$ 814,589	\$ 543,603	36.4 %	55.3 %
Culture, Recreation, and Natural Resources	308,748	(163,894)	144,854	7,255	53.1 %	96.8 %
Highway and Transportation	941,748	(716,574)	225,174	263,618	76.1 %	70.9 %
Judicial	230,465	(205,012)	25,453	(11,470)	89.0 %	104.8 %
Legislative	24,047	(2,968)	21,079	15,359	12.3 %	41.3 %
Public Safety	441,675	(417,836)	23,839	(91,793)	94.6 %	120.4 %
Regulation and Licensing	145,748	(111,261)	34,487	(77,055)	76.3 %	173.2 %
Health and Human Services	5,603,724	(4,079,966)	1,523,758	1,501,554	72.8 %	73.3 %
Education	3,117,733	(436,189)	2,681,544	2,766,854	14.0 %	13.0 %
Unemployment Benefits	-	-	-	-	- %	100.0 %
Indirect Interest on Long-term Debt	121,970	-	121,970	154,043	- %	- %
	\$ 12,217,293	\$ (6,600,546)	\$ 5,616,747	\$ 5,071,968	54.0 %	58.3 %

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

STATE OF NEW MEXICO
EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES
For the Fiscal Year Ended June 30, 2012
(In Millions)



Business-type Activities

Revenues from the State's business-type activities decreased by \$308 million or 9.0 percent from the prior year. Charges for services for business-type activities increased \$335 million or 21.6 percent. The operating grants and contributions decreased by approximately \$265 million or 20.2 percent due to the investment income's decrease in market valuation at June 30, 2012. The expenses for the educational institutions decreased by \$63 million or 1.9 percent. The decrease is a result of a decrease in instructional expenses for the universities.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2012, the State's governmental funds reported combined ending fund balances of \$7.6 billion. The State reported \$4.7 billion, or 62.1 percent, as nonspendable, including \$4.6 billion related to the Severance Tax and Land Grant Permanent funds. The remaining nonspendable balance consists of prepaids and inventories. The amount classified as restricted and committed, \$2.3 billion, or 31.3 percent, is for specific programs established by state law or by external constraints. Unspent bond proceeds, balances of restricted accounts and agencies' nonlapsing balances are also included in either restricted or committed, depending on the legality of the restriction. Note 1.A contains more details about the fund balance classifications at June 30, 2012. The remaining \$562 million, or 6.6 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, 2012

State of New Mexico
Fund Balances as of June 30, 2012
(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	\$ 6,157	\$ -	\$ 3,584	\$ 52,853	\$ -	\$ 3,880,616	\$ 714,776	\$ 4,657,986
Restricted	194,988	19,543	7,570	228,651	-	-	566,028	1,016,780
Committed	10,082	17,585	2,137	170,722	1,087,693	-	42,650	1,330,869
Assigned	293	-	-	-	-	-	-	293
Unassigned	604,813	64,282	40,352	23,485	(170,063)	-	(1,463)	561,406
Total	\$ 816,333	\$ 101,410	\$ 53,643	\$ 475,711	\$ 917,630	\$ 3,880,616	\$ 1,321,991	\$ 7,567,334
Percent Change from Prior Year	31.5 %	102.3 %	(346.2) %	9.1 %	(15.6) %	(2.2) %	(3.9) %	12.5 %

Governmental Funds

General Fund

Fund balance at June 30, 2012, totaled \$816 million, an increase of 31.5 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 2012 with unassigned fund balance of \$605 million. Miscellaneous changes resulting from the Restricted/Committed type balances account for the remaining change in fund balance.

Total General Fund revenues increased \$428 million or 7.7 percent. The increase was due to increases in taxes recognized, and in the royalties received from the natural resources in the State. All other revenue remained stable from the prior year.

The General Fund expenditures decreased \$73 million or 6.6 percent due to the measures taken by agencies to operate more effectively and efficiently.

Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2012 budget during the 2011 General Session. The General Fund original budgeted revenues for fiscal year 2012 were 2.5 percent more than the fiscal year 2011 final budget basis revenues. During the year, federal revenue was \$56 million less than the final approved budget. The original budget for expenditures for fiscal year 2012 was \$74 million more than the fiscal year 2011 budget basis expenditures. After budget amendments, the actual expenditures in the General Fund were \$120 million below the final budgeted amounts. This is mainly the result of agency-mandated measures to reduce expenditures. 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, 2012, totaled \$101 million, an increase of \$51 million or 102.3 percent from the prior year fund balance, as restated. Total revenues increased by \$37 million or 4.7 percent. This was a result of the increase in federal revenue expended for fiscal year 2012. Appropriations to Education increased by \$97 million or 3.7 percent. Total expenditures increased by \$119 million or 4.0 percent.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Health and Human Services

The fund balance at June 30, 2012, totaled \$54 million compared to a deficit of (\$22) million for the prior fiscal year, as restated. Total revenues increased by \$81 million or 1.9 percent with total expenditures increasing by 6.2 percent or \$332 million. Appropriations to the Health and Human Services agencies increased by \$381 million or 27 percent.

Highway and Transportation

Fund balance at June 30, 2012, totaled \$476 million, an increase of \$40 million, or 9.1 percent. Total expenditures decreased by \$185 million or 17.6 percent. Spending on current construction projects came from prior bond issues, which were included in restricted fund balance in fiscal year 2012.

Appropriated Bond Proceeds Capital Outlay Fund

The fund balance at June 30, 2012, totaled \$918 million, a decrease of \$170 million or 15.6 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, 2012, totaled \$3.9 billion, a decrease of \$85 million, or 2.1 percent. The decrease relates to losses on investments.

■ FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

The State's proprietary funds reported net assets of \$4.2 billion, approximately the same as in the prior year.. The above net assets excludes the Internal Service Funds, which are reported with Governmental Activities.

Educational Institutions

Net assets at June 30, 2012, totaled \$3.7 billion. Current period activity increased the net assets of the State's educational institutions by \$30 million or 1.0 percent. For the fiscal year 2012, the State transferred \$573 million to the State's educational institutions from the State General Fund, a decrease of \$125 million, or 17.8 percent, from fiscal year 2011.

■ 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 Lottery Authority
- ✚ UNM-Sandoval Regional Medical Center
- ✚ University of New Mexico Foundation, Inc.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

- ✚ University Medical Group
- ✚ New Mexico State University Foundation, Inc.
- ✚ Charter Schools and Charter School Foundations

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, 2012, the State reported \$8.3 billion in capital assets net of accumulated depreciation for governmental activities and \$2.3 billion in capital assets net of accumulated depreciation for business-type activities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a decrease of 1.5 percent for governmental activities and an increase of 3.0 percent for business-type activities.

At June 30, 2012, the State had \$334 million in commitments for highway construction projects, for university infrastructures, facilities construction and renovation. 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.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

The State had the following bond ratings at June 30, 2012:

State of New Mexico Bond Ratings at June 30, 2012

<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-

The State did not issue General Obligation bonds during 2012. The State issued Severance Tax Bonds during fiscal year 2012 for \$181 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 2011 to 2012</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
General Obligation Bonds, Net \$	296,890	\$ 355,500	\$ -	\$ -	\$ 296,890	\$ 355,500	(16.5) %
Severance Tax Bonds, Net	798,740	817,195	-	-	798,740	817,195	(2.3) %
Revenue Bonds, Net	1,723,061	1,796,198	840,831	829,348	2,563,892	2,625,546	(2.3) %
Bond Premium, Discount, Net	236,190	236,763	8,831	2,958	245,021	239,721	2.2
Deferred Loss on Refunding, Net	(81,982)	(82,705)	-	-	(81,982)	(82,705)	(0.9)
Total Bonds Payable	\$ 2,972,899	\$ 3,122,951	\$ 849,662	\$ 832,306	\$ 3,822,561	\$ 3,955,257	(3.4) %

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 2012. 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.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Taxable gross receipts began to show year-over-year growth in June 2010, and the growth rate accelerated through in fiscal year 2012. Through the first 7 months of fiscal year 2012, taxable gross receipts were up about 7.1 percent over the same period in the previous year. The mining, oil, and gas extraction sectors have grown most rapidly. The average oil price from July through December 2011 of \$86.75/bbl has exceeded the projected price and is not expected to decline. Oil prices averaged \$95.43/bbl in December 2011, roughly \$10.00/bbl, or 12% higher than last year.

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 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.

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.

New Mexico Economic Recovery: A Long Road Back

The BBER estimates that non-farm jobs will have grown by just 0.7 percent in fiscal year 2012 and that jobs will grow by 1.0 percent in fiscal year 2013. New Mexico has lost 50,000 jobs since the number of jobs peaked in 2008, and the State is not projected to regain those jobs until 2015. Non-farm employment in the state was 5,000 jobs ahead of March 2011.

Although the New Mexico unemployment rate fell from its peak of 8.7 percent in February 2011 to 6.9 percent in June 2012, 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 have been unemployed has risen dramatically. The percentage of the unemployed who have been out of work longer than 5 weeks declined from 43.5 percent to 21.3 percent while the share of those unemployed 52 weeks or more increased from 8.7 percent to 27.3 percent. The percentage of long-term unemployed more than tripled from 12.6 percent in 2007 to 40.4 percent in 2011. The most recent data (for the 12 months ended June 2012) were little changed from annual average 2011 estimates.

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 20,492 cases in June 2011 to 18,754 cases in June 2011 — a decline of 8.4 percent, but still more than 38.0 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 10.4 percent from 172,992 in June 2011 to 191,096 in June 2012 and has almost doubled from a pre-recession low of 93,388 in May 2008. (This increase does not include the 2 percent growth due to an April 2010

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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 national economy is recovering, despite the substantial uncertainty over the federal budget sequestration and the lack of progress in federal budget deliberations while the New Mexico recovery is more questionable, however, and depends in large part on the ultimate size and timing of cutbacks in federal defense and non-defense spending.

Indicators Show a U.S. Economy on Shaky Ground

The U.S. economy grew at an annual rate of 2.0 percent in the third quarter of 2012 and 1.3 percent in the second quarter of 2012. 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 slow growth has led to some confidence among businesses and consumers alike.

Labor markets continue to improve only very slowly, from March through September, employment increased by only an average of 112,000 per month. The housing data continues to show signs of improvement. According to US Census Bureau estimates, new home sales through September are up 22 percent year to date. (New Mexico is following suit, albeit at a somewhat slower pace. The Greater Albuquerque Association of Realtors reported that January new home sales were the highest since January 2008.) The median price of an existing home in September was also up, 11 percent to \$183,900, from a year earlier – the 8th consecutive month of increases.

Consumer confidence rose in February 2013 to a three-month high. The Thomson Reuters/University of Michigan Index of Consumer Sentiment climbed to 76.3 in February from 73.8 in January. The index's average during the five previous recessions was 69.3.

Retail sales in the U. S. rose in February for a fourth consecutive month, showing that household spending is growing even in the face of the payroll tax increases that took effect in January. Same-store sales for more than 20 companies tracked by Retail Metrics, Inc., grew 4.5 percent in January 2013 from the same month in 2012, the biggest year-over-year gain since September 2011.

Although a double-dip U.S. recession has not been officially recognized or forecast by most economists, major indicators are pointing to slow 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

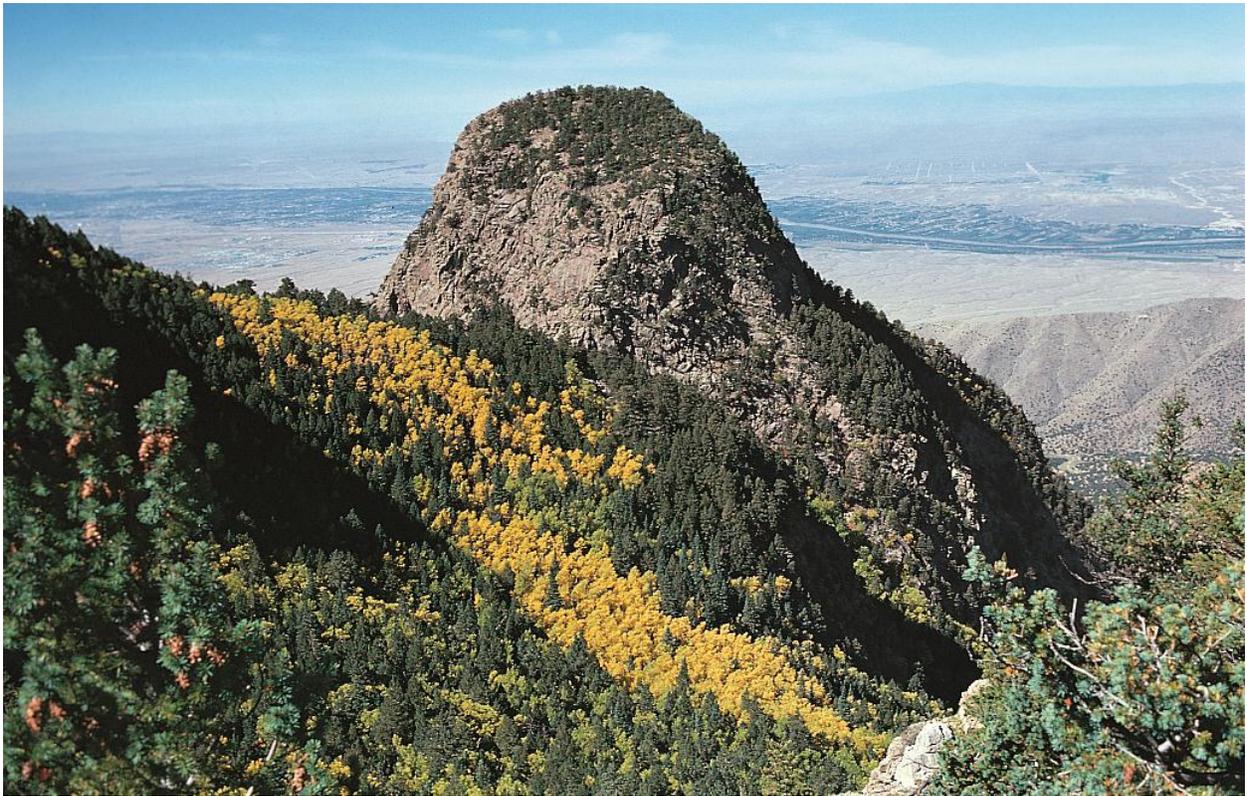
407 Galisteo

Bataan Memorial Building Room 166

Santa Fe, New Mexico 87501

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BASIC FINANCIAL STATEMENTS



Sandia Mountains

Source: New Mexico Tourism Department, Mike Stauffer

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS

June 30, 2012

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS				
Current Assets:				
Cash and Cash Equivalents	\$ 73,092	\$ 456,510	\$ 529,602	\$ 363,406
Investment in State General Fund Investment Pool	2,082,192	136,285	2,218,477	-
Investment in Local Government Investment Pool	-	120,157	120,157	9,004
Deferred Charges and Other Assets	31,028	24,533	55,561	6,707
Internal Balances	1,928	(1,928)	-	-
Due From External Parties	87,654	-	87,654	-
Due From Component Units	3,039	-	3,039	-
Receivables, Net	1,719,562	450,153	2,169,715	146,519
Investments	921,214	335,917	1,257,131	27,912
Inventories	33,028	24,095	57,123	67
Total Current Assets	<u>4,952,737</u>	<u>1,545,722</u>	<u>6,498,459</u>	<u>553,615</u>
Noncurrent Assets and Deferred Outflows:				
Restricted Cash and Cash Equivalents	325,406	13,873	339,279	122,088
Restricted Investments	3,743,661	-	3,743,661	175,675
Loans Receivable, Net	-	175,519	175,519	2,396,666
Investments	-	1,541,634	1,541,634	364,893
Deferred Outflow of Resources - Accumulated Decrease in Fair Value of Hedging Derivatives	137,082	-	137,082	-
Other Noncurrent Assets	14,140	15,096	29,236	155,911
Nondepreciable Capital Assets	1,347,885	208,297	1,556,182	7,056
Other Capital Assets, Net	6,996,642	2,131,994	9,128,636	159,830
Total Noncurrent Assets and Deferred Outflows	<u>12,564,816</u>	<u>4,086,413</u>	<u>16,651,229</u>	<u>3,382,119</u>
Total Assets and Deferred Outflows	<u>17,517,553</u>	<u>5,632,135</u>	<u>23,149,688</u>	<u>3,935,734</u>

See accountant's review report.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 482,697	\$ 155,124	\$ 637,821	\$ 36,637
Accrued Liabilities	300,032	72,044	372,076	63,347
Unearned Revenue	49,690	89,670	139,360	4,113
Due to Broker	221,277	-	221,277	-
Due to Primary Government	-	-	-	3,039
Intergovernmental Payables	57,005	-	57,005	-
Other Obligations	44,946	-	44,946	-
Funds Held for Others	382	7,582	7,964	610
Bonds Payable	270,126	24,311	294,437	101,840
Other Liabilities	153,731	83,418	237,149	156,299
Total Current Liabilities	<u>1,579,886</u>	<u>432,149</u>	<u>2,012,035</u>	<u>365,885</u>
Noncurrent Liabilities:				
Bonds Payable	2,702,773	825,351	3,528,124	2,363,693
Other Liabilities	398,910	158,121	557,031	63,935
Hedging Derivatives - Interest Rate Swaps	137,082	-	137,082	-
Allowance for Potential Loss -				
State General Fund Investment Pool	101,735	-	101,735	-
Total Noncurrent Liabilities	<u>3,340,500</u>	<u>983,472</u>	<u>4,323,972</u>	<u>2,427,628</u>
Total Liabilities	<u>4,920,386</u>	<u>1,415,621</u>	<u>6,336,007</u>	<u>2,793,513</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,539,390	1,488,738	8,028,128	17,493
Restricted for:				
Highway Construction and Maintenance	162,722	-	162,722	-
Education	19,543	-	19,543	-
Debt Service	264,017	52,033	316,050	202,123
Capital Projects	44,754	63,945	108,699	-
Health and Human Services	7,570	-	7,570	-
Financial Aid	-	29,972	29,972	-
Unemployment and Insurance	-	175,607	175,607	-
Loan Programs	-	326,389	326,389	-
Permanent Funds Investments:				
Nonexpendable	4,595,392	783,616	5,379,008	244,730
Other Purposes	448,543	40,190	488,733	317,320
Unrestricted Net Assets	<u>515,236</u>	<u>1,256,024</u>	<u>1,771,260</u>	<u>360,555</u>
Total Net Assets	<u>\$ 12,597,167</u>	<u>\$ 4,216,514</u>	<u>\$ 16,813,681</u>	<u>\$ 1,142,221</u>

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

(In Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Control	\$ 1,281,435	\$ 305,501	\$ 161,345	\$ -
Culture, Recreation, and Natural Resources	308,748	134,163	29,731	-
Highway and Transportation	941,748	268,612	-	447,962
Judicial	230,465	176,484	28,528	-
Legislative	24,047	-	2,968	-
Public Safety	441,675	363,078	54,758	-
Regulation and Licensing	145,748	97,075	14,186	-
Health and Human Services	5,603,724	167,230	3,912,736	-
Education	3,117,733	4,899	431,290	-
Interest on Long-term Debt	121,970	-	-	-
Provision for Potential Loss - State General Fund Investment Pool	101,735	-	-	-
Total Governmental Activities	12,319,028	1,517,042	4,635,542	447,962
Business-type Activities:				
Educational Institutions	2,768,492	1,289,871	769,226	16,132
Public Schools Insurance	322,904	322,593	-	-
Environmental Loans	874	4,384	10,105	-
Miners' Colfax Medical Center	22,608	23,455	264	-
Unemployment Insurance	546,600	216,824	261,861	-
State Fair	16,115	13,831	250	-
Other Business-type Activities	10,387	10,260	-	-
Total Business-type Activities	3,687,980	1,881,218	1,041,706	16,132
Total Primary Government	\$ 16,007,008	\$ 3,398,260	\$ 5,677,248	\$ 464,094
Discretely Presented Component Units				
New Mexico Finance Authority	\$ 105,349	\$ 61,813	\$ 41,883	\$ -
New Mexico Mortgage Finance Authority	119,616	69,952	57,690	-
Other Major Component Units	341,442	265,475	62,573	-
Nonmajor Component Units	24,342	7,570	14,508	-
Total Component Unit Activities	\$ 590,749	\$ 404,810	\$ 176,654	\$ -

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 review report.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (814,589)	\$ -	\$ (814,589)	\$ -
(144,854)	-	(144,854)	-
(225,174)	-	(225,174)	-
(25,453)	-	(25,453)	-
(21,079)	-	(21,079)	-
(23,839)	-	(23,839)	-
(34,487)	-	(34,487)	-
(1,523,758)	-	(1,523,758)	-
(2,681,544)	-	(2,681,544)	-
(121,970)	-	(121,970)	-
(101,735)	-	(101,735)	-
<u>(5,718,482)</u>	<u>-</u>	<u>(5,718,482)</u>	<u>-</u>
-	(693,263)	(693,263)	-
-	(311)	(311)	-
-	13,615	13,615	-
-	1,111	1,111	-
-	(67,915)	(67,915)	-
-	(2,034)	(2,034)	-
-	(127)	(127)	-
<u>-</u>	<u>(748,924)</u>	<u>(748,924)</u>	<u>-</u>
<u>(5,718,482)</u>	<u>(748,924)</u>	<u>(6,467,406)</u>	<u>-</u>
-	-	-	(1,653)
-	-	-	8,026
-	-	-	(13,394)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,264)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,285)</u>
1,171,182	-	1,171,182	-
265,118	-	265,118	-
522,847	-	522,847	-
2,372,984	-	2,372,984	-
989,407	-	989,407	-
-	-	-	106,083
-	-	-	(75,390)
708,673	70,774	779,447	8,234
296,826	27,713	324,539	(3,416)
(629,645)	629,645	-	-
<u>5,697,392</u>	<u>728,132</u>	<u>6,425,524</u>	<u>35,511</u>
<u>(21,090)</u>	<u>(20,792)</u>	<u>(41,882)</u>	<u>26,226</u>
<u>12,618,257</u>	<u>4,237,306</u>	<u>16,855,563</u>	<u>1,115,995</u>
<u>\$ 12,597,167</u>	<u>\$ 4,216,514</u>	<u>\$ 16,813,681</u>	<u>\$ 1,142,221</u>

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STATE OF NEW MEXICO

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

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

Education Fund

This fund accounts for all resources used to operate K-12 public education programs and adult basic education programs in the State as well as coordinate higher education programs and state-mandated scholarship programs.

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's 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 204.

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2012

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
ASSETS				
Cash and Cash Equivalents	\$ 1,730	\$ -	\$ 854	\$ 201,670
Investment in the State General Fund Investment Pool	-	104,096	64,128	247,478
Deferred Charges and Other Assets	1,067	-	145	29,693
Due From Other Funds	475,071	61,496	68,220	18,129
Due From Component Unit	-	3,039	-	-
Receivables, Net	826,587	123,735	333,784	115,663
Investments	154,615	-	2,562	-
Inventories	6,439	-	3,944	22,290
Total Assets	<u>\$ 1,465,509</u>	<u>\$ 292,366</u>	<u>\$ 473,637</u>	<u>\$ 634,923</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 63,126	\$ 158,526	\$ 103,896	\$ 71,313
Accrued Liabilities	42,502	6,932	201,952	16,671
Due To Other Funds	387,471	12,049	84,488	14,397
Due to Brokers	-	-	-	-
Intergovernmental Payables	48,379	5,806	2,703	-
Funds Held For Others	192	170	20	-
Other Obligations	1	6,216	-	35,000
Deferred Revenue	5,770	1,257	26,935	21,831
Allowance for Potential Loss - State General Fund Investment Pool	101,735	-	-	-
Total Liabilities	<u>649,176</u>	<u>190,956</u>	<u>419,994</u>	<u>159,212</u>
Fund Balances:				
Nonspendable	6,157	-	3,584	52,853
Restricted	194,988	19,543	7,570	228,651
Committed	10,082	17,585	2,137	170,722
Assigned	293	-	-	-
Unassigned (Deficit)	604,813	64,282	40,352	23,485
Total Fund Balances	<u>816,333</u>	<u>101,410</u>	<u>53,643</u>	<u>475,711</u>
Total Liabilities and Fund Balances	<u>\$ 1,465,509</u>	<u>\$ 292,366</u>	<u>\$ 473,637</u>	<u>\$ 634,923</u>

See accountant's review report.

<u>Capital Projects</u>			
<u>Appropriated</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Bond 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>
\$ -	\$ 123,736	\$ 70,508	\$ 398,498
963,614	2	561,556	1,940,874
-	-	123	31,028
382	105,959	61,088	790,345
-	-	-	3,039
-	96,150	212,203	1,708,122
-	3,743,661	764,037	4,664,875
-	-	21	32,694
<u>\$ 963,996</u>	<u>\$ 4,069,508</u>	<u>\$ 1,669,536</u>	<u>\$ 9,569,475</u>

\$ 6,789	\$ -	\$ 60,095	\$ 463,745
-	18,983	3,549	290,589
39,577	-	163,065	701,047
-	169,909	51,368	221,277
-	-	117	57,005
-	-	-	382
-	-	3,729	44,946
-	-	65,622	121,415
-	-	-	101,735
<u>46,366</u>	<u>188,892</u>	<u>347,545</u>	<u>2,002,141</u>

-	3,880,616	714,776	4,657,986
-	-	566,028	1,016,780
1,087,693	-	42,650	1,330,869
-	-	-	293
(170,063)	-	(1,463)	561,406
<u>917,630</u>	<u>3,880,616</u>	<u>1,321,991</u>	<u>7,567,334</u>
<u>\$ 963,996</u>	<u>\$ 4,069,508</u>	<u>\$ 1,669,536</u>	<u>\$ 9,569,475</u>

STATE OF NEW MEXICO

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

June 30, 2012

(In Thousands)

Total Fund Balances - Governmental Funds \$ 7,567,334

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	\$ 91,154	
Infrastructure, Nondepreciable	485,300	
Construction-In-Progress	687,037	
Other Nondepreciable Assets	84,394	
Buildings, Equipment, Infrastructure and Other Depreciable Assets	17,266,329	
Accumulated Depreciation	<u>(10,322,335)</u>	8,291,879

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. 71,725

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. (99,634)

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. 14,140

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.)

Accrued Interest Payable	(8,340)	
General Obligation, Severance Tax and Revenues Bonds Payable	(2,972,899)	
Notes Payable	(2,454)	
Claims and Judgments	(147,944)	
Compensated Absences	(60,946)	
Pollution Remediation Obligation	<u>(55,694)</u>	<u>(3,248,277)</u>

Total Net Assets - Governmental Activities \$ 12,597,167

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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, 2012

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
REVENUES				
Taxes:				
General and Selective Taxes	\$ 2,973,087	\$ -	\$ 25,082	\$ 222,329
Income Taxes	1,436,300	-	-	-
Total Taxes	4,409,387	-	25,082	222,329
Other Revenues:				
Federal Revenue	82,858	431,290	3,912,736	447,962
Investment Income (Loss)	674,953	139	4,287	3,392
Rentals and Royalties	614,747	-	2,236	2
Charges for Services	48,141	-	89,473	2,320
Licenses, Fees, and Permits	112,540	3,539	29,100	181,627
Assessments	1,000	-	11,646	-
Miscellaneous and Other	12,817	4,103	111,971	12,421
Total Revenues	5,956,443	439,071	4,186,531	870,053
EXPENDITURES				
Current:				
Culture, Recreation, and Natural Resources	135,993	-	-	-
Education	-	3,082,158	-	-
General Control	317,431	-	-	-
Health and Human Services	-	-	5,611,551	-
Highway and Transportation	-	-	-	323,420
Judicial	165,477	-	-	-
Land Grant	-	-	-	-
Legislative	22,381	-	-	-
Public Safety	410,266	-	-	-
Regulation and Licensing	63,759	-	-	-
Severance Tax	-	-	-	-
Capital Outlay	17,522	1,134	84,943	389,425
Debt Service:	-	-	-	-
Principal	-	-	-	68,580
Interest and Other Charges	-	-	-	82,136
Bond Costs	-	-	-	-
Provision for Potential Loss - State General Fund Investment Pool	101,735	-	-	-
Total Expenditures	1,234,564	3,083,292	5,696,494	863,561
Excess Revenues Over (Under)				
Expenditures	4,721,879	(2,644,221)	(1,509,963)	6,492

See accountant's review report.

<u>Capital Projects</u>			
<u>Appropriated</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Bond 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>
\$ -	\$ -	\$ 664,740	\$ 3,885,238
-	-	-	1,436,300
-	-	664,740	5,321,538
-	-	160,433	5,035,279
-	(649)	26,348	708,470
-	-	34,591	651,576
-	-	15,155	155,089
-	-	34,865	361,671
-	-	12,313	24,959
23,736	1,667	20,652	187,367
23,736	1,018	969,097	12,445,949
-	-	87,865	223,858
-	-	34,884	3,117,042
-	-	96,376	413,807
-	-	14,118	5,625,669
-	-	7,154	330,574
-	-	58,465	223,942
-	-	45,005	45,005
-	-	-	22,381
-	-	18,065	428,331
-	-	44,698	108,457
-	183,423	-	183,423
-	-	119,132	612,156
-	-	-	-
-	-	180,765	249,345
2	-	57,709	139,847
204	-	-	204
-	-	-	101,735
206	183,423	764,236	11,825,776
23,530	(182,405)	204,861	620,173

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
OTHER FINANCING SOURCES (USES)				
Bonds Issued	\$ -	\$ -	\$ -	\$ -
Bond Premium	-	-	-	-
Refunding Bond Issue	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Proceeds from the Sale of Capital Assets	3,133	-	-	303
Transfers In	1,267,935	2,701,654	1,780,789	45,187
Transfers Out	(5,797,197)	(6,146)	(195,395)	(12,107)
Total Other Financing Sources (Uses)	(4,526,129)	2,695,508	1,585,394	33,383
Net Change in Fund Balances	195,750	51,287	75,431	39,875
Fund Balances - Beginning, as Restated - See Note 2.H.	620,583	50,123	(21,788)	435,836
Fund Balances - Ending	\$ 816,333	\$ 101,410	\$ 53,643	\$ 475,711

See accountant's review report.

<u>Capital Projects</u>			
<u>Appropriated</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Bond 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>
\$ 105,780	\$ -	\$ -	\$ 105,780
15,663	-	12,005	27,668
-	-	75,715	75,715
-	-	(88,898)	(88,898)
-	-	1,772	5,208
226,909	103,888	288,616	6,414,978
<u>(541,945)</u>	<u>(6,901)</u>	<u>(473,462)</u>	<u>(7,033,153)</u>
<u>(193,593)</u>	<u>96,987</u>	<u>(184,252)</u>	<u>(492,702)</u>
(170,063)	(85,418)	20,609	127,471
1,087,693	3,966,034	1,301,382	7,439,863
<u>\$ 917,630</u>	<u>\$ 3,880,616</u>	<u>\$ 1,321,991</u>	<u>\$ 7,567,334</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, 2012

(In Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 127,471

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	\$ 612,156	
Depreciation expense	(699,713)	
Loss on disposal, net	<u>(43,386)</u>	
Excess of capital outlay over depreciation expense		(130,943)

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. 48,225

Internal service funds are used by management to charge for certain activities, such as fleet operations, risk management, printing and records, communications services, and information processing. The net revenue (expense) of the internal service funds is reported with governmental activities. (146,101)

Bond proceeds, notes, 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, notes, 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, Note, and Capital Lease Principal	249,345	
Payment to Refunded Bond Escrow Agent	88,898	
Bond Proceeds, Net	<u>(181,495)</u>	156,748

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences. (7,419)

Expenditures are recognized in the governmental funds when paid or due for items normally paid with available financial resources; 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	2,988	
Claims and Judgments	(102,041)	
Pollution Remediation Obligation	31,047	
Accrued Interest on Bonds Payable	<u>(1,065)</u>	<u>(69,071)</u>

Change in Net Assets of Governmental Activities \$ (21,090)

See accountant's review 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 234.

Internal Service Fund

Nonmajor internal service funds are presented beginning on page 250.

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2012
(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	\$ 350,865	\$ 105,645	\$ 456,510	\$ -
Investment in the State General Fund Investment Pool	-	136,285	136,285	141,318
Investment in the Local Government Investment Pool	55,449	64,708	120,157	-
Deferred Charges and Other Assets	24,178	355	24,533	-
Due From Other Funds	-	912	912	13,883
Receivables, Net	363,073	87,080	450,153	11,440
Investments	335,827	90	335,917	-
Inventories	22,483	1,612	24,095	334
Total Current Assets	1,151,875	396,687	1,548,562	166,975
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	13,315	558	13,873	-
Loans Receivable	8,307	167,212	175,519	-
Investments	1,502,192	39,442	1,541,634	-
Other Noncurrent Assets	15,096	-	15,096	-
Nondepreciable Capital Assets	207,241	1,056	208,297	-
Capital Assets, Net	2,052,072	79,922	2,131,994	52,648
Total Noncurrent Assets	3,798,223	288,190	4,086,413	52,648
Total Assets	4,950,098	684,877	5,634,975	219,623

See accountant's review report.

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 150,012	\$ 5,112	\$ 155,124	\$ 18,952
Accrued Liabilities	60,749	11,295	72,044	1,103
Unearned Revenue	71,030	18,640	89,670	-
Due to Other Funds	-	2,840	2,840	13,599
Intergovernmental Payables	-	-	-	-
Funds Held for Others	7,492	90	7,582	-
Bonds Payable	22,913	1,398	24,311	-
Other Liabilities	58,441	24,977	83,418	100,694
Total Current Liabilities	370,637	64,352	434,989	134,348
Noncurrent Liabilities:				
Bonds Payable	812,226	13,125	825,351	-
Other Liabilities	112,907	45,214	158,121	184,909
Total Noncurrent Liabilities	925,133	58,339	983,472	184,909
Total Liabilities	1,295,770	122,691	1,418,461	319,257
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,422,282	66,456	1,488,738	52,648
Restricted:				
Nonexpendable:				
Scholarships and Student Loans	459,686	-	459,686	-
Endowment	155,713	-	155,713	-
Land Grant Permanent Fund	168,217	-	168,217	-
Expendable:				
Debt Service	48,761	3,272	52,033	-
Capital Projects	63,395	550	63,945	-
Scholarships	29,972	-	29,972	-
Unemployment and Insurance	-	175,607	175,607	284,515
Loans	20,661	305,728	326,389	-
Other Purposes	34,853	5,337	40,190	24,901
Unrestricted (Deficit)	1,250,788	5,236	1,256,024	(461,698)
Total Net Assets	\$ 3,654,328	\$ 562,186	\$ 4,216,514	\$ (99,634)

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor	Total	
		Enterprise Funds		
OPERATING REVENUES				
Charges for Services	\$ 255,366	\$ 360,561	\$ 615,927	\$ 448,939
Unemployment Insurance	-	211,736	211,736	-
Federal Revenue	473,239	272,480	745,719	-
State, Local, and Private Grants and Contracts	149,609	-	149,609	-
Loans and Other Income	-	4,384	4,384	-
Student Tuition and Fees, Net	239,871	-	239,871	-
Patient Services/Clinical Operations	624,117	-	624,117	-
Other Operating Revenues	90,475	14,666	105,141	1,724
Total Operating Revenues	<u>1,832,677</u>	<u>863,827</u>	<u>2,696,504</u>	<u>450,663</u>
OPERATING EXPENSES				
Benefits, Claims, and Premiums	-	587,855	587,855	-
General and Administrative Expenses	1,538,828	21,607	1,560,435	22,316
Insurance Losses	-	262,046	262,046	-
Depreciation Expense	163,252	5,003	168,255	12,903
Other Operating Expenses	1,037,391	42,333	1,079,724	569,896
Total Operating Expenses	<u>2,739,471</u>	<u>918,844</u>	<u>3,658,315</u>	<u>605,115</u>
Operating Income (Loss)	<u>(906,794)</u>	<u>(55,017)</u>	<u>(961,811)</u>	<u>(154,452)</u>
NONOPERATING REVENUES (EXPENSES)				
Clinical Operations	80,042	-	80,042	-
Private Grants and Gifts	30,340	-	30,340	-
Government Grants and Contracts	116,038	-	116,038	-
Interest and Investment Income	64,311	3,915	68,226	203
Interest and Other Expenses on Capital				
Asset-related Debt	(29,021)	(644)	(29,665)	-
Gain (Loss) on Sale of Capital Assets	(4,794)	3	(4,791)	3,018
Intergovernmental Grants	-	-	-	-
Other Revenue (Expense)	34,848	(2,344)	32,504	-
Total Nonoperating Revenues (Expenses)	<u>291,764</u>	<u>930</u>	<u>292,694</u>	<u>3,221</u>
Income (Loss) Before Transfers and Other Revenues (Expenses)	<u>(615,030)</u>	<u>(54,087)</u>	<u>(669,117)</u>	<u>(151,231)</u>
CAPITAL CONTRIBUTIONS AND ENDOWMENTS				
Capital Grants and Gifts	16,132	-	16,132	-
Permanent Fund/Endowment Contributions	2,548	-	2,548	-
Total Capital Contributions and Endowments	<u>18,680</u>	<u>-</u>	<u>18,680</u>	<u>-</u>
TRANSFERS				
Transfers In	626,863	2,782	629,645	34,827
Transfers Out	-	-	-	(29,697)
Total Transfers	<u>626,863</u>	<u>2,782</u>	<u>629,645</u>	<u>5,130</u>
Change in Net Assets	<u>30,513</u>	<u>(51,305)</u>	<u>(20,792)</u>	<u>(146,101)</u>
Net Assets - Beginning	<u>3,623,815</u>	<u>613,491</u>	<u>4,237,306</u>	<u>46,467</u>
Net Assets - Ending	<u>\$ 3,654,328</u>	<u>\$ 562,186</u>	<u>\$ 4,216,514</u>	<u>\$ (99,634)</u>

See accountant's review report.

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STATE OF NEW MEXICO

STATEMENT CASH FLOWS PROPRIETARY FUNDS

June 30, 2009

(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	\$ 834,368	\$ 359,718	\$ 1,194,086	\$ 449,640
Sale of Products	259,056	10,081	269,137	-
Gifts, Grants, and Contracts	621,747	-	621,747	-
Loan and Note Repayments	1,898	21,003	22,901	-
Unemployment Insurance	-	220,700	220,700	-
Other Sources	57,823	4,246	62,069	3
Cash Payments to or for:				
Suppliers	(744,451)	(84,242)	(828,693)	(457,808)
Employees	(1,670,949)	(21,197)	(1,692,146)	(21,929)
Unemployment Benefits	-	(539,157)	(539,157)	-
Student Loans and Loan Losses	(74,446)	(272,555)	(347,001)	-
Other Payments	(80,616)	1	(80,615)	-
Net Cash Provided (Used) by Operating Activities	(795,570)	(301,402)	(1,096,972)	(30,094)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	589,222	2,087	591,309	21,609
Transfers Out	-	(25,418)	(25,418)	(23,433)
Gifts for Other Than Capital Purposes	39,455	-	39,455	-
Intergovernmental Receipts	201,233	248,447	449,680	-
Net Cash Provided (Used) by Noncapital Financing Activities	829,910	225,116	1,055,026	(1,824)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(227,400)	(549)	(227,949)	(4,951)
Capital Gifts, Grants, and Contracts	-	10,076	10,076	-
Capital Debt Service Payments - Principal	(75,896)	(1,349)	(77,245)	-
Capital Debt Service Payments - Interest	(38,773)	(646)	(39,419)	-
Capital Contributions and Debt Proceeds	170,634	1,472	172,106	-
Proceeds from Sale of Capital Assets	3,247	3	3,250	3,357
Net Cash Provided (Used) by Capital and Related Financing Activities	(168,188)	9,007	(159,181)	(1,594)

See accountant's review report.

	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	\$ 83,513	\$ 3,774	\$ 87,287	\$ 202
Purchase of Investments	(602,156)	(7)	(602,163)	-
Purchase of Rent	-	60	60	-
Proceeds from Sale and Maturity of Investments	543,037	16	543,053	-
Net Cash Provided (Used) by Investing Activities	<u>24,394</u>	<u>3,843</u>	<u>28,237</u>	<u>202</u>
Net Increase (Decrease) in Cash	(109,454)	(63,436)	(172,890)	(33,310)
Cash and Cash Equivalents at Beginning of Year, as Restated	473,880	370,632	844,512	174,628
Cash and Cash Equivalents at End of Year	<u>\$ 364,426</u>	<u>\$ 307,196</u>	<u>\$ 671,622</u>	<u>\$ 141,318</u>
Cash and Cash Equivalents				
Unrestricted	\$ 350,865	\$ 105,645	\$ 456,510	\$ -
Restricted	13,315	558	13,873	-
Investment in the State General Fund Investment Pool	-	136,285	136,285	141,318
Investment in the Local Government Investment Pool	246	64,708	64,954	-
Total Cash and Cash Equivalents	<u>\$ 364,426</u>	<u>\$ 307,196</u>	<u>\$ 671,622</u>	<u>\$ 141,318</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	\$ (906,794)	\$ (55,017)	\$ (961,811)	\$ (154,452)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Depreciation and Amortization	163,252	5,003	168,255	12,903
Bad Debt Expense	102,441	3,660	106,101	-
Compensated Absences Adjustment	(6,374)	2,066	(4,308)	-
Reserve for Losses	(42)	-	(42)	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Receivables/Due From Other Funds	(143,759)	(267,712)	(411,471)	(695)
Notes/Loans	-	3,794	3,794	-
Inventories	(1,482)	(66)	(1,548)	37
Prepaid Items/Deferred Charges	(1,393)	(92)	(1,485)	31
Insurance Claims Payable	-	-	-	106,266
Accounts Payable/Accrued Liabilities/Due To Other Funds	(7,354)	6,967	(7,359)	-
Unearned Revenue	5,935	(5)	5,935	5,816
Net Cash Provided (Used) by Operating Activities	<u>\$ (795,570)</u>	<u>\$ (301,402)</u>	<u>\$ (1,096,972)</u>	<u>\$ (30,094)</u>

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STATE OF NEW MEXICO

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension Trust Funds

These funds account 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 262.

External Investment Trust Funds

These funds account 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 276.

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, the Water Trust Fund, and the Bartlett Trust Fund. Private purpose trust funds are presented beginning on page 280.

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 284.

STATE OF NEW MEXICO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

June 30, 2012

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 778,955	\$ 95,063	\$ 420,530	\$ 472,019
Investment in State General Fund Investment Pool	23,184	-	33,801	1,040,321
Investment in Local Government Investment Pool	-	-	-	3,636
Investments:				
U.S. Government and Agency Securities	1,912,250	-	-	-
International Securities	4,331,352	-	-	-
Corporate Equity Securities	5,642,597	-	1,301	-
Corporate and Municipal Bonds	2,331,033	-	-	-
Partnerships and Other Investments	6,753,040	-	1,190,394	-
Securities Lending Collateral Investments	444,837	-	-	-
Investment Pools	-	502,637	9,765,801	21,970
Due From Other Funds	366	-	17,027	143,380
Receivables:				
Brokers	1,632,730	-	318,206	-
Contributions	110,613	-	-	-
Accrued Interest and Other	76,733	-	22,991	-
Participant Loans	6,702	-	-	-
Other Receivables	1,999	43,430	1,687	92,329
Capital Assets, Net	16,548	-	-	-
Total Assets	24,062,939	641,130	11,771,738	1,773,655
LIABILITIES				
Accounts Payable	185,844	-	2,379	43,813
Securities Lending	471,748	-	-	-
Accrued Liabilities	198	-	8,887	2,431
Due to Other Funds	359	-	11,851	236,217
Due to Beneficiaries	-	-	42,732	225,504
Due to Brokers	1,525,563	84,902	652,513	-
Due to Taxpayers	-	-	-	207,885
Intergovernmental Payables	-	-	-	331,452
Unearned Revenue	2,961	-	-	-
Deposits Held in Trust	19	-	-	724,874
Other Liabilities	17,497	729	12,151	1,479
Total Liabilities	2,204,189	85,631	730,513	1,773,655
NET ASSETS				
Held in Trust for:				
Pension Benefits	21,242,560	-	-	-
Other Postemployment Benefits	223,370	-	-	-
Defined Contribution	392,820	-	-	-
External Investment Pool Participants	-	555,499	-	-
Other Purposes	-	-	11,041,225	-
Net Assets	\$ 21,858,750	\$ 555,499	\$ 11,041,225	\$ -

See accountant's review report.

STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the Year Ended June 30, 2012

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employee Contributions	\$ 677,219	\$ -	\$ -
Employer Contributions	605,416	-	668,980
Member Contributions	46,528	-	-
Transfers In	836	-	-
Total Contributions	<u>1,329,999</u>	<u>-</u>	<u>668,980</u>
Pool Participant Deposits	<u>-</u>	<u>106,823</u>	<u>-</u>
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	(352,607)	(197,959)	(180,616)
Interest and Dividends	425,651	2,802	773,786
	<u>73,044</u>	<u>(195,157)</u>	<u>593,170</u>
Less Investment Expense	(36,193)	-	(11,325)
Net Investment Income	<u>36,851</u>	<u>(195,157)</u>	<u>581,845</u>
Other Additions			
Other Operating Revenues	66,029	-	-
Total Other Additions	<u>66,029</u>	<u>-</u>	<u>-</u>
Total Additions	<u>1,432,879</u>	<u>(88,334)</u>	<u>1,250,825</u>
DEDUCTIONS			
Benefits and Claims	1,805,975	-	-
Distributions	-	-	1,182,123
Pool Participant Withdrawals	-	935	-
Refunds	80,301	-	-
General and Administrative Expenses	25,191	292	-
Other Operating Expenses	9,645	-	70
Transfers Out	-	-	17,436
Total Deductions	<u>1,921,112</u>	<u>1,227</u>	<u>1,199,629</u>
Change in Net Assets	(488,233)	(89,561)	51,196
Net Assets - Beginning	22,346,983	645,060	10,990,029
Net Assets - Ending	<u>\$ 21,858,750</u>	<u>\$ 555,499</u>	<u>\$ 11,041,225</u>

See accountant's review report.

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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 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.

University of New Mexico - Sandoval Regional Medical Center

Established by the Regents of the University of New Mexico, this medical center serves the City of Rio Rancho, NM.

University of New Mexico Foundation

The foundation is a nonprofit corporation organized to solicit, receive, hold, invest, and transfer funds for the benefit of the University of New Mexico.

University of New Mexico Medical Group

The Medical Group is a nonprofit corporation organized to advance and support the educational and charitable purposes of the University of New Mexico School of Medicine and the University Health Sciences Center.

New Mexico State University Foundation

The foundation is a nonprofit corporation organized to solicit, receive, hold, invest, and transfer funds for the benefit of the New Mexico State University.

Charter Schools and Charter School Foundations

There were fifty-one state-authorized Charter Schools at June 30, 2012, financially accountable to the State Public Education Department. There were also seven Charter School Foundations, organized by private citizens to support and provide resources for the schools.

Nonmajor Component Units

There were fifteen nonmajor component units at June 30, 2012. Their financial information is presented in total.

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET ASSETS COMPONENT UNITS

June 30, 2012

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	UNM - Sandoval Regional Medical Center	University of New Mexico Foundation
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 80,351	\$ 11,716	\$ 6,886	\$ 1,055	\$ 2,737
Investment in Local Government Investment Pool	-	9,004	-	-	-
Restricted Cash and Cash Equivalents	106,424	20,109	3,397	69,370	3,788
Investments	99	-	-	-	-
Deferred Charges and Other Assets	19	1,510	81	461	264
Receivables, Net	109,148	5,173	1,226	-	435
Inventory	-	-	33	-	-
Total Current Assets	<u>296,041</u>	<u>47,512</u>	<u>11,623</u>	<u>70,886</u>	<u>7,224</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	114,597	-	-	-
Restricted Investments	125,497	9,187	-	-	-
Loans Receivable, Net	1,223,862	1,168,012	-	-	-
Investments	-	41,132	-	-	152,326
Other Noncurrent Assets	136,654	9,336	-	3,406	4,046
Nondepreciable Capital Assets	-	512	-	-	-
Capital Assets, Net	240	941	305	129,760	124
Total Noncurrent Assets	<u>1,486,253</u>	<u>1,343,717</u>	<u>305</u>	<u>133,166</u>	<u>156,496</u>
Total Assets	<u>1,782,294</u>	<u>1,391,229</u>	<u>11,928</u>	<u>204,052</u>	<u>163,720</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	200	4,643	1,956	20,412	900
Accrued Liabilities	4,660	8,708	6,860	208	2,218
Deferred Revenue	-	-	-	-	90
Due to Primary Government	-	-	3,039	-	-
Funds Held for Others	385	-	-	-	-
Bonds Payable	81,431	18,869	-	1,540	-
Other Liabilities	146,883	307	11	3,585	1,749
Total Current Liabilities	<u>233,559</u>	<u>32,527</u>	<u>11,866</u>	<u>25,745</u>	<u>4,957</u>
Noncurrent Liabilities:					
Bonds Payable	1,135,687	1,086,121	-	141,885	-
Other Liabilities	-	1,799	62	-	5,992
Total Noncurrent Liabilities	<u>1,135,687</u>	<u>1,087,920</u>	<u>62</u>	<u>141,885</u>	<u>5,992</u>
Total Liabilities	<u>1,369,246</u>	<u>1,120,447</u>	<u>11,928</u>	<u>167,630</u>	<u>10,949</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	240	(575)	305	2,163	123
Nonspendable	-	-	-	-	134,963
Restricted for:					
Debt Service	74,009	128,114	-	-	-
Other Purposes	196,844	20,913	-	37,124	15,697
Unrestricted Net Assets (Deficit)	141,955	122,330	(305)	(2,865)	1,988
Total Net Assets (Deficit)	<u>\$ 413,048</u>	<u>\$ 270,782</u>	<u>\$ -</u>	<u>\$ 36,422</u>	<u>\$ 152,771</u>

See accountant's review report.

University of New Mexico Medical Group	New Mexico State University Foundation	Charter Schools and Charter School Foundations	Nonmajor Component Units	Total
23,682	\$ 6,793	\$ 11,418	\$ 13,605	\$ 158,243
-	-	-	-	9,004
-	1,913	-	162	205,163
-	2,256	-	25,557	27,912
3,585	53	432	302	6,707
23,234	992	4,244	2,067	146,519
-	14	-	20	67
<u>50,501</u>	<u>12,021</u>	<u>16,094</u>	<u>41,713</u>	<u>553,615</u>
170	1,525	-	5,796	122,088
-	40,991	-	-	175,675
-	-	4,792	-	2,396,666
28,899	91,094	78	51,364	364,893
368	179	72	1,850	155,911
-	-	56	6,488	7,056
1,241	425	22,330	4,464	159,830
<u>30,678</u>	<u>134,214</u>	<u>27,328</u>	<u>69,962</u>	<u>3,382,119</u>
<u>81,179</u>	<u>146,235</u>	<u>43,422</u>	<u>111,675</u>	<u>3,935,734</u>
5,770	904	736	1,116	36,637
28,519	3,912	3,097	5,165	63,347
-	-	1,987	2,036	4,113
-	-	-	-	3,039
-	-	63	162	610
-	-	-	-	101,840
-	204	1,881	1,679	156,299
<u>34,289</u>	<u>5,020</u>	<u>7,764</u>	<u>10,158</u>	<u>365,885</u>
-	-	-	-	2,363,693
-	40,576	13,285	2,221	63,935
-	40,576	13,285	2,221	2,427,628
<u>34,289</u>	<u>45,596</u>	<u>21,049</u>	<u>12,379</u>	<u>2,793,513</u>
1,241	425	10,125	3,446	17,493
-	69,357	-	40,410	244,730
-	-	-	-	-
-	-	-	-	202,123
-	30,504	1,791	14,447	317,320
45,649	353	10,457	40,993	360,555
<u>46,890</u>	<u>\$ 100,639</u>	<u>\$ 22,373</u>	<u>\$ 99,296</u>	<u>\$ 1,142,221</u>

COMBINING STATEMENT OF ACTIVITIES

COMPONENT UNITS

For the Year Ended June 30, 2012

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	UNM - Sandoval Regional Medical Center	University of New Mexico Foundation
Expenses	\$ 105,349	\$ 119,616	\$ 92,527	\$ 12,575	\$ 9,280
Program Revenues:					
Charges for Services	61,813	69,952	133,792	-	-
Operating Grants and Contributions	41,883	57,690	46	-	33,928
Total Program Revenues	103,696	127,642	133,838	-	33,928
Net (Expenses) Revenues	(1,653)	8,026	41,311	(12,575)	24,648
General Revenues:					
Payment from State of New Mexico	43,147	-	-	-	-
Payment to State of New Mexico	(8,725)	-	(41,329)	-	(25,336)
Other	-	12	-	2,112	-
Investment Income	436	-	18	48	1,612
Total General Revenues	34,858	12	(41,311)	2,160	(23,724)
Change in Net Assets	33,205	8,038	-	(10,415)	924
Net Assets - Beginning, as Restated	379,843	262,744	-	46,837	151,847
Net Assets - Ending (Deficit)	\$ 413,048	\$ 270,782	\$ -	\$ 36,422	\$ 152,771

See accountant's review report.

University of New Mexico Medical Group	New Mexico State University Foundation	Charter Schools and Charter School Foundations	Nonmajor Component Units	Total
\$ 134,024	\$ 12,478	\$ 80,558	\$ 24,342	\$ 590,749
127,701	3,307	675	7,570	404,810
3,268	10,125	15,206	14,508	176,654
130,969	13,432	15,881	22,078	581,464
(3,055)	954	(64,677)	(2,264)	(9,285)
-	-	62,936	-	106,083
-	-	-	-	(75,390)
-	(146)	6,165	91	8,234
185	(5,333)	152	(534)	(3,416)
185	(5,479)	69,253	(443)	35,511
(2,870)	(4,525)	4,576	(2,707)	26,226
49,760	105,164	17,797	102,003	1,115,995
\$ 46,890	\$ 100,639	\$ 22,373	\$ 99,296	\$ 1,142,221

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting

Policies:

A. Reporting Entity	55
B. Government-wide and Fund Financial Statements	57
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	58
D. Budgetary Basis of Accounting.....	61
E. Assets, Liabilities, and Net Assets or Equity....	62
1. Cash and Cash Equivalents	62
2. Restricted Cash and Cash Equivalents and Investments	63
3. Deferred Charges and Other Assets	63
4. Investments	63
5. Inventories.....	65
6. Receivables and Loan Receivables	65
7. Capital Assets.....	67
8. Accrued Liabilities	68
9. Compensated Absences.....	68
10. Deferred Revenue – Unearned and Unavailable	69
11. Securities Lending.....	69
12. Other Obligations	69
13. Long-term Liabilities	69
14. Interfund Transactions	70
15. Net Assets and Fund Equity	70
16. Revenues and Expenditures/Expenses	71
17. Use of Estimates.....	73
18. New Accounting Standards	73
19. Future Accounting Standards	73

Note 2. Detailed Notes on all Funds:

A. Cash and Investments.....	75
B. Receivables	114
C. Interfund and Interagency Receivables, Payables, and Transfers.....	115
D. Capital Assets.....	117
E. Changes in Long-term Liabilities.....	123
F. Bonds Payable	124
G. Other Liabilities.....	141
H. Net Assets and Fund Equity	150
1. Governmental Fund Balances	150
2. Net Assets Restricted by Enabling Legislation.....	153
3. Deficit Net Assets/Fund Equity.....	153
4. Net Assets/Fund Balance Restatements ..	153

Note 3. Other Information:

A. Risk Management.....	155
B. Employee Retirement Systems and Pension Plans	156
C. Post-Employment Benefits Other Than Pensions.....	167
D. Deferred Compensation Plan.....	171
E. Arbitrage on Tax-Exempt Bonds.....	172
F. Allowance for Potential Loss – State General Fund Investment Pool.....	174
G. Commitments and Contingencies.....	175
H. Subsequent Events.....	176
I. Land Grant Permanent Fund	179
J. Segment Information.....	180

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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.

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. Complete financial statements are available at the address given.

Changes to the number of component units reported were made for the year ended June 30, 2012. See Note 2 H 4, page 153, for additional information.

Major Component Units

▪ 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 Finance Authority, 207 Shelby Street, Santa Fe, NM 87505.

▪ 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

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 differs from all other state entities, which have a June 30 fiscal year-end.

The NMMFA is considered a component unit of the State because the Governor appoints a majority of its Board, who serve at the pleasure of the Governor. In addition, NMMFA provides benefits to other entities besides the State. New Mexico Mortgage Finance Authority, 344 Fourth St. SW, Albuquerque, NM 87102.

▪ **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.

The Lottery Authority 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. Guidance from the Government Accounting Standards Board indicates that the Lottery Authority should be presented discretely. New Mexico Lottery Authority, P.O. Box 9130, Albuquerque, NM 87199.

The following component units (with the exception of the State Charter Schools) are considered to be component units of the State Institutions of Higher Education, and are thus component units of the State. Each is financially accountable to the respective institution, and the Board of Regents (governing board) of each institution controls the finances and

persons of low and moderate income in the State. NMMFA has a September 30 fiscal year-end, which

has appointment power over the unit's governing authority.

▪ **UNM - Sandoval Regional Medical Center**

Sandoval Regional Medical Center (SRMC) was formed by the Regents of the University of New Mexico in August 2009, and is a New Mexico nonprofit corporation organized under and pursuant to the New Mexico University Research Park and Economic Development Act. The creation of SRMC is largely a result of collaborative efforts between the University of New Mexico Medical Group and the University of New Mexico Hospital. SRMC opened in the spring of 2012 as a 68-bed teaching hospital, and is located in the City of Rio Rancho in Sandoval County, New Mexico. Sandoval Regional Medical Center, 933 Bradbury Street SE, Suite 2222, Albuquerque, NM 87106.

▪ **University of New Mexico Foundation, Inc.**

The University of New Mexico Foundation, Inc. (Foundation) is a nonprofit corporation, organized to solicit, receive, hold, invest, and transfer funds for the benefit of the University of New Mexico. The majority of the Foundation's investments are managed by the University. The University of New Mexico Foundation, Inc., Two Woodward Center, 700 Lomas Blvd., Suite 108, Albuquerque, NM 87131.

▪ **University of New Mexico Medical Group**

University of New Mexico Medical Group is a nonprofit corporation that was organized to promote, advance, and support the clinical, scientific, educational, research, and charitable purposes of the University of New Mexico School of Medicine and the University Health Sciences Center. University of New Mexico Medical Group, 933 Bradbury Street, Suite 2222, Albuquerque, NM 87106.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

▪ **New Mexico State University Foundation, Inc.**
The New Mexico State University Foundation, Inc. (Foundation) is a nonprofit corporation formed for the purpose of obtaining and disbursing funds for the sole benefit of New Mexico State University. The Foundation reports on the FASB basis of accounting. New Mexico State University Foundation, Inc., P.O. Box 3590, Las Cruces, NM 88003.

▪ **Charter Schools and Charter School Foundations**

The Charter Schools have been approved by the Public Education Department under applicable state statute to provide elementary and secondary education services. The School Foundations are operated to assist the various charter schools with which they are affiliated. New Mexico Public Education Department, Office of the Secretary, 300 Don Gaspar, Santa Fe, NM 87501.

The State's nonmajor component units are listed below:

- New Mexico Military Institute (NMMI) Foundation, Inc.
- University of New Mexico Alumni Assoc., Inc.
- University of New Mexico Lobo Club.
- University of New Mexico – Anderson Schools of Management Foundation, Inc.
- STC.UNM
- Lobo Development Corporation
- Lobo Energy, Inc.
- New Mexico Institute of Mining and Technology Foundation, Inc.
- New Mexico Institute of Mining and Technology – Research Park Corporation.
- New Mexico Highlands Univ. Foundation, Inc.
- New Mexico Highlands University – Stable Isotopes Corporation.
- Western New Mexico University Foundation, Inc.

- Eastern New Mexico University Foundation, Inc.
- Eastern New Mexico University – Research Foundation (R Foundation).
- Northern New Mexico College Foundation, Inc.

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. All fiduciary activities are reported only in the fund financial statements. 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. The governmental activities column incorporates data from the internal service funds as well as the governmental funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Major Governmental Funds

- **General Fund** – This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State’s primary operating fund.
- **Education Fund** – The Education Fund includes funds to operate kindergarten, elementary, and secondary education and related programs throughout the State. It also includes resources used to coordinate higher education programs and operate state-mandated scholarship programs in conjunction with the institutions of higher education.
- **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.
- **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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 Fund

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 fleet operations, risk management, printing and records, communications services, and information processing. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Fund Financial Statements

These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 Employees Retirement Association (PERA), Educational Retirement Board (ERB), the Retiree Health Care Authority (RHCA), and the Deferred Compensation Plan.

External Investment 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 Education Savings Plan.

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. Budgetary Basis of Accounting

The budget is adopted on the modified accrual basis of accounting, per statute, in accordance with procedures prescribed by the Financial Control Division (FCD), Department of Finance and Administration. Per these procedures, accounts payable which are not recorded in a timely manner (before the statutory fiscal year-end deadline) will not be paid from the current year appropriation, and they are thus not recorded as a budgetary expenditure. Instead, permission must be obtained from FCD to pay the obligation out of the next year’s budget. This budgetary basis is not consistent with generally accepted accounting principles (GAAP).

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. Encumbrances do not 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 the Appropriated Bond Proceeds Capital Outlay Fund, the Public Safety Special

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Revenue Fund, the General Control Capital Project Fund, the Public Safety Capital Project Fund, the Regulation and Licensing Capital Project Fund, the Severance Tax Bonds Appropriated Capital Project Fund, the State General Fund 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 tool, 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 for capital 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 are 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 Land Grant Permanent Fund, the General Obligation Bonds Debt Service Fund, the Severance Tax Bond Debt Service Fund, and the following Enterprise Funds: the Educational Institutions, State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

E. 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.E.4 for more information on the State General Fund Investment Pool and the Local Government Investment Pool.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 Education Trust Board, and the State Investment Council invest in the overnight repurchase agreements in the Short-term Investment Funds (STIF) at JP Morgan.

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 both the purchases method and the consumption method of accounting for prepaids. Each state agency determines which method is more appropriate for its 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.

4. Investments

Investments are under the control of the State Treasurer and other administrative bodies as determined by law. In certain instances, investments

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

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 Treasurer 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, 2012, 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. 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Each unit of participation is recorded in book entry form by the Council.

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 both the purchases method and the consumption method of accounting for inventories. Each state agency determines which method is more appropriate for its circumstances. Under the purchase method, inventories are recorded as expenditures when purchased. For the consumption method, or costs are recorded as expenditures when consumed rather than when purchased.

Inventories at year-end are reported as assets of the governmental funds and are equally offset by a nonspendable fund balance component, 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 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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) - 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. The State has not experienced any losses on its loan portfolio.

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

7. Capital Assets

Capital assets, which include automobiles, buildings and improvements, furniture and fixtures, software, library books, infrastructure (e.g., roads, bridges, sidewalks, and similar items), machinery and equipment, and portable buildings are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The State defines capital assets as costing at least \$5 thousand or more when acquired and having an estimated useful life greater than one year.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund

financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases. There is no depreciation recorded for land and right-of-way land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

8. Accrued Liabilities

Accrued liabilities include accrued current payroll and fringe benefits payable at fiscal year-end. 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 they 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.

10. Deferred Revenue – Unearned and Unavailable

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, unearned

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

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 the fiscal year-end, 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 fiscal year. These

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

reserves represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. There exists a range of variability around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount reflected in the accompanying financial statements may not ultimately be the actual cost of settling all unpaid claims and the difference may be significant.

14. Interfund Transactions

Government-wide Financial Statements

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

15. Net Assets and Fund Equity

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 by outside parties or internally 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.

The State Legislature is the highest level of decision-making authority that can, by passage of legislation, commit fund balance that is not already restricted. Once adopted, the limitation remains in place until similar action takes place, usually in the form of a new budget bill or other 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. Legislative directives dictate that all fund balances remaining at the end of the fiscal year shall be reverted back to the State General Fund unless the fund is stipulated as nonreverting by the Legislature or by laws or regulations imposed by grantors. If the

fund is nonreverting, the agency governing board or department head has the authority to assign a fund balance for a specific use.

The State has not adopted a formal flow assumption policy and therefore uses the GASB recommendations; that is, it is the State's policy to use restricted fund balance before using components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is used first, followed by assigned fund balance, and lastly, unassigned fund balance.

16. Revenues and Expenditures/Expenses

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

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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, 2012, the State implemented the following new accounting standard issued by the Governmental Accounting Standards Board (GASB):

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

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit provider.

19. Future Accounting Standards

The following pronouncements of the Governmental Accounting Standards Board (GASB) are due to be implemented by the State in the year indicated. For all of these new standards, the State has not determined the effect on the financial statements that implementation of the standards will entail. It is anticipated that GASB Statements No. 67 and No. 68, concerning pension plans, will have the greatest

impact due to the revised requirements for reporting pension liabilities.

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

GASB Statement No. 60 addresses issues related to certain service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or non-governmental entity). This statement is due to be adopted by the State for the fiscal year ending June 30, 2013.

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

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units using the blending method. The Statement also clarifies reporting equity interest in legally separate organizations. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013. As noted earlier, the State has not determined the impact, if any, that implementation of this Statement will have on the financial statements.

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

GASB Statement No. 62 incorporates into GASB's standards the accounting and financial reporting guidance that is included in the pronouncements, issued on or before November 30, 1989, of other standard-setting bodies, and which do not conflict with or contradict GASB pronouncements. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position. The statement is due to be adopted by the State for the fiscal year ending June 30, 2013.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

GASB Statement No. 65 requires that certain amounts previously reported as assets and liabilities be reported as deferred outflows of resources and deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. In addition, terminology in the governmental funds financial statements will change. The statement is due to be adopted by the state for the fiscal year ending June 30, 2014.

GASB Statement No. 66, Technical Corrections 2012 – An Amendment of GASB Statements No. 10 and No. 62

GASB Statement No. 66 amends conflicting guidance with respect to the above-mentioned statements. The statement is due to be adopted by the State for the fiscal year ending June 30, 2014.

GASB Statement No. 67, Financial Reporting for Pension Plans

GASB Statement No. 67 revises existing guidance for the financial reporting of most pension plans. The statement is due to be adopted by the State for the fiscal year ending June 30, 2014.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

GASB Statement No. 68 revises and establishes new financial reporting requirements for most state and local governments that provide employees with pension benefits. The statement is due to be adopted by the State for the fiscal year ending June 30, 2015.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is due to be adopted by the State for the fiscal year ending June 30, 2015.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASB Statement No. 70 establishes standards for governments that extend or receive nonexchange financial guarantees in connection with other governments, organizations, or individuals. The statement is due to be adopted by the State for the fiscal year ending June 30, 2014.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

	<u>Balance at June 30, 2012</u>
Financial Statement Amounts	
Primary Government:	
Cash and Cash Equivalents	\$ 529,602
Investment in State General Fund	
Investment Pool	2,218,477
Investment in Local Government	
Investment Pool	120,157
Investments	1,257,131
Restricted Cash and Cash Equivalents	339,279
Restricted Investments	3,743,661
Noncurrent Investments	1,541,634
Fiduciary Funds:	
Cash and Cash Equivalents	1,766,567
Investment in State General Fund	
Investment Pool	1,097,306
Investment in Local Government	
Investment Pool	3,636
Investments	32,897,212
Component Units:	
Cash and Cash Equivalents	363,406
Investment in Local Government	
Investment Pool	9,004
Restricted Cash and Cash Equivalents	122,088
Noncurrent Investments	364,893
Restricted Investments	175,675
Total	<u>\$ 46,549,728</u>

Primary Government **New Mexico State Treasurer**

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

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 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

As of June 30, 2012, 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, 2012
Cash in Bank	\$ 364,249
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>223,214</u>
Deposits of Institutions Not Fully Collateralized	141,035
Less: FDIC Insurance Coverage	1,910
Collateral Pledged:	
Surety Bond	5,000
Securities	<u>87,198</u>
Subject to Custodial Credit Risk	<u>\$ 46,927</u>

As of June 30, 2012, 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	\$ 127,356	\$ 42,450
Less: FDIC Insurance Coverage	<u>127,356</u>	<u>1,427</u>
Total Unsecured Public Funds	\$ -	\$ 41,023
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	<u>\$ -</u>	<u>\$ 28,590</u>
Collateral Pledged:		
U.S. Government Securities	\$ -	\$ 35,425
Surety Bond	<u>15,913</u>	<u>1,000</u>
Collateral Pledged	15,913	36,425
Over Collateralized	<u>\$ (15,913)</u>	<u>\$ (7,835)</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments

Local Government Investment Pool

Cities, counties, and other non-state agencies may 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.

Reserve Contingency Fund

The Reserve Contingency Fund was created to hold what was formerly an 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.

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 November 24, 2010, the Fund announced that Credarian Fund Services LLC (Credarian) became liquidating services agent for the Fund and that all assets of the Fund have been transferred to Credarian.

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-

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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 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, RCF participants have a pro-rata claim on any distributed assets.

On November 12, 2012, the jury returned a verdict in the case of Securities and Exchange Commission v. Reserve Management Company, Inc. et al (RMCI). One or more parties may appeal from the verdict. The Primary Fund – In Liquidation does not anticipate making any further distributions unless and until the Court resolves various pending motions.

In total, the Fund has returned 99.04% 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 held in the SGFIP and in both the Taxable and Tax-Exempt Bond Proceeds Investment Pools. Those investments' fair market values were marked down by 100.0 percent.

Investment Guidelines and Limitations

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 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

- 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.

All investment and collateral securities were held by the State Treasurer or its Custodian in the name of the State Treasurer. As of June 30, 2012, \$46.9 million of the State Treasurer's bank balances of \$364.2 million was exposed to custodial credit risk as uninsured and uncollateralized.

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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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, 2012, were 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:			
Municipal Bonds	AAA	\$ 1,662	0.0%
U.S. Government Agency	AA+	1,006,559	23.8%
U. S. Treasuries	AA+	608,890	14.4%
Corporate Bonds	AA+	277,163	6.6%
Municipal Bonds	AA1	4,549	0.1%
Municipal Bonds	AA	15,546	0.4%
Municipal Bonds	AA-	2,090	0.1%
Corporate Bonds	A+	10,186	0.2%
U.S. Government Agency	A	64,007	1.5%
Investments Subject to Credit Risk - S&P Ratings		1,990,652	47.1%
Not Rated:			
Overnight Repurchase Pool		495,124	11.7%
Certificates of Deposit		46,348	1.1%
U.S. Government Agency		958,205	22.7%
U. S. Treasuries		35,067	0.8%
Corporate Bonds		151,136	3.6%
Municipal Bonds		51,189	1.2%
CMO/REMIC		16,439	0.4%
Commercial Paper		39,483	0.9%
Cash		194,963	4.6%
Investments Subject to Credit Risk - Not Rated		1,987,954	52.9%
Total Investments		\$ 3,978,606	100.0%

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments with a single issuer of 5.0 percent or greater at June 30, 2012, were as follows:

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:		
FNMA	\$ 623,517	15.7%
FHLMC	287,475	7.2%
Overnight Repurchase Pool*	<u>1,292,665</u>	<u>32.5%</u>
Investments Subject to Concentration Risk	<u>2,203,657</u>	<u>55.4%</u>
Securities comprising less than five percent of the total and exceptions to disclosure rule	<u>1,774,949</u>	<u>44.6%</u>
Total Investments	<u><u>\$ 3,978,606</u></u>	<u><u>100.0%</u></u>

*Individual issuers not available.

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

1. Relative Yield to Maturity: Comparison of return available from alternative investment media for comparable maturity dates.
2. Marketability: Analysis of relative marketability of alternative investments in case of forced sale and/or possibility of future trades.
3. Intermarket Yield Analysis: Analysis of the spread relationship between sectors of the market (e.g. Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.

Maturities on investment at June 30, 2012, were as follows:

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.

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	\$ 643,957	\$ 185,595	\$ 458,362
U.S. Government Agencies	1,231,229	122,917	1,108,312
Corporate Bonds	442,383	302,178	140,205
Municipal Bonds	75,037	31,228	43,809
Certificates of Deposit	42,450	42,450	-
Overnight Repurchase Pool	1,292,665	1,292,665	-
Commercial Paper	39,483	39,483	-
CMO/REMIC	16,439	4,297	12,142
Investments Subject to Interest Rate Risk	3,783,643	<u>\$ 2,020,813</u>	<u>\$ 1,762,830</u>
Investments Not Subject to Interest Rate Risk			
Cash	194,963		
Total Investments	<u>\$ 3,978,606</u>		

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2012, were denominated in United States dollars.

Securities Collateral

The State’s Investment Policy states that no repurchase agreement shall be entered into unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least 102.0 percent of the amount of the contract. The State’s collateral requirements follow:

1. The market value of the collateral including accrued interest must be equal to 102.0 percent of the amount of cash transferred by the State to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of securities held as collateral slips below 102.0 percent of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency; and
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, 2012, were as follows:

**Office of the State Treasurer
Collateral Securities with Single Issuer -
Five Percent or Greater of Portfolio
(Expressed in Thousands)**

Issuer	Fair Value
Investments Subject to Interest Rate Risk: U.S. Government	
Mortgage-backed Securities	\$ 1,369,860

Maturities on Collateralized Securities

Less Than 1 Year	11-20 Years	Over Twenty Years
\$306,000	\$317,186	\$746,674

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

State Investment Council (Council)

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

Cash

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

State Investment Council Fiduciary Funds Reconciliation of Cash and Cash Equivalents Amounts Reported (Expressed in Thousands)	
Fund	Balance at June 30, 2012
Governmental Activities:	\$
Land Grant Permanent Fund	31,873
Severance Tax Permanent Fund	123,735
Tobacco Settlement Fund (Included in General Fund)	2,975
Fiduciary Activities:	
State Investment Council	
External Trust Fund	10,060
Land Grant Permanent Fund Private	
Purpose Trust Fund	402,275
Water Trust Fund [^]	1,053
Total Reported by the State Investment Council	\$ 571,971

[^]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, 2012, the Council's cash and cash equivalent deposits were not exposed to custodial credit risk.

Investments

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

State Investment Council Fiduciary Funds Reconciliation of Investment Amounts Reported (Expressed in Thousands)	
Fund	Balance at June 30, 2012
Governmental Activities:	
Current Investments	\$ 4,664,875
Business-type Activities:	
Current Investments	75,684
Noncurrent Investments *	1,097,867
Fiduciary Activities:	
Retiree Health Care Authority	229,634
State Investment Council External Trust Fund	93,792
Land Grant Permanent Fund Private Purpose Trust Fund	8,929,041
Water Trust Fund	45,844
Scholarship Fund	22,312
Other Agency *	10,471
Component Units **	42,889
Total Reported by the State Investment Council	\$ 15,212,409

*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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Custodial Credit Risk. As of June 30, 2012, 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 Fund that restricts purchases of securities to those

above a certain rating as a rated by one or more of the national rating agencies.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The Council's investments and the exposure to credit risk at June 30, 2012, were as follows:

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings:		
Commercial Mortgage-backed	AAA	\$ 78,070
Asset-backed Securities	AAA	48,066
Nongovernment-backed C.M.O.s	AAA	23,851
Corporate Bonds	AAA	2,933
Mortgage-backed Securities	AA+	706,986
Nongovernment-backed C.M.O.s	AA+	38,017
Government Bonds	AA+	34,919
Asset-backed Securities	AA+	31,206
Corporate Bonds	AA+	21,412
Corporate Bonds	AA	15,858
Asset-backed Securities	AA	15,631
Government Bonds	AA	1,636
Municipal Bonds	AA	1,832
Corporate Bonds	AA-	36,639
Municipal Bonds	AA-	16,871
Commercial Mortgage-backed	AA-	3,401
Corporate Bonds	A+	47,116
Municipal Bonds	A+	35,928
Commercial Mortgage-backed	A+	19,090
Nongovernment-backed C.M.O.s	A+	1,341
Government Bonds	A+	1,294
Corporate Bonds	A	79,007
Commercial Mortgage-backed	A	20,863
Government Bonds	A	10,603
Asset-backed Securities	A	3,601
Nongovernment-backed C.M.O.s	A	318
Corporate Bonds	A-	180,218
Municipal Bonds	A-	15,280
Commercial Mortgage-backed	A-	10,717
Asset-backed Securities	A-	2,833
Nongovernment-backed C.M.O.s	A-	903

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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):		
Certificate of Deposit	A-1+	\$ 4,819
Corporate Bonds	BBB+	80,305
Commercial Mortgage-backed Asset-backed Securities	BBB+	11,178
Corporate Bonds	BBB+	2,434
Corporate Bonds	BBB	131,817
Commercial Mortgage-backed Asset-backed Securities	BBB	13,142
Government Bonds	BBB	12,601
Corporate Bonds	BBB	11,349
Corporate Bonds	BBB-	150,715
Commercial Mortgage-backed Corporate Bonds	BBB-	7,235
Government Bonds	BB+	71,415
Corporate Bonds	BB+	5,853
Government Bonds	BB	70,724
Corporate Bonds	BB	2,799
Corporate Bonds	BB-	45,377
Corporate Bonds	B+	30,558
Corporate Bonds	B	11,546
Corporate Bonds	B-	21,256
Corporate Bonds	CCC+	1,162
Asset-backed Securities	CCC	32,576
Nongovernment-backed C.M.O.s	CCC	19,501
Corporate Bonds	CCC	14,129
Nongovernment-backed C.M.O.s	CC	27,333
Nongovernment-backed C.M.O.s	D	20,411
Investments Subject to Credit Risk - S&P Ratings		<u>2,306,675</u>
Investments Subject to Credit Risk - Not Rated:		
Asset-backed Securities	Not Rated	69,638
Corporate Bonds	Not Rated	46,607
Nongovernment-backed C.M.O.s	Not Rated	28,090
Commercial Mortgage-backed	Not Rated	24,926
Government Bonds	Not Rated	6,560
Money Markets	Not Rated	5,185
Investments Subject to Credit Risk - Not Rated		<u>181,006</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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 Not Subject to Credit Risk:		
Private Equity, Equity Securities, and Real Estate	N/A	\$ 12,549,950
NM Film Investments	N/A	30,000
Government Agencies	N/A	144,778
Investments Not Subject to Credit Risk		<u>12,724,728</u>
Total Investments		<u>\$ 15,212,409</u>

Interest Rate Risk. The Council does not have a policy for interest rate risk management, but its practice is to address interest rate risk through the

management of debt investment duration. At June 30, 2012, exposure to interest rate risk was as follows:

State Investment Council
Maturities on Investments
(Expressed in Thousands)

<u>Investment</u>	<u>Fair Value</u>	<u>Total</u>				<u>Life Not Available</u>
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 Years</u>	<u>Greater than 10 years</u>	
Investments Subject to Interest Rate Risk:						
Asset-backed Securities	\$ 218,765	\$ 147,556	\$ 55,677	\$ 4,064	\$ 11,468	\$ -
Certificate of Deposit	4,819	4,819	-	-	-	-
Commercial Mortgage-backed	188,622	126,563	-	5,282	56,777	-
Corporate Bonds	1,147,681	168,103	400,202	407,113	172,263	-
Derivatives/Interest Rate Swap	(378)	(192)	374	984	(1,544)	-
Government Bonds	479,443	101,207	152,565	136,701	88,970	-
Money Market	5,185	-	-	-	-	5,185
Mortgage-backed Sec.	737,702	22,733	893	9,544	704,532	-
Municipal/Provincial Bonds	69,912	-	483	1,304	68,125	-
Nongovernment-backed C.M.O.s	159,766	55,313	-	7,181	97,272	-
U.S. Treasury Bonds/Bills/Notes	1,173	1,173	-	-	-	-
Investments Subject to Interest Rate Risk	<u>3,012,690</u>	<u>\$ 627,275</u>	<u>\$ 610,194</u>	<u>\$ 572,173</u>	<u>\$ 1,197,863</u>	<u>\$ 5,185</u>
Investments Not Subject to Interest Rate Risk:						
Securities, Equity, Real Estate, and NM Film Investments	12,199,719					
Total Investments	<u>\$ 15,212,409</u>					

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Concentration of Credit Risk. As of June 30, 2012, the Council's investments were not exposed to concentration of credit risk as no single issuer represented 5.0 percent of total investments

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. A summary of the investments at June 30, 2012, and their exposure to foreign currency risk follows:

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

Foreign Currency	Common Stock	Partnerships, Preferred Stock, and Rights/ Warrants	Real Estate Investment Trusts	Cash and Cash Equivalents
Australian Dollar	\$ 99,961	\$ 15	\$ -	\$ 44
Brazilian Real	54,748	8,900	-	(135)
British Pound Sterling	266,103	37	1,399	331
Czech Koruna	3,762	-	-	206
Danish Krone	13,186	-	-	1
Euro	297,492	204,811	3,447	566
Hong Kong Dollar	165,367	-	1,103	629
Indonesian Rupiah	23,365	-	-	45
Israeli Shekel	6,653	-	-	8
Japanese Yen	248,485	-	2,083	1,132
Mexican Peso	2,698	-	-	51
New Taiwan Dollar	45,816	-	-	2,524
New Turkish Lira	36,080	-	-	74
New Zealand Dollar	1,379	-	-	30
Norwegian Krone	10,633	-	-	38
Philippine Peso	-	-	-	20
Polish Zloty	16,964	-	-	73
Singapore Dollar	20,239	-	804	91
South African Rand	41,496	-	-	1,859
South Korean Won	117,918	7,547	-	-
Swedish Krona	35,388	-	-	20
Swiss Franc	98,087	-	-	34
Thai Baht	22,845	-	-	-
Global Depository Receipt - Euro	-	-	-	3,861
Subtotal	1,628,665	<u>\$ 221,310</u>	<u>\$ 8,836</u>	11,502
Partnerships, Pref. Stock, Rights, Warrants	221,310			-
Real Estate Investment Trusts	8,836			-
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	1,858,811			<u>11,502</u>
Investments and Cash and Cash Equivalents Not Subject to Foreign Currency Risk	<u>13,353,598</u>			<u>623,186</u>
Total Investments and Cash and Cash Equivalents	<u>\$ 15,212,409</u>			<u>\$ 634,688</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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, 2012</u>
Investments:	
Current	\$ 335,827
Included in Investment in Local Government Investment Pool	48,851
Noncurrent	<u>1,502,192</u>
Total Investments	1,886,870
Less:	
Investments Held by State Investment Council:	
Land Grant Permanent Fund	1,059,750
State Investment Council Investment Pools	75,684
State Treasurer's Local Government Investment Pool	<u>48,851</u>
Total - Separately Held Investments	<u>\$ 702,585</u>

Custodial Credit Risk. As of June 30, 2012, 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, 2012, was as follows:

Educational Institutions **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:		
Municipal Bonds	AAA	\$ 611
Corporate Bonds	B+	10
Corporate Bonds	BBB	<u>10</u>
Investments Subject to Credit Risk - S&P Ratings		<u>631</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - Moody's Ratings:		
U.S. Government Agencies	Aaa	\$ 159,907
Municipal Bonds	Aaa	2,599
International Bonds	Aaa	7,346
Corporate Bonds	Aaa	5,489
Corporate Bonds	Aa1	3,399
Municipal Bonds	Aa1	2,916
Corporate Bonds	Aa2	9,522
Municipal Bonds	Aa2	1,436
Corporate Bonds	Aa3	20,428
Municipal Bonds	Aa3	1,640
Preferred Stock	A1	103
Municipal Bonds	A1	925
Corporate Bonds	A1	14,228
Corporate Bonds	A2	30,242
Corporate Bonds	A3	4,995
Preferred Stock	Baa1	54
Corporate Bonds	Baa1	937
Repurchase Agreements	Baa1	13,431
Investments Subject to Credit Risk - Moody's Ratings		279,597
Investments Subject to Credit Risk - Not Rated:		
U.S. Government Agencies	Not Rated	14,817
Corporate Bonds	Not Rated	3,377
Money Market	Not Rated	47,609
Equity Securities	Not Rated	806
Mutual Funds	Not Rated	657
Certificates of Deposit	Not Rated	19,396
Investments Held by Others	Not Rated	476
Investments Subject to Credit Risk - Not Rated		87,138
Total Investments Subject to Credit Risk		367,366
Less: Foundation Investments Held in Consolidated Pool		(144,931)
Investments Held in Trust by Others		39,375
Investments Not Subject to Credit Risk		440,775
Total - Separately Held Investments		\$ 702,585

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Concentration of Credit Risk. As of June 30, 2012, the Educational Institutions had no investments with a single issuer of 5.0 percent or greater.

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.

Investment maturities at June 30, 2012, and exposure to interest rate risk were as follows:

Investment	Fair Value	Educational Institutions Maturities on Investments (Expressed in Thousands)			
		Total			
		Less than 1 year	1-5 years	6-10 years	Greater Than 10 Years
Investments Subject to Interest Rate Risk:					
Corporate Bonds	\$ 92,478	\$ 25,181	\$ 67,297	\$ -	\$ -
Corporate and Int'l. Bonds	-	-	-	-	-
Certificates of Deposit	11,629	7,221	4,404	-	4
Repurchase Agreements	13,431	13,431	-	-	-
Preferred Stock	211	211	-	-	-
U.S. Treasury Securities	86,475	22,999	63,476	-	-
U.S. Government Agency Securities	174,830	41,852	130,192	2,786	-
Money Funds	46,312	46,312	-	-	-
Mutual Funds	657	657	-	-	-
International Bonds	7,346	4,860	2,486	-	-
Municipal Bonds	10,126	2,397	7,729	-	-
Note Receivable	470	470	-	-	-
Pooled Investments Held by Others	39,375	-	39,375	-	-
Investments Subject to Interest Rate Risk	483,340	\$ 165,591	\$ 314,959	\$ 2,786	\$ 4
Investments Not Subject to Interest Rate Risk:					
Cash	2,708				
Money Market Deposits	7,069				
Certificates of Deposit	7,767				
Mutual Funds	192,134				
Corporate stocks	1,812				
Equity Investments	59,726				
Alternative and Other Investments	92,842				
Investments Not Subject to Interest Rate Risk	364,058				
Investments - Information Not Available	118				
Less: Foundation Investments in Consolidated Pool	(144,931)				
Total - Separately Held Investments	\$ 702,585				

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Foreign Currency Risk. As of June 30, 2012, the Educational Institutions' investments were exposed to foreign currency risk as follows:

Educational Institutions Foreign Currency Risk International Investment Securities at Fair Value (Expressed in Thousands)	
<u>Foreign Currency</u>	<u>Foreign Government Bonds</u>
Australian Dollar	\$ 2,643
Canadian Dollar	4,703
Total Investments Subject to Foreign Currency Risk	7,346
Investments Not Subject to Foreign Currency Risk	695,239
Total Investments	\$ 702,585

Pension Benefits Fiduciary Funds

Cash and cash equivalents of the Public Employees Retirement Association (PERA) and Educational Retirement Board (ERB) as of June 30, 2012, includes \$778,934 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, 2012, 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. These securities are presented in a separate schedule of custodial credit risk.

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, 2012</u>
Public Employees Retirement	\$ 30,209
Judicial Retirement	11,472,878
Magistrate Retirement	73,561
Volunteer Firefighters Retirement	46,734
Deferred Compensation (IRC 457) Plan	384,120
Educational Employees' Retirement System	9,177,973
Retiree Health Care Authority	229,634
Total Investments	21,415,109
Less:	
Investments Held by State Investment Council:	(229,634)
Total Investments	\$ 21,185,475

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.

All of the investments of the Retiree Health Care Authority were held by the State Investment Council.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments exposed to custodial credit risk at June 30, 2012, were as follows:

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

Asset Type	Held in the Name of the Fund by the Fund's Custodial Bank
Fixed Income Investments:	
U.S. Government Bonds and Agency Securities	\$ 1,309,393
International Government Bonds and Agency Securities	371,692
U.S. Municipal Bonds	41,835
Mutual Bonds	92,051
Corporate Bonds	1,995,627
International Corporate Bonds	45,251
U.S. Government Mortgage-backed Securities	510,806
Commercial Mortgage-backed Securities	123,111
Asset-backed Securities	704,279
International Asset-backed Securities	3,325
Nongovernment C.M.O.s	101,153
International Nongovernment C.M.O.s	721
Total Fixed Income Investments	<u>5,299,244</u>
Equities:	
International Common Stock	3,788,062
Domestic Common Stock	5,431,686
U.S. Venture Capital & Partnerships	2,339,931
International Venture Capital and Partnerships	48,803
Alternative Investments	346,073
International Preferred Stock	50,210
Domestic Preferred Stock	13,403
Domestic American Depository Receipt (ADR)	39,483
International American Depository Receipt (ADR)	1,277
Domestic Global Depository Receipt (GDR)	7,889
International Global Depository Receipt (GDR)	7,655

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Asset Type	Held in the Name of the Fund by the Fund's Custodial Bank
Domestic Real Estate Investment Trust (REIT)	\$ 138,018
International Real Estate Investment Trust (REIT)	13,627
Exchange Traded Fund	1,478
Domestic Rights/Warrants	10,638
International Rights/Warrants	57
Hedge Fund of Funds	715,935
Private Equity	577,115
Private Real Estate	160,563
Infrastructure	99,555
Natural Resources	27,441
Other Investments	1,238,375
Total Equities and Other Investments	<u>15,057,274</u>
Total Held by Fund's Custodial Bank	20,356,518
Custody Arrangements Contracted by Fund Manager:	
Securities Lending Collateral Investments	<u>444,837</u>
Total Investments Subject to Custodial Credit Risk	20,801,355
IRC 457 Fund Investments Directed by Participants	<u>384,120</u>
Total Investments	<u><u>\$ 21,185,475</u></u>

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, 2012, were as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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	\$ 103,495
Corporate Bonds	AAA	231
Government Mortgage Backed Securities	AAA	151,949
Comm. Mtge. Backed Sec.	AAA	56,581
Asset Backed Securities	AAA	18,309
Nongovernment Backed C.M.O.s	AAA	13,880
Collateralized Debt Obligations	AAA	442
Collateralized Debt Obligations	AA+	4,631
Municipal Agencies	AA+	1,113
Comm. Mtge. Backed Sec.	AA+	1,343
Corporate Bonds	AA+	31,375
Asset Backed Securities	AA+	3,775
Mortgage-backed Securities	AA+	315,772
Government Bonds	AA+	32,041
Corporate Bonds	AA	11,856
Municipal Agencies	AA	1,085
Comm. Mtge. Backed Sec.	AA	4,992
Asset Backed Sec.	AA	3,701
Nongovt. Backed C.M.O.s	AA	1,799
Coll. Debt/Loan Oblig.	AA	10,930
Government Bonds	AA-	5,079
Municipal Agencies	AA-	1,718
Comm. Mtge. Backed Sec.	AA-	3,506
Corporate Bonds	AA-	13,122
Asset Backed Securities	AA-	2,949
Corporate Bonds	A+	39,005
Government Bonds	A+	244
Comm. Mtge. Backed Sec.	A+	23,405
Municipal Agencies	A+	3,091
Coll. Debt/Loan Oblig.	A+	1,665
Asset Backed Securities	A+	8,184
Government Bonds	A	23,462
Corporate Bonds	A	109,995
Comm. Mtge. Backed Sec.	A	12,284

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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	\$ 8,047
Municipal Agencies	A	69
Coll. Debt/Loan Oblig.	A	60
Government Bonds	A-	23,329
Asset Backed Sec.	A-	4,192
Comm. Mtge. Backed Sec.	A-	7,160
Municipal Agencies	A-	6,966
Corporate Bonds	A-	123,550
Nongov't. Backed C.M.O.s	A-	762
Coll. Debt/Loan Oblig.	A-	92
Asset Backed Sec.	BBB+	20,265
Comm. Mtge. Backed Sec.	BBB+	10,181
Government Bonds	BBB+	6,991
Corporate Bonds	BBB+	106,172
Coll. Debt/Loan Oblig.	BBB+	1,674
Government Bonds	BBB	1,807
Corporate Bonds	BBB	149,826
Coll. Debt/Loan Oblig.	BBB	1,073
Asset Backed Securities	BBB	1,726
Comm. Mtge. Backed Sec.	BBB	6,474
Government Bonds	BBB-	21,031
Comm. Mtge. Backed Sec.	BBB-	1,916
Corporate Bonds	BBB-	125,059
Coll. Debt/Loan Oblig.	BBB-	387
Asset Backed Securities	BBB-	4,224
Asset Backed Securities	BB+	5,542
Corporate Bonds	BB+	28,209
Government Bonds	BB+	6,355
Comm. Mtge. Backed Sec.	BB+	167
Government Bonds	BB	1,288
Corporate Bonds	BB	21,937
Asset Backed Securities	BB	3,880
Coll. Debt/Loan Oblig.	BB	1,243
Bank Loans	BB-	5,517

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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	BB-	\$ 2,244
Comm. Mtge. Backed Sec.	BB-	454
Corporate Bonds	BB-	27,401
Corporate Convertible Bonds	BB-	1,440
Asset Backed Securities	B+	1,786
Government Bonds	B+	44
Corporate Bonds	B+	48,131
Bank Loans	B+	9,347
Corporate Bonds	B	102,135
Asset Backed Securities	B	800
Nongovt. Backed C.M.O.s	B	5
Bank Loans	B	22,246
Coll. Debt/Loan Oblig.	B	745
Asset Backed Securities	B-	823
Corporate Bonds	B-	99,210
Coll. Debt/Loan Oblig.	B-	1,230
Bank Loans	B-	12,255
Comm. Mtge. Backed Sec.	B-	144
Corporate Bonds	CCC+	36,210
Bank Loans	CCC+	3,431
Coll. Debt/Loan Oblig.	CCC+	402
Bank Loans	CCC	9,515
Coll. Debt/Loan Oblig.	CCC	2,100
Corporate Bonds	CCC	39,770
Asset Backed Securities	CCC	4,129
Nongovt. Backed C.M.O.s	CCC	892
Corporate Bonds	CCC-	5,871
Asset Backed Securities	CCC-	1,196
Asset Backed Securities	CC	358
Nongovt. Backed C.M.O.s	CC	216
Coll. Debt/Loan Oblig.	CC	2,081
Asset Backed Securities	D	1
Comm. Mtge. Backed Sec.	D	2,054

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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):		
Coll. Debt/Loan Oblig.	D	\$ 3,166
Investments Subject to Credit Risk - S&P Ratings		<u>2,166,012</u>
Not Rated:		
Government Bonds	Not Rated	852,524
Municipal Agencies	Not Rated	35,429
Corporate Bonds	Not Rated	677,536
Government Mortgage Backed Securities	Not Rated	360,733
Comm. Mtge. Backed Sec.	Not Rated	72,822
Asset Backed Securities	Not Rated	81,654
Coll. Debt/Loan Oblig.	Not Rated	7,365
Nongovt. Backed C.M.O.s	Not Rated	84,570
Corporate Convertible Bonds	Not Rated	12
Common Stock	Not Rated	16,354
Preferred Stock	Not Rated	15
Bank Loans	Not Rated	65,669
Other Investments	Not Rated	2,752
Investments Subject to Credit Risk: Not Rated		<u>2,257,435</u>
Total investments subject to credit risk		4,423,447
Investments not Subject to Credit Risk		16,377,908
IRC 457 Fund Investments Directed by Participants		<u>384,120</u>
Total Investments		<u>\$ 21,185,475</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, 2012, neither PERA or ERB had any investments with a concentration of 5.0 percent or greater.

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

through duration by operating within defined risk parameters versus a benchmark index.

Investments and their maturities at June 30, 2012, 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			Greater Than 10 Years	Life Not Available
		Less than 1 year	1-5 years	6-10 years		
Investments Subject to Interest Rate Risk:						
Asset-backed Securities	\$ 622,735	\$ -	\$ 508,611	\$ -	\$ 114,124	\$ -
U.S. Government and Agency Obligations	154,046	-	-	154,046	-	-
Corporate Bonds	2,066,683	-	994,116	1,072,567	-	-
U.S. Treasury Secs.	261,392	-	-	-	261,392	-
Municipal and Mutual Bonds	42,293	-	-	-	42,293	-
Government Bonds	932,769	-	-	932,769	-	-
Government Mortgage-backed	637,625	-	-	-	637,625	-
Commercial Mortgage-backed	123,536	-	-	-	123,536	-
Nongovernment-backed C.M.O.s	102,695	-	-	-	102,695	-
Fixed Income Derivatives	2,858	-	-	-	-	2,858
Short-term Investments	200,767	-	50,915	-	-	149,852
Investments Subject to Interest Rate Risk	5,147,399	\$ -	\$ 1,553,642	\$ 2,159,382	\$ 1,281,665	\$ 152,710
Investments Not Subject to Interest Rate Risk:						
Securities, Equity, Real Estate, and NM Film Investments	16,038,076					
Total Investments	\$ 21,185,475					

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Foreign currency risk is present in ERB's investment in foreign equity securities. Managers of these assets are given discretion to hedge this risk.

Investment exposed to foreign currency risk by currency and their respective values at June 30, 2012:

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 Securities</u>	<u>Cash and Cash Equivalents (Overdraft)</u>
UAE Dirham	\$ 2,359	\$ -	\$ 2,359	\$ 12
Australian Dollar	175,256	51,933	227,189	(7,431)
Botswana Pula	943	-	943	43
Brazilian Real	141,380	3,465	144,845	2,247
British Pound Sterling	546,700	-	546,700	10,009
Bulgarian New Lev	35	-	35	-
Canadian Dollar	145,051	10,947	155,998	5,644
Chilean Peso	12,481	-	12,481	28,854
Chinese Renminbi	9	-	9	26,984
Colombian Peso	10,521	-	10,521	135
Croatian Kuna	775	-	775	52
Czech Koruna	7,168	-	7,168	240
Danish Krone	31,709	-	31,709	73
Egyptian Pound	3,894	-	3,894	218
Euro	738,432	40,825	779,257	(188,193)
Ghanian Cedi	514	8,702	9,216	167
Hong Kong Dollar	310,057	-	310,057	697
Hungarian Forint	10,603	25,180	35,783	853
Indian Rupee	80,394	435	80,829	17,010
Indonesian Rupiah	51,985	27,908	79,893	576
Japanese Yen	523,857	-	523,857	(72,146)
Kenyan Shilling	1,709	-	1,709	42
Latvian Lat	324	-	324	5
Lithuanian Lita	3	-	3	38

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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)

Foreign Currency	Equity and Partnerships	Fixed Income	Total Equity	Cash and Cash Equivalents
Malaysian Ringgit	\$ 37,160	\$ 20,420	\$ 57,580	\$ 40,593
Mauritanian Rupee	1,465	-	1,465	4
Mexican Peso	42,911	31,350	74,261	9,956
Moroccan Dirham	3,059	-	3,059	220
New Israeli Shekel	11,054	-	11,054	12,870
New Taiwan Dollar	124,473	-	124,473	3,312
New Zealand Dollar	3,775	16,286	20,061	(15,864)
Nigerian Naira	1,571	-	1,571	35
Norwegian Krone	29,434	4,769	34,203	10,036
Pakistan Rupee	1,376	-	1,376	62
Peruvian Nuevo Sol	3,931	-	3,931	32
Philippine Peso	7,608	9,745	17,353	26,265
Polish Zloty	35,844	33,326	69,170	16,927
Romanian Leu	1,098	-	1,098	22
Russian Ruble	9,154	-	9,154	124
Servian Dinar	-	1,716	1,716	416
Singapore Dollar	41,572	9,571	51,143	41,131
South African Rand	111,117	1,143	112,260	1,539
South Korean Won	245,946	69,122	315,068	13,112
Swedish Krona	60,633	7,920	68,553	46,673
Swiss Franc	179,699	-	179,699	(3,286)
Thai Baht	48,178	-	48,178	309
Turkish Lira	65,965	-	65,965	29
Ukrainian Hryvnia	-	6,891	6,891	-
Uruguayan New Peso	-	8,957	8,957	7,468
Vietnam Dong	1,098	-	1,098	21
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	\$ 3,864,280	\$ 390,611	4,254,891	\$ 38,135
Investments Not Subject to Foreign Currency Risk			16,930,584	
Total Investments			\$ 21,185,475	

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Securities Lending

The State Investment Council, as well as the State Public Employee Retirement Association (PERA) and the State Educational Retirement Board, have participated 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.

Both the State Investment Council and the Educational Retirement Board have made the decision to discontinue their respective securities lending programs, and they have been terminated.

Per Board policy, PERA 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, 2012, had a carrying amount and fair value of \$444.8 million. Under the agreement, the lending agent is 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, 2012, due to borrower default.

There was an unrealized loss in invested cash collateral for PERA on June 30, 2012, of \$25,579 (in thousands), which has been reflected in the financial statements.

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, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Public Employees Retirement Association and Educational Retirement Board

Derivative Financial Instruments

(Expressed in Thousands)

Derivative Type	Change in Fair Value		Fair Value		Notional Amount	Unit of Value
	Classification	Amount	Classification	Amount		
Equity Derivatives - Futures	Investment Income	\$ 27,049	Investments	\$ 478,748	\$ (48,561)	\$ 837,853
Commodity Futures	Investment Income	4,802	Investments	110,454	1,180	105,652
Fixed Income Derivatives - Futures	Investment Income	(69)	Investments	251,475	608,500	818,756
Fixed Income Derivatives - Options	Investment Income	(663)	Investments	353	23,364	648
Fixed Income Derivatives - Swaps	Investment Income	3,627	Investments	3,627	1,548,260	-
Forward Currency Contracts	Investment Income	(20)	Investments	230	24,681,446	249
Other Derivatives	Investment Income	147	Investments	(1,192)	(93,600)	(1,339)
Swaps - Credit Default Swap Index	Investment Income	(108)	Investments	(108)	1,060	-
Swaps - Interest Rate	Investment Income	(21)	Investments	(21)	139	-
Swaps - Index	Investment Income	17	Investments	17	4,341	-

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 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following table summarizes the foreign exchange contracts by currency as of June 30, 2012:

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

Currency	Buys	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)
Australian Dollar	\$ 310	\$ 8	\$ (9,827)	\$ (291)
Brazilian Real	10,290	50	(11,549)	(105)
British Pound	935	-	(1,330)	(14)
Canadian Dollar	-	(5)	(2,858)	45
Chinese Renminbi	12,100	-	(25,854)	9
Colombian Peso	8,826,016	62	(8,283,008)	(46)
Euro	5,335	36	(38,125)	164
Hungarian Forint	-	-	(525,687)	(54)
Indian Rupee	9,800	1	(29,695)	(1)
Indonesian Rupiah	3,740,560	5	-	-
Japanese Yen	-	-	(52,006)	3
Malaysian Ringgit	7,258	11	-	-
Mexican Peso	51,030	145	(5,800)	(14)
New Taiwan Dollar	21,300	-	(21,300)	(1)
New Turkish Lira	1,290	5	(16,657)	(72)
Peruvian Nuevo Sol	703	-	-	-
Philippine Peso	-	-	(95,373)	(32)
Polish Zloty	9,880	(13)	(15,147)	(46)
Russian Ruble	45,189	29	-	-
Singapore Dollar	3,178	20	(2,524)	(23)
South African Rand	13,400	53	(4,341)	(12)
South Korean Won	-	-	(2,587,549)	(51)
Thai Baht	54,600	(7)	(10,186)	-
U. S. Dollar	95,213	-	(31,343)	-
Total	\$ 12,908,387	\$ 400	\$ (11,770,159)	\$ (541)

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.

During 2012, the State was a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90-day Euro dollar fixed income futures. Upon entering into a futures contract, the State is required to deposit, either in cash or in securities an amount (initial margin) equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by the State, depending on the daily fluctuation in the value of the underlying contracts.

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

Summary of Outstanding Futures Contracts

	<u>No. of Contracts</u>	<u>Notional Amount (In Thousands)</u>	<u>Fair Value (In Thousands)</u>
Futures Contracts - Long	132	\$ 6,335	
Futures Contracts - Short	541	55,735	
Margin Deposit		\$ 712	

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, 2012, 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, 2012, 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2012, the State held the following types of asset-backed securities:

	<u>Amount</u>
Asset-backed Securities	\$ 840,000
Collateralized Mortgage Obligations	188,000
Commercial Mortgage-backed Securities	311,000
Mortgage-backed Securities	1,374,000
Nongovernment-backed Securities	<u>262,000</u>
Total Asset-backed Securities	<u>\$ 2,975,000</u>

Education Trust Board (ETB)

The Education Trust Board (ETB) is responsible for the management of the two higher education savings plans: Scholar's Edge, and The Education Plan (Plans). The Plans are savings vehicles for higher education expenses under Section 529 of the U.S. Internal Revenue Code.

Investment Risk. All of the Plan's investments are uninsured and unregistered and are held by a counterparty in ETB's name. The Plan's description and participation agreement provides greater detail

about the investment policies and practices of ETB. ETB does not have formal policies for limiting its exposure to the risks noted below.

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

Credit Risk. ETB invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940. Form N-IA discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the 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, 2012, are as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

New Mexico Education Trust Board Quality Rating of Investments

Scholar's Edge Plan

<u>Investment/Rating</u>	Oppen- heimer Global Strategic Income Fund	Oppen- heimer Limited - Term Income Fund	Oppen- heimer Int'l. Bond Fund	American Century Diversified Bond Fund	Mainstay High Yield Corporate Bond Fund
Investments Subject to Credit Risk - NRSRO					
AAA	21.8 %	90.4 %	22.3 %	67.5 %	0.0 %
AA	5.0 %	7.3 %	16.9 %	3.3 %	0.0 %
A	9.6 %	0.6 %	17.2 %	11.7 %	0.1 %
BBB	20.9 %	0.1 %	29.0 %	14.0 %	3.0 %
BB and Lower	23.9 %	0.8 %	7.6 %	3.5 %	93.9 %
N B and Lower	81.2 %	99.2 %	93.0 %	100.0 %	97.0 %
Not Rated	18.8 %	0.8 %	7.0 %	0.0 %	3.0 %
Total Oppenheimer Global Strategic Income Fund	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

The Education Plan

<u>Investment/Rating</u>	Dreyfus Bond Market Index Fund	Vanguard Intermediate Term Bond Index Fund
Investments Subject to Credit Risk - NRSRO		
AAA	7.9 %	1.1 %
AA	72.5 %	57.1 %
A	12.2 %	21.2 %
BBB	7.4 %	20.6 %
NRSOR-rated Total	100.0 %	100.0 %

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.

Duration of years for the underlying fixed income funds at June 30, 2012, 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 Fund	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, 2012, traditional guaranteed investment contracts were valued at \$43,815 (fair value \$45,196). Fair value was confirmed by New York Life.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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)**

	Carrying Balance
Cash with State Treasurer	\$ 168
Bank Deposits	15,932
Repurchase Agreement	142
Government Money Market Funds	90,488
U. S. Treasury Notes	54,696
Invested by Trustee Per Bond Indenture	25,349
Total	\$ 186,775

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.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Years to Maturity</u>	<u>Percentage of Authority Funds</u>
U.S. Treasury Notes	\$ 65,226	1.07	22.01%
Federal Home Loan Mortgage Corporation Bonds	60,271	1.00	20.34%
Total Investments	\$ 125,497		

Concentration of Credit Risk. As of June 30, 2012, 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, 2012 (NMMFA's fiscal year-end), the carrying value of cash and cash equivalents include the following:

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

	Carrying Balance
Cash and Cash Equivalents	\$ 10,430
Restricted Cash and Cash Equivalents	134,706
Investment in Local Governmental Investment Pool	10,290
Total Cash and Cash Equivalents	155,426
Investments	39,950
Restricted Investments	1,005,062
Total Investments	1,045,012
Total Cash, Cash Equivalents, and Investments	\$ 1,200,438

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Custodial Credit Risk. At September 30, 2012, NMMFA's bank balance was \$7,749. There were no amounts that were uninsured and uncollateralized.

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

NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, NMMFA obtains from each bank that is a depository for public funds, which are in repurchase agreements, with 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, 2012, NMMFA had \$1,909 of public funds on deposit, which were 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, 2012: GNMA, 73.0 percent, and FNMA, 23.0 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, 2012:

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

<u>Investment Type</u>	<u>Rating</u>	<u>Value</u>
Money Market Funds	AAA	\$ 92,250
Guaranteed Investment Contracts	AAA	357
Guaranteed Investment Contracts	AA	38,927
Guaranteed Investment Contracts	A	1,683
U.S. Agencies	AA	8,091
Securitized Mortgage Loans	AA	246,269
Securitized Mortgage Loans	U.S. Gov't. Guar.	758,203
Internal State Investment Pools:		
State Treasurer	AAA	10,290
State Investment Council	Not Available	28,512
Money Market Accounts	Not Rated	19
Repurchase Agreements	Not Rated	4,351
Other	Not Available	3,937
Investments Subject to Credit Risk		1,192,889
Not Subject to Credit Risk:		
Cash in bank		7,549
Total Cash, Cash Equivalents, and Investments		<u>\$ 1,200,438</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

NMMFA has the following investments subject to interest rate risk at September 30, 2012:

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

Investment Type	Fair Value	Investment Maturities (in Years)					Not Available
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years		
Money Market Funds	\$ 92,250	\$ 92,250	\$ -	\$ -	\$ -	\$ -	-
Money Market Accounts	19	19	-	-	-	-	-
Repurchase Agreements	4,351	4,351	-	-	-	-	-
Guaranteed Investment Contracts	40,967	38,258	156	-	2,553	-	-
Internal State Investment Pools:							
State Treasurer	10,290	10,290	-	-	-	-	-
State Investment Council	28,512	-	-	-	-	-	28,512
U.S. Agencies	8,091	-	8,091	-	-	-	-
Securitized Mortgage Loans	1,004,472	-	-	58	-	-	1,004,414
Other	3,937	-	-	-	-	-	3,937
Investments Subject to Interest Rate Risk	1,192,889	<u>\$ 145,168</u>	<u>\$ 8,247</u>	<u>\$ 58</u>	<u>\$ 2,553</u>	<u>\$ 1,036,863</u>	
Not Subject to Interest Rate Risk:							
Cash in bank	7,549						
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,200,438</u>						

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

B. Receivables

Receivables at June 30, 2012, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local		Brokers	Interest	Taxes	Loans	Allowance	Receivables,		Noncurrent Loans	Noncurrent Loans, Net	
		Governments	Accounts						Net Total	Allowance		Total	
Governmental Activities	\$ 607,854	\$ 1,647	\$ 77,543	\$ 113,884	\$ 9,296	\$ 937,838	\$ 2,547	\$ (31,047)	\$ 1,719,562	\$ -	\$ -	\$ -	\$ -
Business-Type Activities	70,557	-	599,488	-	2,898	-	67,740	(290,530)	450,153	175,897	(378)	175,519	
Component Units	-	6,287	34,941	-	13,626	-	91,665	-	146,519	2,404,873	(8,207)	2,396,666	
Governmental Activities:													
General	33,163	357	2,561	-	2	795,523	723	(5,742)	826,587	-	-	-	-
Education	122,962	434	339	-	-	-	-	-	123,735	-	-	-	-
Health and Human Services	307,502	336	36,493	-	-	-	-	(10,547)	333,784	-	-	-	-
Highway and Transportation	53,682	-	7,794	-	199	58,616	7	(4,635)	115,663	-	-	-	-
Severance Tax Permanent	-	-	-	88,983	7,167	-	-	-	96,150	-	-	-	-
Nonmajor Governmental	90,545	520	7,795	24,901	1,906	87,129	1,817	(2,410)	212,203	-	-	-	-
Internal Service	-	-	19,131	-	22	-	-	(7,713)	11,440	-	-	-	-
Business-type Activities:													
Educational Institutions	55,688	-	462,236	-	953	-	56,079	(211,883)	363,073	8,307	-	8,307	
Nonmajor Enterprise	14,869	-	137,252	-	1,945	-	11,661	(78,647)	87,080	167,590	(378)	167,212	
Fiduciary Funds:													
Pension Trust	-	-	112,612	1,632,730	76,733	-	6,702	-	1,828,777	-	-	-	-
External Trust	-	-	43,430	-	-	-	-	-	43,430	-	-	-	-
Private Purpose Trust	-	-	1,687	318,206	22,991	-	-	-	342,884	-	-	-	-
Agency	-	-	92,329	-	-	-	-	-	92,329	-	-	-	-
Discrete Component Units:													
Finance Authority	-	6,287	2,743	-	8,453	-	91,665	-	109,148	1,226,949	(3,087)	1,223,862	
Mortgage Finance Authority	-	-	-	-	5,173	-	-	-	5,173	1,173,132	(5,120)	1,168,012	
Other Major Component Units	-	-	30,131	-	-	-	-	-	30,131	-	-	-	-
Nonmajor Component Units	-	-	2,067	-	-	-	-	-	2,067	4,792	-	4,792	

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2012 (in thousands):

Beginning Balance, Restated	\$	4,591
Provision for Loan Losses		
Loans Written Off, Net of Recoveries		<u>(1,504)</u>
Ending Balance	\$	<u>3,087</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, 2012 (in thousands):

Beginning Balance	\$	2,310
Provision for Loan Losses		1,695
Loans Written Off, Net of Recoveries		<u>(625)</u>
Ending Balance	\$	<u>3,380</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	3.0 - 8.8 %
Other Mortgage Loans	0.0 - 12.1 %
Second Mortgage Down Payment Assistance Loans	0.0 - 7.5 %

C. Interfund and Interagency Receivables, Payables, and Transfers

Interfund receivables and payables balances result 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The composition of interfund balances as of June 30, 2012, is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:				
General	\$ 475,071	\$ 387,471	\$ 1,267,935	\$ 5,797,197
Education	61,496	12,049	2,701,654	6,146
Health and Human Services	68,220	84,488	1,780,789	195,395
Highway and Transportation	18,129	14,397	45,187	12,107
Appropriated Bond Proceeds Capital Outlay	382	39,577	226,909	541,945
Severance Tax Permanent	105,959	-	103,888	6,901
Nonmajor Governmental:				
Special Revenue	29,150	50,325	141,173	126,496
Debt Service	53	103,888	11,696	336,581
Capital Projects	31,475	8,852	135,747	9,004
Land Grant Permanent Fund	410	-	-	1,381
Internal Service	13,883	13,599	34,827	29,697
Total Governmental Activities	<u>804,228</u>	<u>714,646</u>	<u>6,449,805</u>	<u>7,062,850</u>
Business-type Activities:				
Educational Institutions	-	-	626,863	-
Nonmajor Enterprise	912	2,840	2,782	-
Total Business-type Activities	<u>912</u>	<u>2,840</u>	<u>629,645</u>	<u>-</u>
Fiduciary Funds:				
Pension Trust	366	359	836	-
External Trust	-	-	-	-
Private Purpose Trust	17,027	11,851	-	17,436
Agency	143,380	236,217	-	-
Total Fiduciary Funds	<u>160,773</u>	<u>248,427</u>	<u>836</u>	<u>17,436</u>
Totals	<u>\$ 965,913</u>	<u>\$ 965,913</u>	<u>\$ 7,080,286</u>	<u>\$ 7,080,286</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

D. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2012, was as follows (in thousands):

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 98,154	\$ 2,124	\$ (9,124)	\$ 91,154
Construction in Progress	574,752	509,051	(396,766)	687,037
Infrastructure	474,078	11,222	-	485,300
Mineral Rights	74,993	-	-	74,993
Art and Other	1,172	8,229	-	9,401
Total Capital Assets not being Depreciated	<u>1,223,149</u>	<u>530,626</u>	<u>(405,890)</u>	<u>1,347,885</u>
Capital Assets being Depreciated:				
Land Improvements	41,457	1,062	(4,933)	37,586
Equipment and Machinery	248,932	15,670	(8,674)	255,928
Building and Improvements	1,335,938	63,539	(14,289)	1,385,188
Furniture and Fixtures	20,630	868	(959)	20,539
Data Processing Equipment and Software	163,578	8,674	(4,582)	167,670
Library Books and Other	2,894	21	(3,702)	(787)
Vehicles	303,872	17,440	(18,233)	303,079
Infrastructure	15,274,466	353,845	(478,537)	15,149,774
Total Capital Assets being Depreciated	<u>17,391,767</u>	<u>461,119</u>	<u>(533,909)</u>	<u>17,318,977</u>
Less Accumulated Depreciation for:				
Land Improvements	(23,261)	(1,593)	2,972	(21,882)
Equipment and Machinery	(191,717)	(17,729)	6,389	(203,057)
Building and Improvements	(661,038)	(42,359)	3,953	(699,444)
Furniture and Fixtures	(14,217)	(892)	959	(14,150)
Data Processing Equipment and Software	(110,703)	(15,182)	3,516	(122,369)
Library Books and Other	(1,531)	(648)	201	(1,978)
Vehicles	(218,594)	(19,604)	16,867	(221,331)
Infrastructure	(8,914,955)	(601,706)	478,537	(9,038,124)
Total Accumulated Depreciation	<u>(10,136,016)</u>	<u>(699,713)</u>	<u>513,394</u>	<u>(10,322,335)</u>
Total Capital Assets being Depreciated, Net	<u>7,255,751</u>	<u>(238,594)</u>	<u>(20,515)</u>	<u>6,996,642</u>
Capital Assets, Net	<u>\$ 8,478,900</u>	<u>\$ 292,032</u>	<u>\$ (426,405)</u>	<u>\$ 8,344,527</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

During fiscal year 2012, the State transferred \$379,589 from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

Capital asset activity for Business type Activities for the year ended June 30, 2012, was as follows (in thousands):

Business-type Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 79,679	\$ 735	\$ (605)	\$ 79,809
Construction in Progress	143,829	120,510	(137,060)	127,279
Art and Other	2,111	103	(1,005)	1,209
Total Capital Assets not being Depreciated	<u>225,619</u>	<u>121,348</u>	<u>(138,670)</u>	<u>208,297</u>
Capital Assets being Depreciated:				
Land Improvements	76,036	2,078	-	78,114
Equipment and Machinery	423,647	43,670	(63,155)	404,162
Building and Improvements	2,353,417	166,491	(5,694)	2,514,214
Furniture and Fixtures	669,911	5,236	(481)	674,666
Data Processing Equipment and Software	20,550	1,122	(57)	21,615
Library Books and Other	265,422	12,235	(780)	276,877
Vehicles	4,798	189	(123)	4,864
Infrastructure	236,658	29,763	(399)	266,022
Total Capital Assets being Depreciated	<u>4,050,439</u>	<u>260,784</u>	<u>(70,689)</u>	<u>4,240,534</u>
Less Accumulated Depreciation for:				
Land Improvements	(45,087)	(3,625)	-	(48,712)
Equipment and Machinery	(325,776)	(67,240)	61,353	(331,663)
Building and Improvements	(925,514)	(65,847)	1,327	(990,034)
Furniture and Fixtures	(360,622)	(6,007)	402	(366,227)
Data Processing Equipment and Software	(12,440)	(1,691)	32	(14,099)
Library Books and Other	(221,468)	(11,871)	793	(232,546)
Vehicles	(3,597)	(441)	179	(3,859)
Infrastructure	(110,007)	(11,533)	140	(121,400)
Total Accumulated Depreciation	<u>(2,004,511)</u>	<u>(168,255)</u>	<u>64,226</u>	<u>(2,108,540)</u>
Total Capital Assets being Depreciated, Net	<u>2,045,928</u>	<u>92,529</u>	<u>(6,463)</u>	<u>2,131,994</u>
Capital Assets, Net	<u>\$ 2,271,547</u>	<u>\$ 213,877</u>	<u>\$ (145,133)</u>	<u>\$ 2,340,291</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

During fiscal year 2012, the State transferred \$137,060 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, 2012, there was no interest expense capitalized.

Capital asset activity for fiduciary Funds for the year ended June 30, 2012, was as follows (in thousands):

Fiduciary Funds:	Beginning Balance	Additions	Deletions	Ending Balance
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>1,828</u>	<u>-</u>	<u>-</u>	<u>1,828</u>
Capital Assets being Depreciated:				
Land Improvements	19	-	-	19
Equipment and Machinery	36	71	(38)	69
Building and Improvements	16,012	-	-	16,012
Furniture and Fixtures	1,232	-	-	1,232
Data Processing Equipment and Software	23,555	69	(506)	23,118
Vehicles	80	-	-	80
Total Capital Assets being Depreciated	<u>40,934</u>	<u>140</u>	<u>(544)</u>	<u>40,530</u>
Less Accumulated Depreciation for:				
Land Improvements	(5)	-	-	(5)
Equipment and Machinery	(34)	(103)	38	(99)
Building and Improvements	(1,857)	(534)	-	(2,391)
Furniture and Fixtures	(955)	-	-	(955)
Data Processing Equipment and Software	(20,028)	(2,764)	503	(22,289)
Vehicles	(65)	(6)	-	(71)
Total Accumulated Depreciation	<u>(22,944)</u>	<u>(3,407)</u>	<u>541</u>	<u>(25,810)</u>
Capital Assets, Net	<u>\$ 19,818</u>	<u>\$ (3,267)</u>	<u>\$ (3)</u>	<u>\$ 16,548</u>

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

General Control	\$ 34,014
Education	739
Health and Human Services	7,736
Highways and Transportation	611,472
Culture, Recreation, and Nat. Resources	22,593
Judicial	6,889
Legislative	1,736
Public Safety	13,767
Regulation and Licensing	767
Total	<u>\$ 699,713</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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, 2012, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets being Depreciated:				
Leasehold Improvements	\$ 48	\$ -	\$ (40)	\$ 8
Equipment and Machinery	49	-	(49)	-
Furniture and Fixtures	227	-	(198)	29
Data Processing Equipment and Software	836	199	(453)	582
Total Capital Assets being Depreciated	<u>1,160</u>	<u>199</u>	<u>(740)</u>	<u>619</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	(48)	-	40	(8)
Equipment and Machinery	(49)	-	49	-
Furniture and Fixtures	(208)	(10)	199	(19)
Data Processing Equipment and Software	(667)	(137)	452	(352)
Total Accumulated Depreciation	<u>(972)</u>	<u>(147)</u>	<u>740</u>	<u>(379)</u>
Capital Assets, Net	<u>\$ 188</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ 240</u>

Capital asset activity for the New Mexico Mortgage Finance Authority for the year ended September 30, 2012, 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	1,786	37	(16)	1,807
Total Capital Assets being Depreciated	<u>4,827</u>	<u>37</u>	<u>(16)</u>	<u>4,848</u>
Less Accumulated Depreciation for:				
Building and Improvements	(2,310)	(96)	-	(2,406)
Furniture and Fixtures	(1,358)	(159)	16	(1,501)
Total Accumulated Depreciation	<u>(3,668)</u>	<u>(255)</u>	<u>16</u>	<u>(3,907)</u>
Total Capital Assets being Depreciated, Net	<u>1,159</u>	<u>(218)</u>	<u>-</u>	<u>941</u>
Capital Assets, Net	<u>\$ 1,671</u>	<u>\$ (218)</u>	<u>\$ -</u>	<u>\$ 1,453</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Construction Commitments

The State has active construction projects as of June 30, 2012. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction were \$180,713.

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 2012 were \$73,031, \$4,242, and \$265 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	Amount
2013	\$ 61,374
2014	53,067
2015	45,828
2016	41,633
2017	37,775
2018 - 2022	74,513
2023 - 2027	17,703
2028 - 2032	1,153
2033 & Thereafter	1,250
	<u><u>\$ 334,296</u></u>

Business-type	Amount
2013	\$ 10,404
2014	7,532
2015	5,397
2016	2,888
2017	1,990
2018-2022	7,084
2023-2027	2,043
2028-2032	2,043
2033 & Thereafter	3,856
	<u><u>\$ 43,237</u></u>

Fiduciary	Amount
2013	\$ 270
2014	269
2015	263
2016	233
2017	210
2018-2022	366
	<u><u>\$ 1,611</u></u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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 State Supreme Court 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 lease is as follows (in thousands):

Business-type

	Amount
2013	\$ 330
2014	252
2015	226
2016	208
2017	180
2018 - 2022	192
Total Lease Payments	1,388
Less Amounts Representing Interest	96
Present Value of Future Minimum Lease Payments	\$ 1,292

As of June 30, 2012, the historical cost of the primary government's assets acquired through capital leases was \$2,150 for Business-type, and consisted of equipment.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

E. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Long-term Liabilities <i>(Expressed in Thousands)</i>				
	Beginning			Ending	Amounts
	Balance	Additions	Deletions	Balance	Due Within
Governmental Activities:					One Year
Bonds Payable					
General Obligation Bonds, Net	\$ 355,500	\$ -	\$ (58,610)	\$ 296,890	\$ 61,410
Severance Tax Bonds, Net	817,195	181,495	(199,950)	798,740	115,465
Revenue Bonds	1,796,198	-	(73,137)	1,723,061	93,251
Bond Premium, Discount, Net	236,763	27,668	(28,241)	236,190	-
Deferred Loss on Refunding, Net	(82,705)	(6,388)	7,111	(81,982)	-
Total Bonds Payable	3,122,951	202,775	(352,827)	2,972,899	270,126
Other Liabilities					
Notes Payable	3,715	-	(1,261)	2,454	55
Claims and Judgments	225,248	614,622	(406,323)	433,547	100,694
Compensated Absences	63,934	62,654	(65,642)	60,946	51,587
Pollution Remediation Obligation	86,741	5,979	(37,026)	55,694	1,395
Total Other Liabilities	379,638	683,255	(510,252)	552,641	153,731
Total Governmental Long-term Liabilities	\$ 3,502,589	\$ 886,030	\$ (863,079)	\$ 3,525,540	\$ 423,857
	Beginning			Ending	Amounts
	Balance	Additions	Deletions	Balance	Due Within
Business-type Activities:					One Year
Bonds Payable					
Revenue Bonds	\$ 829,348	\$ 107,240	\$ (95,757)	\$ 840,831	\$ 33,312
Bond Premium, Discount, Net	2,958	5,873	-	8,831	-
Total Bonds Payable	832,306	113,113	(95,757)	849,662	33,312
Other Liabilities					
Compensated Absences	99,689	74,403	(77,873)	96,219	55,329
Reserved for Losses	63,406	273,020	(270,954)	65,472	20,539
Capital Leases	795	643	(146)	1,292	288
Other	52,874	4,313	(1,014)	56,173	-
Total Other Payables	216,764	352,379	(349,987)	219,156	76,156
Total Business-type Long-term Liabilities	\$ 1,049,070	\$ 465,492	\$ (445,744)	\$ 1,068,818	\$ 109,468
	Beginning			Ending	Due Within
	Balance	Additions	Deletions	Balance	One Year
Fiduciary:					
Pension Trust Funds:					
Other Liabilities					
Reserved for Losses	\$ 13,743	\$ 3,462	\$ -	\$ 17,205	\$ 17,205
Compensated Absences	622	604	(667)	559	552
Total Fiduciary Long-term Liabilities	\$ 14,365	\$ 4,066	\$ (667)	\$ 17,764	\$ 17,757

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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.

General obligation bonds are direct obligations and pledge the full faith and credit of the State. These

bonds generally are issued as 10-year serial bonds with equal amounts of principal maturing each year. Funding for the payment of the debt service of the general obligation bonds is provided through the collection of property taxes levied by the local governments receiving the funding for capital spending.

There were no General Obligation Bonds issued during the fiscal year ended June 30, 2012.

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

General Obligation Bonds Payable (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2012
Series 2005	3/1/2005	2015	5.0	\$ 111,850	\$ 39,510
Series 2007	3/1/2007	2017	5.0	134,870	75,620
Series 2008A Refunding	6/25/2008	2013	5.0	71,270	15,125
Series 2009	5/28/2009	2019	5.0	196,330	149,760
Series 2011	5/26/2011	2021	2.0-4.0	18,645	16,875
Total General Obligation Bonds Payable					\$ 296,890

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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>
2013	\$ 61,410	\$ 14,590	\$ 76,000
2014	48,535	11,569	60,104
2015	50,895	9,193	60,088
2016	38,920	6,666	45,586
2017	40,855	4,738	45,593
2018-2022	56,275	4,470	60,745
Total	\$ 296,890	\$ 51,226	\$ 348,116

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, such as minerals, oil, and gas. 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, 2012, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$462.8 million. The total

principal and interest requirements were \$378.6 million for all severance tax and supplemental severance tax bonds.

On November 15, 2011, the State Board of Finance issued Series 2011A-1 bonds in a principal amount of \$47,790 for the purpose of providing funds for capital improvements. The interest rate varies between 2.0 percent - 5.0 percent, with principal payments due through 2021.

Also issued were Series 2011A-2 bonds, in a principal amount of \$75,715, for the purpose of advance refunding certain bonds. (See next section for details).

On May 21, 2012, Series 2012A bonds were issued in a principal amount of \$57,990, for the purpose of providing funds for capital improvements. The interest rate varies between 3.0 – 5.0 percent, and the principal is due through 2022.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Severance tax bonds outstanding at June 30, 2012, are as follows:

Severance Tax Bonds Payable

(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2012
Series 2003B Supplemental	11/01/03	2013	3.1 - 3.7	\$ 10,000	\$ 2,430
Series 2004B Supplemental	11/17/04	2014	2.0 - 5.0	10,000	3,330
Series 2005B-1 Refunding	06/28/05	2012	3.2 - 5.0	37,040	7,910
Series 2005B-2 Supplemental	06/28/05	2011	3.2 - 5.0	21,095	-
Series 2006A	06/20/06	2016	4.0 - 5.0	135,000	-
Series 2007A	06/28/07	2018	4.0 - 5.0	162,840	13,265
Series 2008A-1	06/25/08	2019	4.0 - 5.0	149,000	28,600
Series 2008A-2 Supplemental	06/25/08	2013	3.0	20,550	5,445
Series 2009A Refunding	07/30/09	2019	2.0 - 5.0	218,450	167,640
Series 2010A	03/24/10	2019	3.0 - 5.0	132,265	121,330
Series 2010B Supplemental	03/24/10	2019	4.0 - 5.0	100,000	90,790
Series 2010C Refunding	06/30/10	2019	4.0 - 5.0	43,780	35,985
Series 2010D Refunding	12/08/10	2017	3.0 - 5.0	140,520	140,520
Series 2011A-1 Refunding	12/06/11	2022	3.0 - 5.0	47,790	47,790
Series 2011A-2 Refunding	12/06/11	2019	4.0 - 5.0	75,715	75,715
Series 2012A Refunding	06/21/12	2023	3.0 - 5.0	57,990	57,990
Total Severance Tax Bonds Payable					\$ 798,740

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
2013	\$ 115,465	\$ 33,969	\$ 149,434
2014	108,785	30,131	138,916
2015	103,755	25,287	129,042
2016	101,300	20,328	121,628
2017	95,715	15,403	111,118
2018-2022	273,720	24,853	298,573
Total	\$ 798,740	\$ 149,971	\$ 948,711

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Advance Refundings

The State advance-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 defeased bonds are not included in the summary of long-term obligations or the financial statements. At June 30, 2012, \$157,245 of defeased bonds remained outstanding.

The State issued Series 2011A-2 bonds, in a principal amount of \$75,715, for the purpose of advance refunding the Series 2008A-1 maturities of July 1, 2014 through July 1, 2018. The interest rate varies between 4.0 – 5.0 percent, and principal is due through 2018. The refunding resulted in cash flow

savings of \$5,248, and a present value economic gain of \$4,851.

Revenue Bonds

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

Revenue bonds with a face value of \$107,240 were issued by five of the State's institutions of higher education during the year ended June 30, 2012. These bonds are secured by a pledge of the revenue stream consisting of most unrestricted funds. Details of pledged revenues are included in a later note.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Revenue bonds outstanding at year-end are as follows:

Revenue Bonds Payable - Primary Government
(Expressed in Thousands)

Governmental Activities					Balance
Series	Bond Issue	Maturity Date	Interest Rate	Original Issue	June 30, 2012
2009A	Public Projects Revolving Fund	2029	2.5 - 5.3	\$ 55,810	\$ 49,915
2010	Public Projects Revolving Fund	2029	0.5 - 4.1	20,560	19,960
2002	State Museum Tax	2023	0.6 - 4.1	5,760	4,012
1995A and B	Energy and Minerals	2015	3.0 - 6.0	3,697	63
1995A and B	Energy and Minerals	2016	4.5	6,840	1,737
1996A and B	Energy and Minerals	2016	3.0 - 6.0	3,900	97
1997A and B	Energy and Minerals	2017	3.0 - 6.0	4,717	1,640
1998A and B	Energy and Minerals	2018	3.0 - 8.0	5,033	2,008
2001	Energy and Minerals	2020	4.7	4,907	2,419
2003	Energy and Minerals	2023	3.8	7,339	4,698
2010	Energy and Minerals Equipment	2016	2.2	843	642
2002C	Highway Infrastructure Fund (HIF)	2017	3.3 - 5.4	67,750	5,930
2002D	Senior Subordinate Lien Tax Highway (CHAT)	2014	3.9 - 5.0	16,000	1,575
2004A	Senior Lien Transportation (GRIP)	2024	3.8 - 5.2	700,000	248,310
2004B	Subordinate Lien Transportation Refunding (GRIP)	2014	2.0 - 5.0	237,950	63,860
2006A	Highway (GRIP) *	2026	3.6 - 5.0	150,000	149,760
2006B	Highway (GRIP) *	2026	3.5 - 5.0	39,005	26,675
2008A	Adjustable Rate State Transportation Refunding (GRIP) *	2025	Variable	115,200	115,200
2008B	Adjustable Rate State Transportation Refunding (GRIP) *	2027	Variable	220,000	220,000
2008C	Adjustable Rate State Transportation Refunding (GRIP) *	2025	Variable	84,800	84,800
2008D	Adjustable Rate State Transportation Refunding (GRIP) *	2027	Variable	50,400	50,400
2009A	Refunding *	2017	2.0 - 5.0	112,345	49,345
2010A	Debt Service *	2024	1.5 - 5.0	174,625	168,580
2010B	Highway (GRIP) *	2024	3.0 - 5.0	461,075	451,435
Total Revenue Bonds Payable					\$ 1,723,061

* Bonds were issued by the New Mexico Finance Authority (a component unit of the State) in an agency capacity on behalf of the State Department of Transportation.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Revenue Bonds Payable - Primary Government

(Expressed in Thousands)

Business-type Activities				Balance
Bond Issue	Maturity Date	Interest Rate	Original Issue	June 30, 2012
Series 2004 Capital Improvement (EXPO)	2015	1.3 - 3.7	\$ 5,556	\$ 1,956
Series 2004 Miners Colfax Hospital	2024	4.2	10,823	7,505
Series 2006 Miners Colfax Hospital	2026	4.2	6,488	5,062
Series 2002 Revenue and Improvement (NMSU)	2022	2.0 - 5.0	15,495	4,720
Series 2003 Refunding and Improvement (NMSU)	2023	2.0 - 5.0	28,495	14,985
Series 2004B Improvement (NMSU)	2025	2.0 - 5.0	42,275	32,410
Series 2006 Improvement (NMSU)	2026	4.0 - 5.0	10,245	7,975
Series 2010A-D Refunding and Improvement (NMSU)	2022	1.9 - 5.3	78,670	74,435
Series 1998 System (ENMU)	2026	3.6 - 4.4	9,325	7,275
Series 2005 System (ENMU)	2016	3.2 - 4.2	7,500	2,000
Series 2005B General Obligation Building (ENMU)	2037	0.3 - 0.6	28,050	27,560
Series 2008 System Refunding (NMHU)	2021	3.0 - 4.5	4,555	3,845
Series 2009A System Refunding (NMHU)	2035	5.3 - 6.0	9,230	9,230
Series 2009B System Refunding (NMHU)	2034	0.9 - 4.3	18,335	18,335
Series 2011 System (NM Tech)	2031	3.0 - 5.0	13,395	12,975
Series 2001 System (NMMI)	2013	5.0	9,550	1,260
Series 2005 System Refunding and Improvement (WNMU)	2019	3.2 - 5.0	5,800	3,105
Series 2012 System (WNMU)	2038	2.0 - 5.5	12,245	12,245
Series 1992A System Refunding (UNM)	2021	5.6 - 6.2	36,790	19,200
Series 2000B System (UNM)	2019	5.5 - 6.3	53,232	2,758
Series 2001 Subordinate Lien System Improvement (UNM)	2026	Variable	52,625	37,270
Series 2002B Subordinate Lien System Refunding (UNM)	2026	Variable	25,475	23,520
Series 2002C Subordinate Lien System Refunding (UNM)	2030	Variable	37,840	36,025
Series 2003A Subordinate Lien System Refunding (UNM)	2018	2.0 - 5.2	21,660	9,560
Series 2003B Subordinate Lien System (Taxable) (UNM)	2024	1.3 - 5.6	5,585	4,594
Series 2003C Subordinate Lien System (UNM)	2033	4.5 - 4.6	6,220	5,181
Series 2004 FHA Insured Hospital Mortgage (UNM)	2031	2.0 - 5.0	192,250	169,645
Series 2005 Subordinate Lien System Improvement (UNM)	2035	3.0 - 5.0	125,575	118,330
Series 2007A & B Subordinated Lien System Improvement (UNM)	2036	4.0 - 5.9	136,710	133,385
Series 2012 Subordinate Lien System Improvement (UNM)	2032	2.0 - 5.0	35,215	34,485
Total Revenue Bonds Payable			\$ 840,831	

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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
2013	\$ 93,251	\$ 79,681	\$ 172,932	2013	\$ 33,312	\$ 39,333	\$ 72,645
2014	111,513	74,803	186,316	2014	32,729	38,020	70,749
2015	89,193	70,205	159,398	2015	33,915	36,731	70,646
2016	93,439	65,711	159,150	2016	33,281	35,375	68,656
2017	97,704	61,010	158,714	2017	45,368	39,031	84,399
2018-2022	534,576	232,991	767,567	2018-2022	195,396	140,922	336,318
2023-2027	685,905	88,313	774,218	2023-2027	205,775	91,246	297,021
2028-2032	17,480	1,352	18,832	2028-2032	163,575	45,537	209,112
Total	\$ 1,723,061	\$ 674,066	\$ 2,397,127	Total	\$ 840,831	\$ 474,101	\$ 1,314,932

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
\$15.9 million
\$4.9 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
\$2.2 billion
\$785 million
\$147.7 million

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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:	\$6.9 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$805 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:	\$76.4 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$103.7 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$5.9 million
Debt Service for Current Year:	\$5.6 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:	\$16.5 million
Term of Commitment:	Through June 30, 2026
Revenue Stream for Current Year:	\$6.3 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:	\$2.1 million
Term of Commitment:	Through June 30, 2015
Revenue Stream for Current Year:	\$1.1 million
Debt Service for Current Year:	\$686 thousand

Agency:	Educational Institutions (UNM, NMSU, ENMU, WNMU, NMML, NMHU)
Purpose of Bonds:	Construction and improvement of various capital facilities
Total Amount of Bonds Issued:	\$1.0 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:	\$1.2 billion
Debt Service for Current Year:	\$69.4 million

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Revenue Bonds – New Mexico Department of Transportation (NMDOT)

In 2003, the State Legislature authorized the issuance of \$1,585 million in bonds to fund statewide transportation expansion and improvement projects. The New Mexico Finance Authority (NMFA), a component unit of the State, was authorized to issue the bonds as the agent for NMDOT. The bonds are liabilities of NMDOT and the State, not NMFA. 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 refunded bonds outstanding at June 30, 2012, totaling \$1,456,420 are considered defeased. There were no refundings of variable rate bonds in the current year.

The cumulative deferred amount on the refundings of \$76,507, recorded as a reduction of the State'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 in the government-wide financial statements and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

▪ **Derivative Instruments**

At the time of the 2004 bond issuance, NMFA, on behalf of the State, 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."

NMFA has entered into the swaps as an agent for NMDOT and the State, 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).

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Significant terms of the swaps follow. No cash was paid or received at the initiation of any of the swaps.

2004 Swaps

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Fair Value

The estimated fair value of the swaps at June 30, 2012, was as follows (in thousands):

	<u>Notional Value</u>	<u>Fair Value*</u>
Goldman Sachs	\$ 50,000	\$ (14,188)
Deutsche	50,000	(14,188)
Royal Bank of Canada	100,000	(28,376)
JPMorgan Chase Bank	110,000	(40,165)
UBS AG	110,000	(40,165)
	<u>\$ 420,000</u>	<u>\$ (137,082)</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, 2012, under the terms of the agreement.

▪ Associated Debt (in thousands)

<u>Variable Rate Debt*</u>	<u>Original Issue</u>	<u>2012 Debt Service</u>		<u>Net Swap Payments Made (Rec'd.)</u>	<u>Total Net Interest Paid</u>	<u>Effective Interest Rate</u>
		<u>Principal</u>	<u>Interest</u>			
Series 2008 A and C	\$ 200,000	\$ -	\$ 7,868	\$ 1,068	\$ 8,936	4.5%
Series 2008 B	220,000	-	11,158	25	11,183	5.1%

*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, 2012, were:

<u>Counterparty</u>	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch</u>
Royal Bank of Canada	Aa3	AA-	AA
Goldman Sachs	Aa2	AAA	N/A
Deutsche Bank	A2	A+	A+
JPMorgan Chase Bank	Aa3	A+	A+
UBS AG	A2	A	A

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, 2012. Negative amounts indicate payments that would have been made by the NMDOT to the counterparties.

These swaps have been deemed a hedge, and as such, the fair value of the swaps (\$137,082) is presented on the financial statements as a liability at June 30, 2012, with an offsetting deferred cash outflow.

Presently, the State 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 the State 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. Termination values currently exceeded these limits, and accordingly, on June 4, 2012, collateral was posted for \$15,720 at UBS on, \$11,200 at RBC, and \$14,440 at JP Morgan. 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Swap Collateral Requirement – Taxable Line of Credit

Negative balances at the end of the fiscal year were such that collateral needed to be posted. For that purpose, a short-term Taxable Line of Credit was established. There was \$35,000 outstanding on the line of credit at the end of the fiscal year, with \$45,000 borrowed and \$10,000 repaid during the year.

Interest Rate Risk

The knockout option in the 2006 swaps leaves the State 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. The State 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. The State has basis risk with respect to the 2004 swaps. The variable rate NMFA receives with respect to the 2004 swaps is 68.0 percent of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the

variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

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

Termination Risk

The unplanned termination of one or more of the swaps exposes the State 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, the State, 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, 2012, is \$6,954.

The liability for defeased bonds and the related assets held in trust are not included in the accompanying

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

basic financial statements since UNM has satisfied its obligation for payment of the defeased bonds.

Current Refunding

UNM issued Series 2012 Subordinate Lien System Refunding Revenue Bonds for the purpose of refunding various maturities of previously issued bonds. The issued bonds had a face value of \$35,215, and the proceeds were used to purchase securities that were placed in escrow. The transaction resulted in a cash flow differential of \$15,559 and an economic gain of \$15,186.

Standby Purchase Agreements

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance,

payable semiannually. The provider is JP Morgan. Liquidity fees for the year ended June 30, 2012, were \$812. Expiration is December 31, 2014.

A schedule including maturities and fees is as follows:

<u>Series</u>	<u>Maturity</u>	<u>Liq. Fees</u>
2001	\$ 37,270	\$ 317
2002B	23,520	200
2002C	36,025	295
Totals	<u>\$ 96,815</u>	<u>\$ 812</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Interest Rate Swap Agreement

On June 30, 2012, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
Hedging-type:							
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)	\$ 9,318	11/1/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (1,951)
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	36,025	11/13/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(7,650)
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	23,520	1/30/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(4,306)
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)	9,318	11/13/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(1,969)
Investment-type:							
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)	18,635	9/15/2006	6/1/2026	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	558
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	36,025	9/15/2006	6/1/2030	Receive 63.9% of 5 year USD swap rate + 0.3% - Pay SIFMA	1,183

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The debt service requirements to maturity for these bonds are based on the fixed rate per the swap agreements. UNM will be exposed to

variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in UNM making or receiving a termination payment.

▪ Risks

Credit Risk

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

Entity	Moody's		S & P		Fitch	
	L/T Rating	S/T Rating	L/T Rating	S/T Rating	L/T Rating	S/T Rating
JP Morgan	Aa3	P-1	A+	A1	A+	F1
PBC Royal Bank	Aa3	P-1	AA-	A1+	AA	F1+

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, 2012, the SIFMA variable rate is 0.18 percent while the percentage of LIBOR rate is 0.93 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 knockout 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 were in a liability position, UNM would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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 knockout 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 \$ 5,000
BBB+/Baa1 and <	USD \$ -

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 was AA/Aa2 at June 30, 2012; therefore, no collateral was posted.

Derivative Instrument Payments and Hedged Debt

As of June 30, 2012, 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

University of New Mexico Debt Service Requirements - Hedging Derivative Instruments

Fiscal Year Ending June 30,	Principal	Interest	Hedging Derivative Instruments, Net	Total
2013	\$ 4,260	\$ 145	\$ 2,863	\$ 7,268
2014	4,450	245	2,571	7,266
2015	4,620	374	2,226	7,220
2016	4,820	497	1,884	7,201
2017	4,650	602	1,563	6,815
2018	4,840	674	1,302	6,816
2019	5,570	712	1,087	7,369
2020	6,320	719	899	7,938
2021	6,580	696	733	8,009
2022	6,855	651	593	8,099
2023	7,155	588	476	8,219
2024	7,465	512	368	8,345
2025	7,770	419	278	8,467
2026	9,900	317	195	10,412
2027	2,900	175	105	3,180
2028	3,030	133	75	3,238
2029	3,160	87	47	3,294
2030	2,470	39	19	2,528

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Fiscal Year Changes in Swap Valuations

UNM has entered into interest rate swaps as shown in the prior schedule. 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, 2012. 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 2012 for the hedge instruments was an increase of \$7,859 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 gain (loss). The fair value change for swaps E and F as of June 30, 2012, was recorded to investment losses in the amount of \$330.

G. Other Liabilities

Notes Payable

Details of notes payable for the year ended June 30, 2012, follow:

Notes Payable - Governmental Activities
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>
2013	\$ 55	\$ 115	\$ 170
2014	55	115	170
2015	148	115	263
2016	156	108	264
2017	162	101	263
2018 - 2022	908	376	1,284
2023 - 2027	287	201	488
2028 - 2032	159	159	318
2033 - 2037	203	115	318
2038 - 2042	261	57	318
2043	60	3	63
Total	\$ 2,454	\$ 1,465	\$ 3,919

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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.

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.

The nature of the identified sites, the methodology used in the estimate and the estimated liability are 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 861 responsible party and state-lead active LPST sites as of June 30, 2012. As a result of the State gaining additional knowledge and experience regarding the identification and estimation

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

of contaminated sites, the State changed the methodology in estimating pollution remediation obligations for LPST sites for FY12. The following details the methodology used in prior years and the new methodology used for the year ended June 30, 2012.

For the year ended June 30, 2011, the State assessed each individual site and estimated the expected cash outlays based on knowledge of current site conditions and anticipated correction that would 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 reduced the estimated liability with expected recoveries through petroleum products loading fees (Chapter 7-13A-1, NMSA 1978) not yet realized or realizable. The State only recognized the recoveries in its financial statements as they became probable. The amount of recoveries estimated to reduce the liability was based on a weighted average of the number of years estimated to clean up the different types of priority sites.

For the year ended June 30, 2012, the State determined the average cost to clean up a site to a “No Further Action (NFA)” status, which was approximately \$155 thousand, based on the NFA sites in the past five years. The State used this average cost to clean up each site to determine the estimated liability by multiplying it by the number of active sites. In addition, the Department used a twenty-year projection period to apply the direct salaries and benefits and to apply the estimated recoveries through petroleum products loading fees. The amount with which the State reduced the estimated liability using such fees exceeded the estimated liability. As a result, the estimated pollution remediation liability for LPST sites as of June 30, 2012, is \$-0-, net of expected recoveries. The estimate is subject to change due to price

changes, technology changes, changes in applicable laws and regulations, 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Site estimates were based on budget projections to cover necessary activities for the upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. For sites or phases without budget projections, Superfund Program and Project Managers estimated costs for the Superfund phases of investigation and cleanup, based on experience with similar sites. Site estimates may change drastically from one year to another as

the investigations continue or remediation progresses. The estimate is subject to change due to price changes, technology changes, changes in applicable laws and regulations, or other unforeseen conditions. The State does not expect any recoveries from other responsible parties that would reduce this liability. As of June 30, 2012, the estimated pollution remediation liability for Superfund sites is \$55,693,804.

Short-term Debt

The State issues one to three-day sponge bonds in order to utilize available cash proceeds more effectively. The following were issued and paid during the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Ending Balance</u>
Sponge Bonds	\$ -	\$ 224,963	\$ (224,963)	\$ -	\$ -

Discrete Component Units

Long-term liability activity for the two largest component units follows:

New Mexico Finance Authority					
Long-term Liabilities					
<i>(Expressed in Thousands)</i>					
	<u>Beginning Balance, as Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
New Mexico Finance Authority					
Bonds Payable, Net	\$ 1,223,042	\$ 136,183	\$ (142,107)	\$ 1,217,118	\$ 81,431
Other Liabilities					
Compensated Absences	296	156	(175)	277	277
Total Other Payables	296	156	(175)	277	277
Total Long-term Liabilities	\$ 1,223,338	\$ 136,339	\$ (142,282)	\$ 1,217,395	\$ 81,708

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable, Net	\$ 1,281,813	\$ 148,408	\$ (325,231)	\$ 1,104,990	\$ 18,869
Other Liabilities					
Notes Payable	650	850	-	1,500	-
Accrued Arbitrage Rebate	743	30	(700)	73	-
Other Noncurrent Liabilities	218	8	-	226	-
Compensated Absences	302	256	(251)	307	307
Total Other Payables	1,913	1,144	(951)	2,106	307
Total Long-term Liabilities	\$ 1,283,726	\$ 149,552	\$ (326,182)	\$ 1,107,096	\$ 19,176

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Bond Series	Interest Rate (%)	Maturity Date	Original Issue	Balance June 30, 2012
Public Project Revolving Fund - Senior Lien:				
2002 A	4.4 - 5.0	2013 - 2023	\$ 55,610	\$ 6,170
2003 A - B	3.5 - 5.0	2013 - 2032	65,315	11,083
2004 A - C	3.0 - 6.0	2013 - 2033	261,830	132,290
2005 A - B	3.5 - 5.0	2013 - 2025	32,515	15,535
2006 B & D	4.3 - 5.0	2013 - 2036	94,660	77,955
2007 E	4.3 - 5.0	2013 - 2032	61,945	45,765
2008 A - C	3.0 - 6.0	2013 - 2038	224,640	193,300
2009 A - E	2.3 - 6.1	2013 - 2039	192,040	141,165
2010 A - B	2.0 - 6.4	2013 - 2039	85,175	76,455
2011 A - C	2.0 - 6.2	2013 - 2036	126,055	118,015
2012 A	1.5 - 5.5	2013 - 2038	24,340	24,340
Subtotal			1,224,125	842,073
Public Project Revolving Fund - Subordinate Lien:				
2005 C - F	3.6 - 5.0	2013 - 2025	95,975	84,430
2006 A & C	4.0 - 5.0	2013 - 2035	89,405	76,415
2007 A - C	4.0 - 5.3	2013 - 2034	204,345	162,155
Subtotal			389,725	323,000
Total Public Project Revolving Fund			1,613,850	1,165,073
Pooled Equipment Certificates of Participation:				
1995 A	6.3	2015	4,288	107
1996 A	5.8	2016	1,458	32
Subtotal			5,746	139
Other:				
1999 State Capitol Building Improvement	7.0	2015	9,315	2,645
2004 A Cigarette Tax - University of New Mexico	4.0 - 5.0	2019	39,035	12,865
2006 Cigarette Tax - Behavioral Health Projects	5.5	2026	2,500	1,750
Subtotal			50,850	17,260
Total Bonds Outstanding			\$ 1,670,446	1,182,472
Unaccreted Bond Premium/Deferred Charge, Net				34,646
Total Bonds Payable			\$ 1,670,446	\$ 1,217,118

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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)

Fiscal Year	Principal	Interest	Total
2013	\$ 81,431	\$ 55,902	\$ 137,333
2014	81,360	52,399	133,759
2015	82,065	48,922	130,987
2016	81,329	45,241	126,570
2017	73,107	41,609	114,716
2018-2022	348,810	156,575	505,385
2023-2027	249,485	79,754	329,239
2028-2032	115,410	33,994	149,404
2033-2037	66,955	8,945	75,900
2038-2041	2,520	124	2,644
	1,182,472	523,465	1,705,937
Net Unaccrued Premium, De- ferred Charge	34,646	-	34,646
Total	\$ 1,217,118	\$ 523,465	\$ 1,740,583

New Mexico Mortgage Finance Authority bonds outstanding at September 30, 2012, consist of:

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

Bond Issue	Maturity Date	Interest Rate (%)	Balance September 30, 2012
Single Family Mortgage Programs			
Series 1994 A	2025	6.9	\$ 285
Series 2000 Second Mortgage	2018	6.5	52
Series 2003 E	2034	4.2 - 5.9	6,375
Series 2004 A - E	2034 - 2035	3.5 - 6.1	40,525
Series 2005 A - D	2036 - 2037	3.8 - 6.1	47,060
Series 2006 A - F	2037 - 2038	4.1 - 6.2	130,235
Series 2007 A - E	2038 - 2039	3.7 - 6.4	170,030
Series 2008 A - D	2039	3.5 - 7.0	106,140
Series 2009 A - E	2039 - 2040	2.1 - 6.0	172,255
Series 2010 A	2040	3.0 - 4.6	59,730
Series 2011 A - C	2041	2.8 - 5.4	147,205

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Bonds Payable - New Mexico Mortgage Finance Authority (Continued)

(Expressed in Thousands)

Bond Issue	Maturity Date	Interest Rate (%)	Balance September 30, 2012
Single Family Mortgage Programs (Continued)			
Series 2012 A - B	2043	0.4 - 4.3	\$ 99,900
Total Single Family Mortgage Programs			979,792
Unaccreted Bond Premium/Discount, Net			18,568
Total Single Family Mortgage Programs Payable			998,360
Rental Housing Mortgage Programs			
Series 2002 A - B	2038	5.4 - 6.8	9,090
Series 2003 A - B	2038	5.1 - 5.4	8,600
Series 2004 A - G	2037 - 2040	4.6 - 6.5	30,640
Series 2005 A - F	2040	4.7 - 5.7	27,335
Series 2007 A - D	2042 - 2043	5.0 - 10.0	19,295
Series 2008 A - B	2043	0.2 - 0.8 *	8,520
Series 2010 A - B	2047	5.0	910
Total Rental Housing Mortgage Programs			104,390
Unaccreted Bond Premium/Discount, Net			212
Total Rental Housing Mortgage Programs Payable			104,602
Capital Debt			
Series 2005 General Revenue Office			
Building Refunding	2026	3.8 - 4.4	2,120
Total General Obligation Bonds Outstanding			2,120
Unamortized Discount			(92)
Total General Revenue Office Building Refunding			2,028
Total Bonds Payable			\$ 1,104,990

* Determined on a weekly basis until adjusted to reset rates or fixed rates.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Annual debt service requirements to maturity are as follows:

New Mexico Mortgage Finance Authority Bond 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>
2013	\$ 18,869	\$ 50,764	\$ 69,633
2014	20,452	50,068	70,520
2015	21,216	49,225	70,441
2016	22,175	48,316	70,491
2017	22,835	47,343	70,178
2018 - 2022	134,282	219,462	353,744
2023 - 2027	198,584	181,594	380,178
2028 - 2032	238,884	126,146	365,030
2033 - 2037	258,275	67,367	325,642
2038 - 2042	137,590	12,081	149,671
2043 - 2047	13,140	448	13,588
	<u>1,086,302</u>	<u>852,814</u>	<u>1,939,116</u>
Net Unaccrued Premium	18,688	-	18,688
Total	<u>\$ 1,104,990</u>	<u>\$ 852,814</u>	<u>\$ 1,957,804</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 2010 through 2012 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 portion 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. The Authority rolled out three bond issues under this program during FY 2011. The final rollout occurred during FY 2012 as Series 2009/2011 C, with \$27.2 million of NBIP Program bonds and \$18.2 million of market bonds, for a total issuance of \$45.4 million.

Since the Authority exhausted all of its NBIP allocation, it subsequently returned to issuing bonds under the General Indenture of Trust, dated November 1, 2005. During FY 2012, the Authority issued the following:

- \$40 million Single Family
- Mortgage Program Class I Bonds, 2012 Series

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

- \$59.9 million Single Family Mortgage Program Class I Bonds, 2012 Series B, \$19.9 million of which in combination with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds 2002 Series F, 2003 Series A, B, C, and D. The Authority realized an \$8.0 million positive cash flow from this refunding and an economic gain of \$6.1 million.

Certain Mortgage Purchase Program bonds were legally defeased in 2005 and 1992, and therefore, are not reflected in the financial statements. The outstanding balance of these bonds totaled approximately \$40 million at September 30, 2012. 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.

Details of NMMFA notes payable are as follows:

**New Mexico Mortgage Finance Authority
Notes Payable**
(Expressed in Thousands)

Note	Maturity Date	Interest Rate (%)	Balance September 30, 2012
Note Payable, Wells Fargo	2024	2.0 - 6.0	\$ 650
Note Payable, Wells Fargo	2023	2.0	850
Notes Payable			\$ 1,500

The Wells Fargo borrowings were made to raise capital to help fund the Primero Loan Program, which provides loans for nonprofit, public, or tribal-sponsored affordable projects.

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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

A summary of the nature and purpose of governmental fund balances, by fund type, at June 30, 2012, 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	\$ -	\$ -	\$ 1,219	\$ -	\$ -	\$ -	\$ -	\$ 1,219
Deferred Charges	1,170	-	-	31,250	-	-	-	32,420
Inventories	4,987	-	2,365	13,618	-	-	-	20,970
Permanent Funds	-	-	-	-	-	3,880,616	714,776	4,595,392
Property Held for Resale	-	-	-	7,985	-	-	-	7,985
Total Nonspendable	\$ 6,157	\$ -	\$ 3,584	\$ 52,853	\$ -	\$ 3,880,616	\$ 714,776	\$ 4,657,986
Restricted:								
Capital Projects	\$ -	\$ -	\$ -	\$ 83,236	\$ -	\$ -	\$ 41,181	\$ 124,417
Culture, Recreation and Natural Resources	24,258	-	-	-	-	-	100,830	125,088
Debt Service	-	-	-	55,287	-	-	271,292	326,579
Disability Health and Safety Programs	-	1,201	-	-	-	-	-	1,201
General Control	9,123	-	-	-	-	-	-	9,123
Health and Human Services	-	-	670	-	-	-	-	670
Judicial	3,359	-	-	-	-	-	12,851	16,210
Public Safety	7,418	-	-	-	-	-	14,284	21,702
Public School	-	18,342	-	-	-	-	-	18,342
Regulation and Licensing	1,852	-	-	-	-	-	125,590	127,442
State Roads	-	-	-	90,128	-	-	-	90,128
Tobacco Settlement	148,978	-	-	-	-	-	-	148,978
Workforce Programs	-	-	6,900	-	-	-	-	6,900
Total Restricted	\$ 194,988	\$ 19,543	\$ 7,570	\$ 228,651	\$ -	\$ -	\$ 566,028	\$ 1,016,780

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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:								
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ 1,087,693	\$ -	\$ 3,573	\$ 1,091,266
Culture, Recreation and Natural Resources	283	-	-	-	-	-	-	283
General Control	-	-	-	-	-	-	39,077	39,077
Health and Human Services	-	-	2,137	-	-	-	-	2,137
Judicial	2,499	-	-	-	-	-	-	2,499
Legislative	1,225	-	-	-	-	-	-	1,225
Public Safety	5,948	-	-	-	-	-	-	5,948
Public School	-	17,585	-	-	-	-	-	17,585
Regulation and Licensing	127	-	-	-	-	-	-	127
State Roads	-	-	-	170,722	-	-	-	170,722
Total Committed	<u>\$ 10,082</u>	<u>\$ 17,585</u>	<u>\$ 2,137</u>	<u>\$ 170,722</u>	<u>\$ 1,087,693</u>	<u>\$ -</u>	<u>\$ 42,650</u>	<u>\$ 1,330,869</u>
Assigned:								
Judicial	\$ 293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293
Total Assigned	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

2. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$7.01 billion of restricted net assets for the primary government of which \$667 million is restricted by enabling legislation.

3. Deficit Net Assets/ Fund Equity

Governmental Activities

The unassigned fund balance of the Appropriated Bond Proceeds Capital Projects Fund and the American Recovery and Reinvestment Act nonmajor Special Revenue Fund had a deficit as a result of reimbursement procedures difficulties. The unrestricted net assets of the Risk Management and Information Processing Internal Service Funds had deficits as a result of inadequate billing procedures.

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 Lottery Authority had a deficit as a result of its investment in capital assets. The unrestricted net assets of the UNM-Sandoval Regional Medical Center had a deficit as a result of restrictions imposed on net asset balances.

4. Net Assets/Fund Balance Restatements

Reporting Entity

The State has determined that additional component units should have been included in the reporting entity at June 30, 2011. These include the State-approved Charter Schools as well as component units of the higher

education institutions, as listed on pages 156 – 157. In addition, the New Mexico Computing Applications Center has ceased operations and has not been included. The effect on beginning net assets is as follows:

Component Unit total net assets, as previously reported	\$ 644,126
Adjustment	<u>471,869</u>
Component Unit total net assets, as adjusted	<u>\$ 1,115,995</u>

Correction of Errors

During the fiscal year ended June 30, 2012, the State determined that the following errors had been made in the fiscal year ended June 30, 2011 fund balances (in thousands):

Major Fund

Education Special Revenue – Underaccrual of revenue	\$ 31,775
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Nonmajor Funds

ARRA Special Revenue – Overaccrual of revenue	(7,153)
G.O. Bonds Debt Service – Underaccrual of revenue	13,394
Severance Tax Bonds Debt Service – Overaccrual of revenue	(80,475)

The following schedule reconciles June 30, 2011, net assets/fund balance previously reported to beginning net assets/fund balance, as reported in the accompanying financial statements(in thousands):

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

	Net Assets - Governmental Activities	Total Fund Balances - Governmental Funds	Major Fund Special Revenue - Education	Total Nonmajor Governmental Funds
Net Assets/Fund Balances, as Previously Reported	\$ 12,660,716	\$ 7,482,322	\$ 18,348	\$ 1,375,616
Adjustment - Correction of Error	<u>(42,459)</u>	<u>(42,459)</u>	<u>31,775</u>	<u>(74,234)</u>
Net Assets/Fund Balances, as Restated	<u>\$ 12,618,257</u>	<u>\$ 7,439,863</u>	<u>\$ 50,123</u>	<u>\$ 1,301,382</u>
Effect on Change in Net Assets/Fund Balance For the Year Ended June 30, 2011	<u>\$ (42,459)</u>	<u>\$ (42,459)</u>	<u>\$ 31,775</u>	<u>\$ (74,234)</u>
Nonmajor governmental funds affected:				
	ARRA - Special Revenue	G.O. Bonds - Debt Service	Sev. Tax Bonds - Debt Service	Total Non- major Govern- mental Funds
Net Assets/Fund Balances, as Previously Reported	\$ 3,808	\$ 29,029	\$ 280,219	\$ 1,375,616
Adjustment - Correction of Error	<u>(7,153)</u>	<u>13,394</u>	<u>(80,475)</u>	<u>(74,234)</u>
Net Assets/Fund Balances, as Restated	<u>\$ (3,345)</u>	<u>\$ 42,423</u>	<u>\$ 199,744</u>	<u>\$ 1,301,382</u>
Effect on Change in Net Assets/Fund Balance For the Year Ended June 30, 2011	<u>\$ (7,153)</u>	<u>\$ 13,394</u>	<u>\$ (80,475)</u>	<u>\$ (74,234)</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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, 2012, were \$284,515. 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, 2012, 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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, 2011	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2012
Surety Bond	\$ 14	\$ 10	\$ (10)	\$ 14
Public Property Reserve	2,316	4,982	(5,573)	1,725
Workers Compensation	35,032	24,601	(17,348)	42,285
Public Liability	91,140	115,466	(17,392)	189,214
State Unemployment	8,382	11,746	(11,048)	9,080
Local Public Body	1,677	2,812	(2,446)	2,043
Group Insurance Premium	39,688	321,223	(320,757)	40,154
Total	\$ 178,249	\$ 480,840	\$ (374,574)	\$ 284,515

	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	\$ 363,519	\$ (362,990)	\$ 178,249

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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, 2012, were (not in thousands):

	<u>PERS*</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Number of Employers					
State Agencies	125	-	-	-	11
Cities	88	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	92
Other	63	16	9	363	-
Totals	<u>309</u>	<u>16</u>	<u>9</u>	<u>363</u>	<u>211</u>
Retirees and Beneficiaries					
Receiving Benefits	30,229	127	85	667	37,337
Terminated Plan Members					
not yet Receiving Benefits	6,577	18	13	906	34,033
Active Plan Members	48,594	118	42	5,065	60,855

*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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

exemption has been appropriately filed or unless specifically excluded.

For individuals that became a member prior to July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 2005, is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For individuals that become a member after July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 55 to anyone having served at least 16 years. For those individuals who became members subsequent to July 1, 2005, the annual pension amount is determined as 75.0 percent of salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding 15 years, plus five years or one-twelfth of the salary received during the last year in office prior to retirement multiplied by the product of 3.8 percent times the sum of the number of years of service; provided that a pension calculated shall not exceed 75.0 percent of one-twelfth of the salary received during the last year in office. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. Members contribute at a rate of 7.5 percent of their salaries and the member's court contributes at a rate of 12.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid in the district court, \$25 (not in thousands) from each civil docket fee paid in metropolitan court and \$10 (not in thousands) for each jury fee paid in metropolitan court. Contribution rates are established by State statute.

Magistrate Retirement System (MRS) – is a cost-sharing, multiple employer defined benefit pension

plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Chapter 10-12C-4, NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of five years. Retirement is available at age 60 to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year in office prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus five years. Member contributions are based on 7.5 percent of salaries and the State of New Mexico, through the administrative office of the courts, contributes at a rate of 11.0 percent of the member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 (not in thousands) for each civil case docket fee paid and \$10 (not in thousands) for each civil jury fee paid in magistrate court. Contribution rates are established by State statute.

Volunteer Firefighters Retirement System (VFRS) – is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978. Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement Fund, unless specifically excluded. Benefits are available at age 55 or older to any member having served as a volunteer fire fighter for a minimum of 10 years. Benefits are \$100 (not in thousands) per month with at least 10 but less than 25 years of service or \$200 (not in thousands) per month with 25 or more years of service. Benefits for post-

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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.

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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.

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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The funded status of each plan as of June 30, 2012, the most recent actuarial valuation date, is as follows (dollars in thousands):

Retirement System	Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
PERS*	June 30, 2012	\$ 11,637,216	\$ 17,815,473	\$ 6,178,257	65.3 %	\$ 1,994,280	309.7 %
JRS	June 30, 2012	75,506	147,923	72,416	51.0 %	12,691	570.6 %
MRS	June 30, 2012	30,879	58,037	27,158	53.2 %	3,214	845.1 %
VFRS	June 30, 2012	17,382	28,219	(10,837)	167.9 %	N/A+	N/A+
EERS	June 30, 2012	9,606,300	15,837,000	6,230,700	60.7 %	2,495,300	249.7 %

+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, 2012				
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
Asset valuation method	4 Year Smoothed Market	5 Year Smoothed 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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, 2012
and Two Preceding Years
(in Thousands)

System	2012	2011	2010
PERS	\$ 274,906	\$ 283,377	\$ 291,683
JRS	3266	3,823	3,699
MRS	676	895	825
VFRS *	750	750	750
EERS	253,845	308,368	313,276

*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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Net Assets as of June 30, 2012, are as follows:

	Public Employees Retirement Fund	Judicial Retirement Fund	Magistrate Retirement Fund	Volunteer Firefighter Retirement Fund
Member Contribution Fund	\$ 2,171,596	\$ 9,430	\$ 3,015	\$ -
Employers Accumulation Fund	3,762,314	51,184	22,676	-
Retirement Reserve Fund	5,666,114	14,745	5,161	47,363
Total	\$ 11,600,024	\$ 75,359	\$ 30,852	\$ 47,363

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*

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Pension Plans, as a multi-employer cost-sharing plan. The net assets of the RHCA are reported as restricted per GASB Statement No. 46 and Chapter 10-7-C-14, NMSA 1978.

Funding Benefit Policies

Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities, or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act, or the Public Employees Retirement Act.

Eligible employees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who 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 year ending June 30, 2013, the contribution rates for employees and employers who are not members of an enhanced plan will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
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 year ending June 30, 2013, the contributions rates for both employees and employers will rise as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY13	2.5 %	1.3 %

Current retirees are required to make monthly contributions for individual basic medical coverage. Retiree premium contribution increases are no longer limited by the Act, which the RHCA's health care trend will be the basis for any rate increases for the New Mexico basic plan of benefits. The Board may designate other plans as "optional coverages." Optional and/or voluntary coverages are not subject to the 9.0 percent cap, which expired in fiscal year 2008 per Chapter 10-7C-13, NMSA 1978.

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

The required contribution rate of the employee and employer in accordance with the funding policy and

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

Schedule of Required Contributions (In Thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions - Employers	Percentage Contributed
2012	\$ 353,657	\$ 135,388	38.2 %
2011	309,920	105,624	34.1 %
2010	298,000	112,079	37.6 %

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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Funded Status

The funded status as of June 30, 2012, the most recent valuation date, was as follows (dollar amount in thousands):

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, 2012	\$ 227,488	\$ 3,915,114	\$ 3,687,626	5.8 %	\$ 3,877,827	95.0 %

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 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.

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

costsharing between the employer and plan members in the future.

The actuarial methods and assumptions for the Plan at June 30, 2012, were as follows:

Valuation date	June 30, 2012
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%

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	32,689
Inactive and Eligible for Deferred Benefit	13,318
Current Active Members	90,083

Total 136,090

Active Membership:

State General	16,400
State Police and Corrections	1,510
Municipal General	18,648
Municipal Police	3,194
Municipal FTRE	1,864
ERB	48,467

Total 90,083

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,

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 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:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed	Next Payment Due to IRS
General Obligation Bonds Series 2005	3/1/2010	4/30/2010	X	3/1/2015
General Obligation Bonds Series 2007	3/1/2012	4/30/2012	X	3/1/2017
General Obligation Bonds				
Refunding Series 2008A	3/1/2013	4/30/2013	X	3/1/2013
General Obligation Bonds Series 2009	5/28/2014	7/27/2014	X	3/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016		3/1/2021
Severance Tax Bonds Series 2003B	6/30/2006	8/29/2006	X	7/1/2013
Severance Tax Bonds Series 2004B	11/17/2009	1/19/2010	X	7/1/2014
Severance Tax Bonds Series 2005A	6/15/2010	8/16/2010	X	7/1/2012
Severance Tax Bonds Series 2005B-1	6/15/2010	8/16/2010	X	7/1/2012
Severance Tax Bonds Series 2005B-2	6/15/2010	8/16/2010	X	7/1/2012
Severance Tax Bonds Series 2006A	6/28/2011	8/19/2011	X	7/1/2011
Severance Tax Bonds Series 2007A	6/28/2011	8/27/2011	X	7/1/2012
Severance Tax Bonds Series 2008A-1	6/25/2013	8/26/2013		7/1/2013
Severance Tax Bonds Series 2008A-2	6/25/2013	8/26/2013		7/1/2013
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014		7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015		3/24/2020
Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015		3/24/2020
Severance Tax Bonds Series 2010C	6/30/2015	8/31/2015	X	7/1/2015
Severance Tax Bonds Series 2010D	12/8/2015	2/8/2016		7/1/2017
Severance Tax Bonds Series 2011A-1	12/6/2016	2/6/2017		7/1/2012
Severance Tax Bonds Series 2011A-2	12/6/2016	2/6/2017		7/1/2021
Severance Tax Bonds Series 2012A	6/21/2017	8/21/2017		6/21/2022

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

F. Allowance for Potential Loss - State General Fund Investment Pool

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. The Pool is a part of the accompanying financial statements. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent expert diagnostic report revealed that Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration (DFA) at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

The report, entitled “Current State Diagnostic of Cash Control,” describes a difference between Pool bank balances and the corresponding general ledger balances of approximately \$2.7 billion and indicates that the effect of reconciling items is unknown.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for reconciling the Pool balances. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking action to address the situation. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer’s Office, the New Mexico Department of Information Technology, and a contracted third party with expertise in the software used.

The purpose of the Remediation Project is to design and implement changes necessary to reconcile the Pool in a manner that is complete, accurate, and timely. The Remediation Project is anticipated to result in changes to the State’s SHARE system configuration, cash accounting policies and

procedures, business practices, and banking structure that will allow for the completion of timely and accurate reconciliation of balances on a point-forward basis only, but it will not resolve historical reconciling items.

A plan to address historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve such historical reconciling items. Management considers it likely that this separate initiative will not be successful in allocating all historical reconciling items to the various State entities invested in the Pool.

The effect of any differences not allocable to other Pool participants will be reported in the State General Fund.

Management has recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

The State’s General Fund includes the Operating Reserve Fund, which issued financial statements as of June 30, 2012 as a part of the State’s Component Appropriation Funds. Those financial statements included a loss provision of \$70 million related to the general fund investment pool, based on management’s then-current estimate of the minimum probable loss. Based on additional information that has become available since the issuance of those financial statements, management’s estimate of the minimum probable loss has been increased to \$101.7 million. Accordingly, the general fund investment pool loss accrual and related provision in the accompanying financial statements differs from the separately issued financial statements of the State Component Appropriation Funds.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

G.

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.

Medical Assistance Program

The Medical Assistance Program has a deficit fund balance of \$31,613 as of June 30, 2012. 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 has made significant progress in reducing the deficit fund balance. The status of the liability at June 30, 2012, is as follows:

Medicaid Program Under-Reporting	
(In Thousands)	
Source of Discrepancy	Amount
Medicaid Prior Year Reporting Shortfall	\$ 103,319
Two-year timely filing waiver request denied:	
Sole Community Provider claim included in 2012 projection	(20,494)
2011 Special Session Appropriation received in 2012 Regular Session Deficiency Appropriation	(11,806)
December 2010 Quarterly CMS64 Prior Quarter Adjustment	(2,305)
Repayment of funds to CMS for overdraws 2011 and 2012	(10,723)
Prior-year liability balances included in 2012 Project Model	(3,445)
Balance	<u>\$ 19,546</u>

The remaining deficit fund balance of \$31 million is comprised of the \$19.7 million Disproportionate

Share Hospital (DSH) claim that is recorded as deferred revenue until the State's appeal is resolved, \$2 million due to declining federal matching percentages as prior years' claims are paid, and a \$10 million allowance for receivables that will be resolved in 2013.

There is also a pending \$2.5 million liability in the Human Services' Department Operating Fund due to prior year underreporting of expenditures.

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 class action, derivative, and individual lawsuits have been pending in federal and state courts against Oppenheimer Funds, Inc. (OFI), Oppenheimer Funds Distributor, Inc. (OFDI), and certain mutual funds (Defendant Funds) advised by OFI and distributed by the OFDI. Several of these lawsuits also name as defendants certain officers, trustees and former trustees of the respective

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Defendant Funds. The lawsuits raise claims under federal and state securities laws and state common law and allege, among other things, that disclosure documents of the respective Defendant Funds contained misrepresentations and omissions and that the respective Defendant Fund's investment policies were not followed. The plaintiffs in these actions seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses.

The State and the Plan management believe that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the plans of the fiduciary funds, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer mutual funds.

Settlement – Education Trust Board

On December 16, 2009, OFI, certain of its affiliates, and the State of New Mexico reached an agreement to resolve the State's investigation into the management of the Scholar's Edge Plan and The Education Plan. In compliance with the terms of the settlement, \$67,310 was deposited into a State bank account that is restricted to distribution to plan participants affected by the settlement. As of June 30, 2012, corresponding liabilities are reported by the Plans, and are \$10,455 for Scholar's Edge and \$1,696 for The Education Plan. As of June 30, 2012, the balance of cash restricted for payment to plan participants and payable to plan participants was \$12,150.

H. Subsequent Events

Fraudulent Audit Report - New Mexico Finance Authority (Discrete Component Unit)

In July 2012, it was established that the Financial Statements and Audit Report of the New Mexico Finance Authority (Authority) for the year ended

June 30, 2011, and dated March 12, 2012, were fraudulently released by the Authority's Chief Financial Officer and that the audit for that year had not, in fact, been completed. As a result, the audit report, which had been released, was immediately recalled, and three separate investigations were conducted under the direction of the New Mexico Office of the State Auditor. Subsequently, an audit of the 2011 financial statements was conducted, and that audit report was issued on February 5, 2013. Numerous deficiencies in governance and oversight were reported. The financial statements in that report were not materially different from the financial statements contained in the fraudulently-released report.

Following the approval of the legitimate fiscal year 2011 audit report, an imposed protocol limiting new loans was lifted. However, loan activity during the remainder of fiscal year 2013 was substantially reduced.

Bond Issues

On March 19, 2013, the State of New Mexico Board of Finance issued Series 2013 Capital Projects General Obligation Bonds, principal amount of \$137,220, for the purpose of financing capital projects as authorized by the State Legislature. These bonds are general obligations of the State and are payable from ad valorem taxes levied on all property in the State subject to taxation.

Other Events

New Mexico Mortgage Finance Authority

Based on information available as of September 30, 2012, management of the Mortgage Finance Authority has determined that it is probable that the Authority has incurred a contingent liability for the balance of two loans which the Board of Directors had previously approved for write-off. The balance of

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

\$438,000 may be payable to the U.S. Department of Housing and Urban Development (HUD) for noncompliance with the affordability requirement.

New Mexico Office of the State Treasurer

Regarding the Reserve Primary Fund – In Liquidation and the Reserve Contingency Fund, the following events occurred subsequent to June 30, 2012. On October 9, 2012, the case of Securities and Exchange Commission (SEC) v. Reserve Management Company, Inc. et al, 09 – Civ. 4346 (PGG) (S.D.N.Y.) went to trial. On November 12, 2012, the jury returned a verdict and found that Defendant Reserve Management Company, Inc. (RMCI) and Defendant Reserve Partners knowingly or recklessly violated certain provisions of the federal securities laws and that RMCI and Defendant Bruce Bent II negligently violated certain provisions of the federal securities laws. The jury found that the SEC had not proved the remainder of its claims against Defendants by a preponderance of the evidence, including claims that Defendant Bruce Bent Sr. violated and federal securities laws or that Bruce Bent II knowingly or recklessly violated any federal securities laws.

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.

PERA Pension Reform

On April 5, 2013, Governor Susana Martinez signed SB 27, which had been approved by the 2013 State Legislature. This measure, effective July 1, 2013, establishes two tiers of benefits under each PERA coverage plan, and also mandates changes in pension benefits, contribution rates, and cost-of-living adjustments. The changes are expected to aid in achieving long-term solvency for the plans. Also signed was HB 275, which increases monthly volunteer firefighter pension benefits.

New Mexico Department of Transportation

Updated Fair Value of Interest Rate Swaps

The estimated fair value of the swaps at November 27, 2012, was as follows:

	<u>Notional Value</u>	<u>Fair Value</u>	<u>Collateral Posted</u>
Goldman Sachs	\$ 50,000	\$ (15,034)	\$ -
Deutsche	50,000	(15,034)	-
Royal Bank of Canada	100,000	(30,068)	11,200
JPMorgan Chase Bank	110,000	(42,941)	14,440
UBS AG	110,000	(42,941)	15,720
	<u>\$ 420,000</u>	<u>\$ (146,018)</u>	<u>\$ 41,360</u>

Taxable Line of Credit

In November of 2012, the NM Department of Transportation increased its taxable line of credit from \$40 million to \$50 million to finance a portion of the collateral posted against the negative fair value of the swaps. This line of credit is considered short-term and matures on February 15, 2015.

Bond Refunding

On November 15, 2012, the State Transportation Commission adopted a resolution authorizing the issuance by the New Mexico Finance Authority of the Series 2012 State Transportation Fixed Rate

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Revenue Refunding Bonds in the principal amount of \$220,400. These bonds were issued to refund the following previously issued series: 2002C, \$5,930; 2002D, \$1,575; 2004A, \$167,965; 2006A, \$66,040.

I. 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

Details of the Fund's changes follow:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Changes in Land Grant Permanent Fund Held for Beneficiaries

(Expressed in Thousands)

Beneficiary	Balance June 30, 2011	Earnings From State Land Office	Other Increases (Decreases) in Capital Accounts, Net	Balance June 30, 2012	Participation Percentage June 30, 2012
Benefiting the State, Included in Governmental Funds:					
Charitable, Penal and Reform	\$ 96,487	\$ 2,705	\$ (4,442)	\$ 94,750	0.9%
Miners' Colfax Medical Center	109,489	2,341	(5,026)	106,804	1.0%
New Mexico Boys School	707	9	(32)	684	0.0%
New Mexico State Hospital	25,239	479	(1,156)	24,562	0.2%
Improvements to the Rio Grande	28,638	459	(1,312)	27,785	0.3%
Water Reservoirs	123,012	3,400	(5,670)	120,742	1.1%
Penitentiary of New Mexico	218,064	9,678	(10,109)	217,633	2.0%
Public Buildings - Capitol	123,933	3,412	(5,707)	121,638	1.1%
	<u>725,569</u>	<u>22,483</u>	<u>(33,454)</u>	<u>714,598</u>	<u>6.6%</u>
Benefiting the State, Included in Enterprise Funds:					
Eastern New Mexico University	9,299	316	(431)	9,184	0.1%
New Mexico Highlands University	3,031	59	(139)	2,951	0.0%
New Mexico Institute of Mining and Technology	22,289	803	(1,029)	22,063	0.2%
New Mexico Military Institute	363,647	15,624	(16,840)	362,431	3.4%
New Mexico School for the Deaf	221,787	8,189	(10,249)	219,727	2.0%
New Mexico School for the Blind and Visually Impaired	221,244	8,189	(10,225)	219,208	2.0%
New Mexico State University	53,428	1,276	(2,456)	52,248	0.5%
Northern New Mexico College	2,391	59	(109)	2,341	0.0%
University of New Mexico	168,385	3,353	(7,731)	164,007	1.5%
University of New Mexico Saline Lands	603	2,083	(64)	2,622	0.0%
Carrie Tingley Hospital	189	-	(8)	181	0.0%
Western New Mexico University	3,049	59	(140)	2,968	0.0%
	<u>1,069,342</u>	<u>40,010</u>	<u>(49,421)</u>	<u>1,059,931</u>	<u>9.8%</u>
Not Considered to Benefit the State, Included in Fiduciary Funds:					
Public Schools	<u>8,971,620</u>	<u>466,545</u>	<u>(416,973)</u>	<u>9,021,192</u>	<u>83.7%</u>
Total Net Assets Held in Trust for Pool Participants	<u>\$ 10,766,531</u>	<u>\$ 529,038</u>	<u>\$ (499,848)</u>	<u>\$ 10,795,721</u>	<u>100.0%</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

J. 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	\$ 2,339	\$ 9,541	\$ 140,188	\$ 35,453	\$ 23,821	\$ 78,465	\$ 18,944	\$ 28,687	\$ 757,371
Other Assets	559	1,325	183,762	47,731	6,383	61,933	390,220	5,281	442,186
Capital Assets, Net	50,732	29,616	479,347	139,643	78,987	139,760	61,735	33,412	1,240,035
Total Assets	53,630	40,482	803,297	222,827	109,191	280,158	470,899	67,380	2,439,592
Current Liabilities	3,494	2,460	74,958	19,002	10,327	13,669	4,148	5,025	245,992
Long-term Liabilities	1,328	11,834	162,765	42,574	30,965	23,003	-	15,881	642,790
Total Liabilities	4,822	14,294	237,723	61,576	41,292	36,672	4,148	20,906	888,782
Invested in Capital Assets, net	48,777	17,049	313,787	99,757	47,048	139,760	60,465	17,649	677,752
Restricted	3,055	1,325	117,632	20,911	19,870	82,509	383,667	22,211	327,773
Unrestricted	(3,024)	7,814	134,155	40,583	981	21,217	22,619	6,614	545,285
Total Net Assets	\$ 48,808	\$ 26,188	\$ 565,574	\$ 161,251	\$ 67,899	\$ 243,486	\$ 466,751	\$ 46,474	\$ 1,550,810
Condensed Statement of Activities									
Operating Revenues:									
Charges for Services	\$ 13,831	\$ -	\$ 30,422	\$ 10,016	\$ 4,977	\$ 4,526	\$ 6,080	\$ 2,666	\$ 721,456
Net Student Tuition and Fees	-	-	66,542	15,560	10,470	8,185	3,149	5,281	129,905
State, Local, Private Grants/Contracts	-	4,378	46,140	10,731	5,789	22,860	2,958	2,029	58,892
Patient Income	-	18,305	-	-	-	-	-	-	97,499
Federal Funds	-	264	162,959	28,099	10,097	50,084	996	7,445	202,563
Other Operating Revenues	-	772	34,758	1,807	1,389	11,806	825	1,308	38,741
Total Operating Revenue	13,831	23,719	340,821	66,213	32,722	97,461	14,008	18,729	1,249,056

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Activities									
(Continued)									
Operating Expenses:									
Operating Expenses	\$ 7,813	\$ 12,332	\$ 106,075	\$ 71,617	\$ 33,398	\$ 57,014	\$ 17,742	\$ 25,699	\$ 1,483,171
Depreciation Expense	2,944	1,953	31,452	6,803	6,177	9,185	3,273	2,709	65,549
General and Administrative	5,359	8,324	408,088	47,644	27,672	73,708	9,185	9,162	188,329
Total Operating Expenses	16,116	22,609	545,615	126,064	67,247	139,907	30,200	37,570	1,737,049
Operating Income (Loss)	(2,285)	1,110	(204,794)	(59,851)	(34,525)	(42,446)	(16,192)	(18,841)	(487,993)
Nonoperating Revenue (Expense)									
Clinical Operations	-	-	-	-	-	-	-	-	80,042
Government Grants and Contracts	-	-	176,119	58,740	27,606	34,825	23,094	16,680	361,291
Net Investment Income	3	12	7,027	(63)	939	-	(124)	124	8,174
Other Revenue	3	4	9,768	-	-	4,361	166	-	52,545
Interest Expense	(76)	(567)	(6,528)	(1,369)	(1,625)	66	(152)	-	(19,376)
Other Expense	-	-	(2,394)	30	-	-	-	(36)	(2,368)
Total Nonoperating Income (Expense)	(70)	(551)	183,992	57,338	26,920	39,252	22,984	16,768	480,308
Capital Contributions	1,472	-	26,459	5,606	2,840	2,742	(5)	5,276	15,841
Permanent Fund Contributions	-	-	1,252	-	-	1,296	-	-	-
Net Transfers	-	-	-	-	-	-	-	-	-
Change in Net Assets	(883)	559	6,909	3,093	(4,765)	844	6,787	3,203	8,156
Net Assets, Beginning	49,691	25,629	558,665	158,158	72,664	242,642	459,964	43,271	1,542,654
Net Assets, Ending	\$ 48,808	\$ 26,188	\$ 565,574	\$ 161,251	\$ 67,899	\$ 243,486	\$ 466,751	\$ 46,474	\$ 1,550,810

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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 Cash Flows									
Net Cash Provided (Used) by:									
Operating Activities	\$ 646	\$ 4,502	\$ (172,289)	\$ (52,817)	\$ (26,703)	\$ (48,047)	\$ (13,573)	\$ (18,242)	\$ (425,174)
Noncapital Financing Activities	-	-	181,268	58,892	27,869	40,481	129	16,680	486,520
Capital and Related Financing Activities	601	(1,099)	(73,622)	5,634	(6,569)	7,476	(2,271)	12,439	(105,692)
Investing Activities	3	10	23,410	(13,600)	676	(12,190)	23,128	1,281	(24,365)
Cash and Cash Equivalents at Beginning of Year, as Restated	1,491	2,957	107,595	26,788	22,358	41,926	6,551	2,202	259,176
Cash and Cash Equivalents at End of Year	\$ 2,741	\$ 6,370	\$ 66,362	\$ 24,897	\$ 17,631	\$ 29,646	\$ 13,964	\$ 14,360	\$ 190,465

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, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 5,217	\$ 5,217	\$ 4,403,750	\$ 4,398,533
Federal Revenue	110,437	138,819	82,858	(55,961)
Investment Income	11,835	11,835	674,953	663,118
Rentals and Royalties	12,827	13,054	614,747	601,693
Charges for Services	18,647	19,675	48,141	28,466
Licenses, Fees, and Permits	40,969	41,467	112,540	71,073
Assessments	226	226	1,000	774
Miscellaneous and Other	12,051	13,873	12,817	(1,056)
Operating Transfers In	859,242	860,907	1,274,653	413,746
Total Revenues and Other Financing Sources	1,071,451	1,105,073	7,225,459	6,120,386
Fund Balance Budgeted	5,929	7,671		
Total	1,077,380	1,112,744		
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
P536 Museums and Monuments	27,681	27,243	26,033	1,210
P537 Preservation	5,530	5,576	4,237	1,339
P539 Library Services	6,337	6,214	5,225	989
P540 Program Support	4,511	4,377	3,168	1,209
P551 Water Resource Allocation	12,823	14,366	11,559	2,807
P552 Interstate Stream Compact Compliance and Water Development	12,617	13,202	9,761	3,441
P553 Litigation and Adjudication	6,369	6,369	6,368	1
P554 Program Support	3,834	3,834	3,660	174
P615 Commissioner of Public Lands	12,785	13,444	13,172	272
P684 Administration	796	796	787	9
P685 Livestock inspection	5,029	6,191	4,613	1,578
P690 Organic Commodity Commission	-	-	-	-
P701 Office of the Natural Resources Trustee	87	87	84	3
P716 Sport Hunting and Fishing	19,643	20,161	16,915	3,246
P717 Conservation Services	5,969	5,969	4,667	1,302
P718 Wildlife Depredation and Nuisance Abatement	514	514	325	189
P719 Program Support	8,187	8,187	6,954	1,233
P740 Renewable Energy and Energy Efficiency	978	978	843	135
P741 Healthy Forests	14,830	14,830	10,150	4,680
P743 Mine Reclamation	7,104	7,104	6,283	821
P744 Oil and Gas Conservation	4,124	4,291	4,095	196
P745 Program Leadership and Support	5,767	5,767	5,077	690
P761 Arts	2,667	2,743	2,528	215
Total Culture, Recreation, and Natural Resources	168,182	172,243	146,504	25,739
General Control				
P541 Policy Development, Budget Oversight and Educational Accountability	3,235	3,235	2,545	690
P542 Program Support	1,528	1,528	1,468	60
P543 Community Development, Local Government Assistance and Fiscal Oversight	2,004	2,004	1,858	146
P544 Fiscal Management and Oversight	5,416	5,416	5,252	164
P572 Program Support	20,182	20,187	19,215	972

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, 2012 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
General Control (Continued)				
P573 Tax Administration	\$ 30,603	\$ 30,615	\$ 28,441	\$ 2,174
P574 Motor Vehicle	23,229	24,702	24,032	670
P575 Property Tax	3,091	3,091	2,747	344
P579 Compliance Enforcement	2,033	2,033	1,958	75
P604 Procurement Services	1,377	1,377	1,367	10
P608 Business Office Space Management and Maintenance Services	11,428	11,428	10,981	447
P625 Legal Services	17,780	22,932	15,570	7,362
P628 State Auditor	2,833	2,807	2,520	287
P629 State Investment Council	34,266	34,266	26,182	8,084
P636 New Mexico Sentencing Commission	560	581	581	-
P637 Governor	3,358	3,358	3,156	202
P638 Lieutenant Governor	671	671	396	275
P641 State Commission of Public Records	2,455	2,455	2,213	242
P642 Administration and Operations	3,134	3,134	3,081	53
P643 Personnel Board	3,852	3,852	3,825	27
P644 State Treasurer	3,673	3,695	3,595	100
P720 Public Defender Department	39,011	39,240	39,125	115
P738 Public Employees Labor Relations Board	213	213	168	45
P783 Elections	1,635	1,653	1,612	41
Total General Control	217,567	224,473	201,888	22,585
Judicial				
P205 Supreme Court Law Library	1,486	1,485	1,482	3
P208 New Mexico Compilation Commission	1,974	2,114	1,727	387
P210 Judicial Standards Commission	707	707	705	2
P215 Court of Appeals	5,340	5,340	5,330	10
P216 Supreme Court	2,784	2,784	2,781	3
P219 Supreme Court Building Commission	777	777	774	3
P231 First Judicial District Court	6,390	6,528	6,447	81
P232 Second Judicial District Court	22,013	22,346	22,237	109
P233 Third Judicial District Court	6,100	6,106	6,067	39
P234 Fourth Judicial District Court	2,111	2,015	2,094	(79)
P235 Fifth Judicial District Court	5,991	5,985	5,943	42
P236 Sixth Judicial District Court	3,015	3,096	3,098	(2)
P237 Seventh Judicial District Court	2,146	2,215	2,178	37
P238 Eighth Judicial District Court	2,715	2,704	2,694	10
P239 Ninth Judicial District Court	3,622	3,599	3,581	18
P240 Tenth Judicial District Court	725	729	720	9
P241 Eleventh Judicial District Court	4,998	4,984	4,982	2
P242 Twelfth Judicial District Court	2,578	2,578	2,552	26
P243 Thirteenth Judicial District Court	6,635	6,756	6,682	74
P244 Bernalillo County Metropolitan Court	22,498	22,322	22,293	29
P251 First Judicial District Attorney	4,533	4,584	4,565	19
P252 Second Judicial District Attorney	16,308	17,137	16,505	632

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, 2012 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Judicial (Continued)				
P253 Third Judicial District Attorney	\$ 4,185	\$ 4,185	\$ 4,185	\$ -
P254 Fourth Judicial District Attorney	2,853	2,960	2,847	113
P255 Fifth Judicial District Attorney	4,074	4,074	4,074	-
P256 Sixth Judicial District Attorney	2,359	2,877	2,615	262
P257 Seventh Judicial District Attorney	2,191	2,191	2,160	31
P258 Eighth Judicial District Attorney	2,346	2,398	2,360	38
P259 Ninth Judicial District Attorney	2,538	2,538	2,517	21
P260 Tenth Judicial District Attorney	931	947	930	17
P261 Eleventh Judicial District Attorney-Division I	3,789	4,347	3,746	601
P262 Twelfth Judicial District Attorney	2,390	2,390	2,345	45
P263 Thirteenth Judicial District Attorney	4,419	4,604	4,746	(142)
P264 Administrative Office of the District Attorneys	1,794	1,859	1,848	11
P265 Eleventh Judicial District Attorney-Division II	1,911	1,918	1,875	43
P559 Administrative Support	3,044	3,044	3,037	7
P620 Special Court Services	3,189	3,189	3,183	6
Total Judicial	167,459	170,412	167,905	2,507
Legislative				
P100 Legislative Council Service	3,842	3,842	3,608	234
Public Safety				
P503 Program Support	22,277	22,482	17,455	5,027
P504 Law Enforcement	79,679	79,927	70,479	9,448
P530 Program Support	7,390	7,390	7,027	363
P531 Inmate Management and Control	237,174	238,044	231,331	6,713
P534 Community Offender Management	28,144	28,162	22,585	5,577
P704 Parole Board	443	443	431	12
P705 Juvenile Parole Board	24	24	8	16
P706 Victim Compensation	1,674	1,674	1,668	6
P721 National Guard Support	17,114	20,968	18,097	2,871
P759 Homeland Security and Emergency Management Department	37,451	37,467	22,647	14,820
P781 Motor Transportation Program	25,209	25,209	20,737	4,472
Total Public Safety	456,579	461,790	412,465	49,325
Regulation and Licensing				
P512 Economic Development	2,887	16,055	2,527	13,528
P514 Film	868	868	738	130
P515 Mexican Affairs	88	88	-	88
P526 Program Support	2,592	2,673	2,463	210
P529 Technology Commercialization	20	20	20	-
P547 Program Support	1,406	1,406	1,406	-
P548 Tourism Development	984	984	984	-
P549 Marketing and Promotion	5,773	5,773	5,773	-
P599 Construction Industries and Manufactured Housing	8,046	8,046	7,754	292

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, 2012 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Regulation and Licensing (Continued)				
P600 Financial Institutions and Securities	\$ 2,303	\$ 2,303	\$ 2,200	\$ 103
P601 Alcohol and Gaming	845	845	797	48
P602 Program Support	3,097	3,283	2,987	296
P611 Policy and Regulation	7,106	7,106	6,605	501
P612 Public Safety	5,314	5,815	5,199	616
P613 Program Support	3,086	3,086	2,906	180
P645 Board of Examiners for Architects	360	360	273	87
P646 New Mexico Border Authority	78	1,564	56	1,508
P675 Insurance Policy	6,071	6,135	6,084	51
P676 Medical Board	1,632	1,632	1,454	178
P677 Board of Nursing	2,109	2,509	1,957	552
P679 State Board of Licensure/Professional Engineers and Surveyors	818	818	493	325
P680 Gaming Control Board	5,180	5,180	4,789	391
P681 State Racing Commission	1,849	1,849	1,759	90
P683 Board of Veterinary Medicine	325	325	288	37
P760 Sports Authority	105	105	97	8
P765 Office of Military Base Planning and Support	119	119	123	(4)
P770 Spaceport Authority	690	1,037	967	70
Total Regulation and Licensing	<u>63,751</u>	<u>79,984</u>	<u>60,699</u>	<u>19,285</u>
Total Expenditures and Other Financing Uses	<u>1,077,380</u>	<u>1,112,744</u>	<u>993,069</u>	<u>119,675</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,232,390</u>	<u>\$ 6,000,711</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 6,232,390	
Differences Budget to GAAP:				
Revenue and Transfers In Not Budgeted, State General Fund			3,133	
Accruals to GAAP basis expenditures			(102,162)	
Allotments to Primary Government Agencies			(5,885,998)	
Transfers Out Not Budgeted, Reversions			(19,878)	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ 227,485</u>	

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE EDUCATION FUND For the Year Ended June 30, 2012 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Federal Revenue	\$ 494,665	\$ 520,987	\$ 418,021	\$ (102,966)
Investment Income	109	109	139	30
Charges for Services	-	-	-	-
Licenses, Fees, and Permits	2,092	2,100	3,527	1,427
Miscellaneous and Other	500	789	4,103	3,314
Operating Transfers In	2,708,863	2,721,902	2,694,969	(26,933)
Total Revenues and Other Financing Sources	3,206,229	3,245,887	3,120,759	(125,128)
Fund Balance Budgeted	8,808	11,771		
Total	3,215,037	3,257,658		
EXPENDITURES AND OTHER FINANCING USES				
Education				
P505 Policy Development and Institutional				
Financial Oversight	24,882	26,339	20,446	5,893
P506 Student Financial Aid	74,816	86,050	86,025	25
P508 Rehabilitation Services	26,832	27,388	19,134	8,254
P509 Independent Living Services	-	-	1,319	(1,319)
P511 Disability Determination	15,604	15,604	11,277	4,327
P527 Public Education Department	12,528	13,059	12,524	535
P785 Education Trust	1,765	1,765	662	1,103
Personal Services	11,909	11,845	8,676	3,169
Contractual Services	31,786	34,988	33,191	1,797
Other	3,019,969	3,045,350	2,903,239	142,111
Operating Transfers Out	504	828	467	361
Total Expenditures and Other Financing Uses	3,220,595	3,263,216	3,096,960	166,256
Net Change in Fund Balance	\$ (5,558)	\$ (5,558)	\$ 23,799	\$ (291,384)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 23,799	
Differences Budget to GAAP:				
GAAP Adjustments			22,332	
Bond Proceeds			5,581	
Transfers Out Not Budgeted, Reversions			(425)	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 51,287	

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, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 17,784	\$ 17,784	\$ 21,730	\$ 3,946
Federal Revenue	3,837,767	4,071,298	3,674,909	(396,389)
Investment Income	1,517	1,517	4,287	2,770
Rentals and Royalties	3,106	3,106	2,236	(870)
Charges for Services	91,126	91,348	86,272	(5,076)
Licenses, Fees, and Permits	6,961	7,514	29,419	21,905
Assessments	-	-	11,646	11,646
Miscellaneous and Other	177,826	179,886	106,352	(73,534)
Operating Transfers In	1,749,941	1,754,229	1,794,056	39,827
Total Revenues and Other Financing Sources	5,886,028	6,126,682	5,730,907	(395,775)
Fund Balance Budgeted	3,940	7,374		
Total	5,889,968	6,134,056		
EXPENDITURES AND OTHER FINANCING USES				
Health and Human Services				
P001 Administration	17,894	19,728	16,876	2,852
P002 Financial Oversight	189,518	192,061	165,794	26,267
P003 Epidemiology and Response	26,566	27,589	20,175	7,414
P004 Laboratory Services	11,131	12,490	11,645	845
P006 Program Area 6 - Facilities	139,370	139,370	130,127	9,243
P007 Developmental Disabilities Support	143,997	145,377	135,401	9,976
P008 Health Certification, Licensing and Oversight	12,041	12,813	11,082	1,731
P522 Program Support	58,313	111,731	38,978	72,753
P523 Child Support Enforcement	31,679	31,679	29,885	1,794
P524 Medical Assistance Program	3,569,271	3,576,867	3,272,463	304,404
P525 Income Support Program	764,335	901,900	877,321	24,579
P567 Program Support	7,712	7,755	6,261	1,494
P568 Water Quality	20,770	20,910	16,464	4,446
P569 Environmental Health	9,541	9,541	8,154	1,387
P570 Environmental Protection	16,413	16,832	14,455	2,377
P576 Program Support	16,482	16,482	16,026	456
P577 Juvenile Justice Facilities	39,937	40,708	39,099	1,609
P578 Protective Services	111,724	114,785	108,473	6,312
P580 Youth and Family Services	53,044	57,722	53,567	4,155
P591 Program Support	4,273	4,332	4,242	90
P592 Consumer and Elder Rights	3,456	4,788	3,706	1,082
P593 Adult Protective Services	12,535	12,755	12,675	80
P594 Aging Network	33,615	34,318	34,134	184
P595 Long Term Services	-	-	-	-
P691 Commission on Status of Women	890	1,015	-	1,015
P692 Office of African-American Affairs	695	695	589	106
P693 Commission For Deaf and Hard of Hearing	3,819	3,819	3,203	616
P694 Martin Luther King Jr., Commission	173	173	172	1
P695 Commission for the Blind	7,184	7,184	6,095	1,089

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, 2012 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Health and Human Services (Continued)				
P696 Indian Affairs Department	\$ 2,654	\$ 2,797	\$ 2,044	\$ 753
P697 Workers' Compensation Administration	10,354	10,354	10,071	283
P698 Governor's Commission On Disability	954	966	913	53
P702 Health Policy Commission	8	8	-	8
P726 Veterans' Services Department	2,734	2,734	2,633	101
P727 Developmental Disabilities Planning Council	972	972	860	112
P728 Brain Injury Advisory Council	86	86	85	1
P737 Office of Guardianship	3,698	3,891	3,830	61
P739 Consumer Services Program	86	86	269	(183)
P766 Medicaid Behavioral Health	284,997	284,996	274,909	10,087
P767 Behavioral Health Services	56,138	59,181	57,101	2,080
P774 Water and Wastewater Infrastructure	10,803	10,803	7,385	3,418
P775 Workforce Transition Services	17,436	24,168	19,040	5,128
P776 Labor Relations	3,735	4,639	5,588	(949)
P777 Workforce Technology	4,043	11,968	7,815	4,153
P778 Business Services	4,883	5,832	4,883	949
P779 Program Support	22,181	23,116	17,970	5,146
P780 Uninsured Employers Fund	1,169	1,169	590	579
P782 Early Childhood Services	149,628	152,971	140,589	12,382
200 Personnel Services and Employee Benefits	216	216	-	-
300 Contractual Services	2,369	2,369	-	-
400 Other Costs	751	751	-	-
500 Other Financing Uses	3,695	4,564	-	-
Total Expenditures and Other Financing Uses	<u>5,889,968</u>	<u>6,134,056</u>	<u>5,593,637</u>	<u>532,519</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,270</u>	<u>\$ (928,294)</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 137,270	
Differences Budget to GAAP:				
GAAP Adjustments			42,124	
Expenditures not associated with a P Code			(103,963)	
Multiple Year Expenditures and Transfer Out			-	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ 75,431</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, 2012 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 231,976	\$ 240,358	\$ 222,329	\$ (18,029)
Federal Revenue	403,549	523,250	447,962	(75,288)
Investment Income	205	205	3,392	3,187
Charges for Services	-	-	2,322	2,322
Licenses, Fees, and Permits	177,592	177,592	181,627	4,035
Miscellaneous and Other	4,800	4,800	12,421	7,621
Operating Transfers In	-	-	45,213	45,213
Total Revenues and Other Financing Sources	818,122	946,205	915,266	(30,939)
Fund Balance Budgeted	289,319	298,325		
Total	1,107,441	1,244,530		
EXPENDITURES AND OTHER FINANCING USES				
Highway and Transportation				
P562 Programs and Infrastructure	806,899	939,488	605,948	333,540
P563 Transportation and Highway Operations	249,919	254,482	208,674	45,808
P564 Program Support	50,623	50,560	49,195	1,365
Total Expenditures and Other Financing Uses	1,107,441	1,244,530	863,817	380,713
Net Change in Fund Balance	\$ -	\$ -	\$ 51,449	\$ (411,652)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 51,449	
Differences Budget to GAAP:				
Accruals to GAAP basis expenditures			(10,723)	
Other Financing Sources Not Budgeted, Debt Issuance Activity			277	
Other Financing Uses Not Budgeted, Payment to Escrow Agent			-	
Other Financing Uses Not Budgeted, Reversions			(1,128)	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 39,875	

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2012

(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 the modified accrual basis of accounting, per statute; however, accounts payable which are not recorded in a timely manner (before the statutory fiscal year-end deadline) will not be paid from the current year appropriation, and they are thus not recorded as a budgetary expenditure. Instead, they must be paid out of the next year's budget. This budgetary basis is not consistent with generally accepted accounting principles (GAAP). 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. Encumbrances do not 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, the Appropriated Bond Proceeds Capital Outlay Fund, the Public Safety Special Revenue Fund, the General Control Capital Project Fund, the Public Safety Capital Project Fund, the Regulation and Licensing Capital Project Fund, the Severance Tax Bonds Appropriated Capital Projects Fund, the State General Fund Appropriated Capital Projects Fund, and the American Recovery and

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

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 Land Grant Permanent Fund, the General Obligation Bonds Debt Service Fund, the Severance Tax Bond Debt Service Fund, and the following Enterprise Funds: the Educational Institutions, State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

Excess of Expenses/Expenditures Over Revenues

The following funds reported expenses or expenditures over revenues on the budgetary basis for the year ended June 30, 2012:

New Mexico Public Schools Insurance Authority Enterprise Fund;
Fleet Operations Internal Service Fund;
Risk Management Internal Service Fund;
Communications Services Internal Services Fund;
Information Processing Internal Service Fund.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS

For the Year Ended June 30, 2012

(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 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, 2012

(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, 2012	\$ 11,880,386	\$ 17,815,473	\$ 6,178,257	66.7 %	\$ 1,994,280	309.7 %
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 %

Schedule of Employer Contributions +

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 466,835	100.0 %
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 %

+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, 2012
(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, 2012	\$ 75,507	\$ 147,923	\$ 72,416	51.0 %	\$ 12,690	570.6 %
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 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 5,835	79.1 %
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 %

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, 2012
(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, 2012	\$ 30,879	\$ 58,037	\$ 27,158	53.2 %	\$ 3,214	845.1 %
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 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 1,793	57.2 %
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 %

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, 2012

(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, 2012	\$ 47,382	\$ 28,219	\$ (19,163)	167.9 %	N/A+	N/A
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

Schedule of Employer Contributions *

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed #
2012	\$ -	750.0 %
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 %

+ 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, 2012

(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, 2012	\$ 9,606,300	\$ 15,837,000	\$ 6,230,700	60.7 %	\$ 2,495,300	249.7 %
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 %

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 400,461	63.4 %
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 %

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE RETIREE HEALTH CARE AUTHORITY

For the Last Six Years Ending June 30, 2012
(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, 2012	\$ 227,488	\$ 3,915,114	\$ 3,687,626	5.8 %	\$ 3,877,827	95.0 %
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
2012	\$ 353,658	\$ 135,388	29.4 %
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 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, 2012
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%
Note	This schedule of funding progress is based on healthcare laws and regulations existing at June 30, 2012.

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior-year amounts were restated.

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 FUNDS COMBINING 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 208.

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 220.

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 224.

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, 2012
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 36,195	\$ 2,440	\$ -	\$ 31,873	\$ 70,508
Investment in State General Fund					
Investment Pool	224,392	285,777	47,783	3,604	561,556
Deferred Charges and Other Assets	123	-	-	-	123
Due From Other Funds	29,150	53	31,475	410	61,088
Receivables, Net	95,376	87,129	2,894	26,804	212,203
Investments	56,563	-	-	707,474	764,037
Inventories	21	-	-	-	21
Total Assets	\$ 441,820	\$ 375,399	\$ 82,152	\$ 770,165	\$ 1,669,536
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 32,842	\$ 219	\$ 26,399	\$ 635	\$ 60,095
Accrued Liabilities	3,177	-	372	-	3,549
Due To Other Funds	50,325	103,888	8,852	-	163,065
Due To Brokers	-	-	-	51,368	51,368
Intergovernmental Payables	117	-	-	-	117
Other Obligations	343	-	-	3,386	3,729
Deferred Revenue	63,847	-	1,775	-	65,622
Total Liabilities	150,651	104,107	37,398	55,389	347,545
Fund balances:					
Nonspendable	-	-	-	714,776	714,776
Restricted	253,555	271,292	41,181	-	566,028
Committed	39,077	-	3,573	-	42,650
Assigned	-	-	-	-	-
Unassigned (Deficit)	(1,463)	-	-	-	(1,463)
Total Fund Balances	291,169	271,292	44,754	714,776	1,321,991
Total Liabilities and Fund Balances	\$ 441,820	\$ 375,399	\$ 82,152	\$ 770,165	\$ 1,669,536

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, 2012

(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
REVENUES					
General and Selective Taxes	\$ 87,599	\$ 572,244	\$ 4,897	\$ -	\$ 664,740
Other Revenues:					
Federal Revenue	155,633	-	4,800	-	160,433
Investment Income	9,812	11,291	31	5,214	26,348
Rentals and Royalties	4,315	-	186	30,090	34,591
Charges for Services	15,155	-	-	-	15,155
Licenses, Fees, and Permits	33,032	172	1,661	-	34,865
Assessments	12,313	-	-	-	12,313
Miscellaneous and Other	20,552	-	-	100	20,652
Total Revenues	<u>338,411</u>	<u>583,707</u>	<u>11,575</u>	<u>35,404</u>	<u>969,097</u>
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	74,549	-	13,316	-	87,865
Education	19,308	-	15,576	-	34,884
General Control	81,136	-	15,240	-	96,376
Health and Human Services	12,743	-	1,375	-	14,118
Infrastructure Projects	2,072	-	5,082	-	7,154
Judicial	57,963	-	502	-	58,465
Land Grant	-	-	-	45,005	45,005
Public Safety	15,710	-	2,355	-	18,065
Regulation and Licensing	38,869	-	5,829	-	44,698
Capital Outlay	56,952	-	62,180	-	119,132
Debt Service:					
Principal	2,616	178,149	-	-	180,765
Interest and Other Charges	3,101	54,608	-	-	57,709
Total Expenditures	<u>365,019</u>	<u>232,757</u>	<u>121,455</u>	<u>45,005</u>	<u>764,236</u>
Excess Revenues Over (Under)					
Expenditures	<u>(26,608)</u>	<u>350,950</u>	<u>(109,880)</u>	<u>(9,601)</u>	<u>204,861</u>
OTHER FINANCING SOURCES (USES)					
Bond Premium	-	12,005	-	-	12,005
Refunding Bond Issue	-	75,715	-	-	75,715
Payment to Refunded Bond Escrow Agent	-	(88,898)	-	-	(88,898)
Sale of Capital Assets	262	-	1,510	-	1,772
Transfers In	141,173	11,696	135,747	-	288,616
Transfers Out	(126,496)	(336,581)	(9,004)	(1,381)	(473,462)
Total Other Financing Sources (Uses)	<u>14,939</u>	<u>(326,063)</u>	<u>128,253</u>	<u>(1,381)</u>	<u>(184,252)</u>
Net Change in Fund Balances	(11,669)	24,887	18,373	(10,982)	20,609
Fund Balances - Beginning, as Restated	302,838	246,405	26,381	725,758	1,301,382
Fund Balances - Ending	<u>\$ 291,169</u>	<u>\$ 271,292</u>	<u>\$ 44,754</u>	<u>\$ 714,776</u>	<u>\$ 1,321,991</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR SPECIAL REVENUE FUNDS COMBINING 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, 2012

(In Thousands)

	American Recovery and Reinvestment Act	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 132	\$ 1	\$ -	\$ 124
Investment in State General Fund					
Investment Pool	-	74,553	56,996	14,788	12,854
Deferred Charges and Other Assets	-	-	-	30	-
Due From Other Funds	903	13,835	3,908	634	5,094
Receivables, Net	20,630	69,752	2,243	1,969	700
Investments	-	18,945	-	-	-
Inventories	-	-	-	-	-
Total Assets	<u>\$ 21,533</u>	<u>\$ 177,217</u>	<u>\$ 63,148</u>	<u>\$ 17,421</u>	<u>\$ 18,772</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 8,535	\$ 10,108	\$ 9,735	\$ 1,868	\$ 933
Accrued Liabilities	532	871	118	1,095	344
Due To Other Funds	13,639	4,375	13,860	1,605	3,211
Intergovernmental Payables	98	-	15	2	-
Funds Held for Others	-	-	-	-	-
Other Obligations	-	-	343	-	-
Deferred Revenue	192	61,033	-	-	-
Total Liabilities	<u>22,996</u>	<u>76,387</u>	<u>24,071</u>	<u>4,570</u>	<u>4,488</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	100,830	-	12,851	14,284
Committed	-	-	39,077	-	-
Assigned	-	-	-	-	-
Unassigned (Deficit)	(1,463)	-	-	-	-
Total Fund Balances	<u>(1,463)</u>	<u>100,830</u>	<u>39,077</u>	<u>12,851</u>	<u>14,284</u>
Total Liabilities and Fund Balances	<u>\$ 21,533</u>	<u>\$ 177,217</u>	<u>\$ 63,148</u>	<u>\$ 17,421</u>	<u>\$ 18,772</u>

Regulation and Licensing	Total
\$ 35,938	\$ 36,195
65,201	224,392
93	123
4,776	29,150
82	95,376
37,618	56,563
21	21
<u>\$ 143,729</u>	<u>\$ 441,820</u>

\$ 1,663	\$ 32,842
217	3,177
13,635	50,325
2	117
-	-
-	343
2,622	63,847
<u>18,139</u>	<u>150,651</u>

-	-
125,590	253,555
-	39,077
-	-
-	(1,463)
<u>125,590</u>	<u>291,169</u>
<u>\$ 143,729</u>	<u>\$ 441,820</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2012

(In Thousands)

	American Recovery and Reinvestment Act	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
REVENUES					
Taxes:					
General and Selective Taxes	\$ -	\$ 9,328	\$ 71,206	\$ -	\$ -
Other Revenues:					
Federal Revenue	117,464	5,928	19,489	6,676	6,056
Investment Income	-	8,238	33	-	6
Rentals and Royalties	-	4,195	54	66	-
Charges for Services	-	1,959	7	12,031	435
Licenses, Fees, and Permits	-	4,441	2,137	347	1,031
Assessments	-	125	-	-	-
Miscellaneous and Other	41	11,901	5,240	2,738	567
Total Revenues	<u>117,505</u>	<u>46,115</u>	<u>98,166</u>	<u>21,858</u>	<u>8,095</u>
EXPENDITURES					
Current:					
Culture, Recreation, and Natural Resources	9,142	65,407	-	-	-
Education	19,308	-	-	-	-
General Control	4,931	-	76,205	-	-
Health and Human Services	12,743	-	-	-	-
Highway and Transportation	2,072	-	-	-	-
Judicial	736	-	-	57,227	-
Public Safety	1,522	-	-	-	14,188
Regulation and Licensing	356	-	-	-	-
Unemployment Benefits	-	-	-	-	-
Capital Outlay	53,228	889	67	955	-
Debt Service:					
Principal	-	51	-	-	-
Interest and Other Charges	-	19	-	-	-
Total Expenditures	<u>104,038</u>	<u>66,366</u>	<u>76,272</u>	<u>58,182</u>	<u>14,188</u>
Excess Revenues Over (Under)					
Expenditures	<u>13,467</u>	<u>(20,251)</u>	<u>21,894</u>	<u>(36,324)</u>	<u>(6,093)</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	-
Bond Premium	-	-	-	-	-
Sale of Capital Assets	-	262	-	-	-
Transfers In	432	32,947	52,090	38,111	9,656
Transfers Out	(12,017)	(12,491)	(90,161)	(1,482)	(1,292)
Total Other Financing Sources (Uses)	<u>(11,585)</u>	<u>20,718</u>	<u>(38,071)</u>	<u>36,629</u>	<u>8,364</u>
Net Change in Fund Balances	<u>1,882</u>	<u>467</u>	<u>(16,177)</u>	<u>305</u>	<u>2,271</u>
Fund Balances - Beginning, as Restated	<u>(3,345)</u>	<u>100,363</u>	<u>55,254</u>	<u>12,546</u>	<u>12,013</u>
Fund Balances - Ending (Deficit)	<u>\$ (1,463)</u>	<u>\$ 100,830</u>	<u>\$ 39,077</u>	<u>\$ 12,851</u>	<u>\$ 14,284</u>

<u>Regulation and Licensing</u>	<u>Total</u>
\$ 7,065	\$ 87,599
20	155,633
1,535	9,812
-	4,315
723	15,155
25,076	33,032
12,188	12,313
65	20,552
<u>46,672</u>	<u>338,411</u>
-	74,549
-	19,308
-	81,136
-	12,743
-	2,072
-	57,963
-	15,710
38,513	38,869
-	-
1,813	56,952
2,565	2,616
3,082	3,101
<u>45,973</u>	<u>365,019</u>
<u>699</u>	<u>(26,608)</u>
-	-
-	-
-	262
7,937	141,173
<u>(9,053)</u>	<u>(126,496)</u>
<u>(1,116)</u>	<u>14,939</u>
(417)	(11,669)
<u>126,007</u>	<u>302,838</u>
<u>\$ 125,590</u>	<u>\$ 291,169</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, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 6,758	\$ 6,758	\$ 9,328	\$ 2,570
Federal Revenue	6,364	6,364	4,645	(1,719)
Investment Income (Loss)	7,969	7,969	8,224	255
Rentals and Royalties	5,487	5,487	4,183	(1,304)
Charges for Services	2,079	2,079	1,926	(153)
Licenses, Fees, and Permits	4,517	4,517	3,888	(629)
Assessments	-	-	125	125
Miscellaneous and Other	348	508	9,600	9,092
Operating Transfers In	18,226	18,226	31,276	13,050
Total Revenues and Other Financing Sources	51,748	51,908	73,195	21,287
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
P536 Museums and Monuments	326	326	-	326
P688 Youth Conservation Corps	4,257	4,257	3,538	719
P764 Intertribal Ceremonial	30	30	30	-
P701 Office of the Natural Resources Trustee	2,200	2,206	634	1,572
P716 Sport Hunting and Fishing	1,716	1,716	1,289	427
P717 Conservation Services	1,817	1,817	1,526	291
P718 Wildlife Depredation and Nuisance Abatement	525	525	376	149
P741 Healthy Forests	490	490	358	132
P742 State Parks	23,207	23,207	18,218	4,989
P743 Mine Reclamation	905	905	731	174
P744 Oil and Gas Conservation	4,121	4,121	2,950	1,171
Total Expenditures and Other Financing Uses	39,594	39,600	29,650	9,950
Net Change in Fund Balance	\$ 12,154	\$ 12,308	\$ 43,545	\$ 11,337

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis)	\$ 43,545
Differences Budget to GAAP:	
Proceeds from sale of capital assets	262
Expenditures not related to P Codes	(42,657)
GAAP Adjustments	(683)
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 467

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 54,377	\$ 54,377	\$ 71,991	\$ 17,614
Federal Revenue	16,286	14,652	19,543	4,891
Investment Income	-	-	33	33
Licenses, Fees, and Permits	2,737	2,737	2,135	(602)
Rental and Royalties	-	-	54	-
Charges for Services	10	10	6	(4)
Miscellaneous and Other	-	-	5,241	5,241
Operating Transfers In	49,985	49,985	51,337	1,352
Total Revenues and Other Financing Sources	123,395	121,761	150,340	28,525
EXPENDITURES AND OTHER FINANCING USES				
General Control				
P604 Procurement Services	-	-	521	(521)
P625 Legal Services	-	8,474	6,764	1,710
P626 Medicaid Fraud	2,199	2,095	1,714	381
P642 Administration and Operations	-	-	-	-
P643 Personnel Board	-	-	-	-
P644 State Treasurer	-	-	-	-
P720 Public Defender Department	240	740	108	632
P783 Elections	-	-	1,052	(1,052)
Total Expenditures and Other Financing Uses	2,439	11,309	10,159	1,150
Net Change in Fund Balance	\$ 120,956	\$ 110,452	\$ 140,181	\$ 27,375
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 140,181	
Differences Budget to GAAP:				
Expenditures not related to P Codes			(152,199)	
GAAP Adjustments			707	
Other Financing Uses Not Budgeted, Reversions			(4,866)	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ (16,177)	

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS—JUDICIAL

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Federal Revenue	\$ 3,852	\$ 10,160	\$ 6,568	\$ (3,592)
Rentals and Royalties	57	57	66	9
Charges for Services	2,456	2,515	2,031	(484)
Licenses, Fees, and Permits	225	225	740	515
Miscellaneous and Other	13,132	13,126	12,368	(758)
Operating Transfers In	38,253	38,270	38,087	(183)
Total Revenues and Other Financing Sources	57,975	64,353	59,860	(4,493)
EXPENDITURES AND OTHER FINANCING USES				
Judicial				
P210 Judicial Standards Commission	25	25	6	19
P231 First Judicial District Court	394	594	286	308
P232 Second Judicial District Court	825	825	656	169
P233 Third Judicial District Court	585	585	556	29
P234 Fourth Judicial District Court	7	7	6	1
P235 Fifth Judicial District Court	75	75	59	16
P236 Sixth Judicial District Court	15	15	11	4
P237 Seventh Judicial District Court	311	311	293	18
P238 Eighth Judicial District Court	15	15	11	4
P239 Ninth Judicial District Court	18	18	18	-
P240 Tenth Judicial District Court	25	20	5	15
P241 Eleventh Judicial District Court	1,267	1,310	1,276	34
P242 Twelfth Judicial District Court	389	413	285	128
P243 Thirteenth Judicial District Court	76	116	116	-
P244 Bernalillo County Metropolitan Court	2,161	2,323	1,653	670
P252 Second Judicial District Attorney	946	946	726	220
P253 Third Judicial District Attorney	1,026	2,087	1,065	1,022
P255 Fifth Judicial District Attorney	-	555	342	213
P256 Sixth Judicial District Attorney	168	256	220	36
P257 Seventh Judicial District Attorney	-	16	-	16
P259 Ninth Judicial District Attorney	-	-	-	-
P262 Twelfth Judicial District Attorney	407	713	422	291
P264 Administrative Office of the District Attorneys	200	3,820	3,297	523
P265 Eleventh Judicial District Attorney-Division II	124	351	161	190
P559 Administrative Support	7,627	8,863	7,717	1,146
P560 Statewide Judiciary Automation	8,944	8,944	8,147	797
P610 Magistrate Court	27,527	27,738	27,022	716
P620 Administrative Support	4,907	4,982	4,822	160
Total Expenditures and Other Financing Uses	58,064	65,923	59,178	6,745
Net Change in Fund Balance	\$ (89)	\$ (1,570)	\$ 682	\$ (11,238)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS–JUDICIAL (CONTINUED)

For the Year Ended June 30, 2012
(In Thousands)

Budget Basis to GAAP Basis Reconciliation	
Net Change in Fund Balance (Budgetary Basis)	\$ 682
Differences Budget to GAAP:	
Expenditures not related to P Codes	(1,482)
GAAP Adjustments	1,105
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 305

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS—REGULATION AND LICENSING For the Year Ended June 30, 2012 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ -	\$ -	\$ 1,143	\$ 1,143
Federal Revenue	232	1,464	13	(1,451)
Investment Income	45	45	50	5
Rentals and Royalties	78	78	7	(71)
Charges for Services	596	596	754	158
Licenses, Fees, and Permits	8,090	8,090	24,974	16,884
Miscellaneous and Other	7	11	38	27
Operating Transfers In	9,896	13,714	6,687	(7,027)
Assessments	-	-	12,183	12,183
Total Revenues and Other Financing Sources	18,944	23,998	45,849	21,851
EXPENDITURES AND OTHER FINANCING USES				
Regulation and Licensing				
P528 Job Creation & Job Growth	-	6,971	1,370	5,601
P548 Outreach	1,514	1,439	870	569
P599 Financial Institutions and Securities	135	220	51	169
P600 Financial Institutions and Securities	1,081	1,085	820	265
P612 Public Safety	1,311	4,474	171	4,303
P613 Program Support	187	187		187
P646 Border Authority	78	391	356	35
P647 New Mexico Public Accountancy Board	510	510	460	50
P648 Board of Acupuncture and Oriental Medicine	228	228	143	85
P649 New Mexico Athletic Commission	128	128	90	38
P650 Athletic Trainer Practice Board	20	20	13	7
P651 Board of Barbers and Cosmetologists	876	876	799	77
P652 Chiropractic Board	153	153	141	12
P653 Counseling and Therapy Practice Board	421	421	348	73
P654 New Mexico Board of Dental Health Care	418	418	327	91
P655 Interior Design Board	24	24	21	3
P657 Board of Landscape Architects	32	34	28	6
P658 Massage Therapy Board	264	271	220	51
P659 Board of Nursing Home Administrators	37	44	38	6
P660 Nutrition and Dietetics Practice Board	35	35	25	10
P661 Board of Examiners for Occupational Therapy	71	71	49	22
P662 Board of Optometry	70	70	61	9
P663 Board of Osteopathic Medical Examiners	83	83	61	22
P664 Board of Pharmacy	1,585	1,664	1,567	97
P665 Physical Therapy Board	120	120	73	47
P666 Board of Podiatry	31	31	23	8
P667 Private Investigations Advisory Board	216	216	155	61
P668 New Mexico State Board of Psychologist Examiners	199	199	116	83
P669 Real Estate Appraisers Board	180	213	183	30
P670 New Mexico Real Estate Commission	924	1,011	862	149
P671 Advisory Board of Respiratory Care Practitioners	70	73	68	5

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

NONMAJOR SPECIAL REVENUE FUNDS—REGULATION AND LICENSING (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
P672 Board of Social Work Examiners	\$ 347	\$ 347	\$ 306	\$ 41
P673 Speech Language Pathology, Audiology and Hearing Aid Board	165	165	130	35
P674 Board of Thanatopractice	135	135	111	24
P675 Insurance Policy	6,888	6,933	64	6,869
P677 Nursing Licensing and Certification	453	853	-	853
P758 Naprapathic Practice Board	6	6	-	6
P768 Animal Sheltering Services Board	100	100	83	17
P769 Signed Language Interpreting Practices Board	151	151	72	79
Total Expenditures and Other Financing Uses	<u>19,246</u>	<u>30,370</u>	<u>10,275</u>	<u>20,095</u>
Net Change in Fund Balance	<u>\$ (302)</u>	<u>\$ (6,372)</u>	<u>\$ 35,574</u>	<u>\$ 1,756</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 35,574	
Differences Budget to GAAP:				
Expenditures not related to P Codes			(28,434)	
GAAP Adjustments			<u>(7,557)</u>	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ (417)</u>	

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR DEBT SERVICE FUND COMBINING 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 debt service fund that has an approved annual budget; all other debt service funds are budgeted based on a project length basis.

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, 2012 (In Thousands)

	Culture, Recreation, and Natural Resources	General Obligation Bonds	Severance Tax Bonds	Total
ASSETS				
Cash and Cash Equivalents	\$ 2,440	\$ -	\$ -	\$ 2,440
Investment in State General Fund				
Investment Pool	3,117	30,108	252,552	285,777
Due From Other Funds	53	-	-	53
Receivables, Net	-	14,183	72,946	87,129
Total Assets	<u>\$ 5,610</u>	<u>\$ 44,291</u>	<u>\$ 325,498</u>	<u>\$ 375,399</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1	\$ -	\$ 218	\$ 219
Due To Other Funds	-	-	103,888	103,888
Total Liabilities	<u>1</u>	<u>-</u>	<u>104,106</u>	<u>104,107</u>
Fund balances:				
Restricted	5,609	44,291	221,392	271,292
Committed	-	-	-	-
Total Fund Balances	<u>5,609</u>	<u>44,291</u>	<u>221,392</u>	<u>271,292</u>
Total Liabilities and Fund Balances	<u>\$ 5,610</u>	<u>\$ 44,291</u>	<u>\$ 325,498</u>	<u>\$ 375,399</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, 2012

(In Thousands)

	Culture, Recreation, and Natural Resources	General Obligation Bonds	Severance Tax Bonds	Total
REVENUES				
General and Selective Taxes	\$ 1,358	\$ 76,097	\$ 494,789	\$ 572,244
Other Revenues:				
Investment Income	12	1,334	9,945	11,291
Licenses, Fees, and Permits	172	-	-	172
Total Revenues	<u>1,542</u>	<u>77,431</u>	<u>504,734</u>	<u>583,707</u>
EXPENDITURES				
Debt Service:				
Principal	2,099	58,610	117,440	178,149
Interest and Other Charges	397	17,708	36,503	54,608
Total Expenditures	<u>2,496</u>	<u>76,318</u>	<u>153,943</u>	<u>232,757</u>
Excess Revenues Over (Under)				
Expenditures	<u>(954)</u>	<u>1,113</u>	<u>350,791</u>	<u>350,950</u>
OTHER FINANCING SOURCES (USES)				
Refunding Bond Issue	-	-	75,715	75,715
Bond Premium	-	-	12,005	12,005
Payment to Refunded Bond Escrow Agent	-	-	(88,898)	(88,898)
Transfers In	2,425	755	8,516	11,696
Transfers Out	(100)	-	(336,481)	(336,581)
Total Other Financing Sources (Uses)	<u>2,325</u>	<u>755</u>	<u>(329,143)</u>	<u>(326,063)</u>
Net Change in Fund Balances	1,371	1,868	21,648	24,887
Fund Balances - Beginning, as Restated	4,238	42,423	199,744	246,405
Fund Balances - Ending	<u>\$ 5,609</u>	<u>\$ 44,291</u>	<u>\$ 221,392</u>	<u>\$ 271,292</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

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

June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ -	\$ -	\$ 350	\$ 350
Investment Income	-	-	12	12
Licenses, Fees, and Permits	-	-	131	131
Operating Transfers In	2,420	2,420	2,420	-
Total Revenues and Other Financing Sources	2,420	2,420	2,913	493
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
P742 State Parks	2,520	2,520	2,694	(174)
Total Expenditures and Other Financing Uses	2,520	2,520	2,694	(174)
Net Change in Fund Balance	\$ (100)	\$ (100)	\$ 219	\$ 667
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 219	
Differences Budget to GAAP:				
GAAP Adjustments			1,152	
Multiple Year Expenditures				
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 1,371	

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR CAPITAL PROJECTS FUND COMBINING FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources

These funds account for resources to be used for the acquisition or construction of capital facilities used in culture, recreation, and natural resource programs. Budgetary comparison information is presented for the annual appropriation for capital project activity for the State Parks program. This fund and the Judicial are the only capital projects funds that have an approved annual budget; all others are budgeted based on a 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, 2012
(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 6,289	\$ 26,235	\$ -	\$ 101
Deferred Charges and Other Assets	-	-	-	-
Due From Other Funds	1,423	3,975	39	1,121
Receivables, Net	714	3	-	2,177
Total Assets	<u>\$ 8,426</u>	<u>\$ 30,213</u>	<u>\$ 39</u>	<u>\$ 3,399</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,300	\$ 3,107	\$ 32	\$ 1,732
Accrued Liabilities	22	-	-	2
Due To Other Funds	687	2,654	7	1,564
Deferred Revenue	-	258	-	101
Total Liabilities	<u>2,009</u>	<u>6,019</u>	<u>39</u>	<u>3,399</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	6,417	24,194	-	-
Committed	-	-	-	-
Unassigned (Deficit)	-	-	-	-
Total Fund Balances	<u>6,417</u>	<u>24,194</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 8,426</u>	<u>\$ 30,213</u>	<u>\$ 39</u>	<u>\$ 3,399</u>

<u>Regulation and Licensing</u>	<u>Severance Tax Bonds Appropriated</u>	<u>State General Fund Appropriated</u>	<u>Total</u>
\$ -	\$ 10,951	\$ 4,207	\$ 47,783
-	-	-	-
1,508	22,896	513	31,475
-	-	-	2,894
<u>\$ 1,508</u>	<u>\$ 33,847</u>	<u>\$ 4,720</u>	<u>\$ 82,152</u>
\$ 324	\$ 18,758	\$ 1,146	\$ 26,399
-	348	-	372
1,403	2,536	1	8,852
1,416	-	-	1,775
<u>3,143</u>	<u>21,642</u>	<u>1,147</u>	<u>37,398</u>
-	-	-	-
(1,635)	12,205	-	41,181
-	-	3,573	3,573
-	-	-	-
<u>(1,635)</u>	<u>12,205</u>	<u>3,573</u>	<u>44,754</u>
<u>\$ 1,508</u>	<u>\$ 33,847</u>	<u>\$ 4,720</u>	<u>\$ 82,152</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, 2012

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
REVENUES				
General and Selective Taxes	\$ 4,897	\$ -	\$ -	\$ -
Other Revenues:				
Federal Revenue	716	-	-	4,084
Investment Income	-	31	-	-
Rentals and Royalties	-	186	-	-
Assessments	-	-	-	-
Miscellaneous and Other	4	1,657	-	-
Total Revenues	<u>5,617</u>	<u>1,874</u>	<u>-</u>	<u>4,084</u>
EXPENDITURES				
Current:				
Culture, Recreation, and Natural Resources	9,532	-	-	-
Education	-	-	-	-
General Control	-	10,755	-	-
Health and Human Services	-	-	-	-
Infrastructure Projects	-	-	-	-
Judicial	-	-	110	-
Public Safety	-	-	-	495
Regulation and Licensing	-	-	-	-
Capital Outlay	4,200	17,014	75	5,239
Debt Service:				
Bond Costs	-	-	-	-
Total Expenditures	<u>13,732</u>	<u>27,769</u>	<u>185</u>	<u>5,734</u>
Excess Revenues Over (Under)				
Expenditures	<u>(8,115)</u>	<u>(25,895)</u>	<u>(185)</u>	<u>(1,650)</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Bond Premium	-	-	-	-
Refunding Bond Issue	-	-	-	-
Sale of Capital Assets	-	1,510	-	-
Transfers In	10,574	33,745	185	1,650
Transfers Out	(2,419)	(5,582)	-	-
Total Other Financing Sources (Uses)	<u>8,155</u>	<u>29,673</u>	<u>185</u>	<u>1,650</u>
Net Change in Fund Balances	40	3,778	-	-
Fund Balances - Beginning	6,377	20,416	-	-
Fund Balances - Ending	<u>\$ 6,417</u>	<u>\$ 24,194</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Regulation and Licensing</u>	<u>Severance Tax Bonds Appropriated</u>	<u>State General Fund Appropriated</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 4,897
-	-	-	4,800
-	-	-	31
-	-	-	186
-	-	-	-
-	-	-	1,661
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,575</u>
-	3,741	43	13,316
-	15,257	319	15,576
-	4,075	410	15,240
-	375	1,000	1,375
-	5,082	-	5,082
-	392	-	502
-	1,162	698	2,355
5,829	-	-	5,829
9,240	22,993	3,419	62,180
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,069</u>	<u>53,077</u>	<u>5,889</u>	<u>121,455</u>
<u>(15,069)</u>	<u>(53,077)</u>	<u>(5,889)</u>	<u>(109,880)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,510
15,247	68,121	6,225	135,747
-	(954)	(49)	(9,004)
<u>15,247</u>	<u>67,167</u>	<u>6,176</u>	<u>128,253</u>
178	14,090	287	18,373
(1,813)	(1,885)	3,286	26,381
<u>\$ (1,635)</u>	<u>\$ 12,205</u>	<u>\$ 3,573</u>	<u>\$ 44,754</u>

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, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 3,900	\$ 4,720	\$ 4,897	\$ 177
Federal Revenue	-	457	602	145
Assessments	-	-	-	-
Miscellaneous and Other	-	-	2	2
Operating Transfers In	3,000	8,076	10,785	2,709
Total Revenues and Other Financing Sources	6,900	13,253	16,286	3,033
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
P742 State Parks	7,123	12,361	15,121	(2,760)
Total Expenditures and Other Financing Uses	7,123	12,361	15,121	(2,760)
Net Change in Fund Balance	\$ (223)	\$ 892	\$ 1,165	\$ 5,793
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ 1,165	
Differences Budget to GAAP:				
GAAP Adjustments			(1,125)	
Multiple Year Expenditures				
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 40	

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NONMAJOR CAPITAL PROJECT FUNDS – JUDICIAL For the Year Ended June 30, 2012 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Miscellaneous and Other	\$ -	\$ -	\$ 185	\$ 185
Total Revenues and Other Financing Sources	<u>-</u>	<u>-</u>	<u>185</u>	<u>185</u>
EXPENDITURES AND OTHER FINANCING USES				
Judicial				
P244 Bernalillo County Metropolitan Court	-	-	185	(185)
Total Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>185</u>	<u>(185)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance (Budgetary Basis)			\$ -	
Differences Budget to GAAP			-	
Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			<u>\$ -</u>	

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR PROPRIETARY FUNDS COMBINING 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 234.

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 250.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUNDS COMBINING 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.

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 nonminers.

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 and the use of the Fairgrounds facilities during the year.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

June 30, 2012
(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	\$ 257	\$ 2	\$ -	\$ -	\$ 15,159
Investment in the State General Fund					
Investment Pool	12	3,011	104,882	1,387	586
Investment in the Local Government					
Investment Pool	-	-		-	64,708
Deferred Charges and Other Assets	-	1		41	257
Due From Other Funds	-	286	54	-	-
Receivables, Net	260	37	12,963	133	805
Investments	-	-	-	-	-
Inventories	-	1,045	-	92	-
Total Current Assets	529	4,382	117,899	1,653	81,515
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	-	-	167,212	-	-
Investments	-	-	-	-	38,117
Nondepreciable Capital Assets	-	-	-	-	237
Capital Assets, Net	44	206	-	-	143
Total Noncurrent Assets	44	206	167,212	-	38,497
Total Assets	573	4,588	285,111	1,653	120,012

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 162	\$ 87,881	\$ 2,184	\$ 105,645
20,199	6,208	-	-	136,285
-	-	-	-	64,708
-	-	-	56	355
4	517	51	-	912
670	2,089	70,024	99	87,080
-	90	-	-	90
-	475	-	-	1,612
<u>20,873</u>	<u>9,541</u>	<u>157,956</u>	<u>2,339</u>	<u>396,687</u>
-	-	-	558	558
-	-	-	-	167,212
-	1,325	-	-	39,442
-	-	-	819	1,056
-	29,616	-	49,913	79,922
<u>-</u>	<u>30,941</u>	<u>-</u>	<u>51,290</u>	<u>288,190</u>
<u>20,873</u>	<u>40,482</u>	<u>157,956</u>	<u>53,629</u>	<u>684,877</u>

STATE OF NEW MEXICO

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

June 30, 2012
(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	\$ 205	\$ 120	\$ 25	\$ 60	\$ 1,430
Accrued Liabilities	10	35	-	37	73
Deferred Revenue	-	10	-	919	77
Due to Other Funds	-	-	19	44	-
Funds Held for Others	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Liabilities	11	50	-	21	24,412
Total Current Liabilities	226	215	44	1,081	25,992
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	-	-	-	245	44,932
Total Noncurrent Liabilities	-	-	-	245	44,932
Total Liabilities	226	215	44	1,326	70,924
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	44	206	-	-	380
Restricted for:					
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	48,280
Loans	-	-	285,067	-	-
Other Purposes	285	4,167	-	327	-
Unrestricted (Deficit)	18	-	-	-	428
Total Net Assets	\$ 347	\$ 4,373	\$ 285,067	\$ 327	\$ 49,088

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 906	\$ -	\$ 2,366	\$ 5,112
-	451	10,598	91	11,295
-	-	17,466	168	18,640
212	-	2,565	-	2,840
-	-	-	90	90
-	770	-	628	1,398
-	333	-	150	24,977
<u>212</u>	<u>2,460</u>	<u>30,629</u>	<u>3,493</u>	<u>64,352</u>
-	11,797	-	1,328	13,125
-	37	-	-	45,214
-	<u>11,834</u>	-	<u>1,328</u>	<u>58,339</u>
<u>212</u>	<u>14,294</u>	<u>30,629</u>	<u>4,821</u>	<u>122,691</u>
-	17,049	-	48,777	66,456
-	1,316	-	1,956	3,272
-	9	-	541	550
-	-	127,327	-	175,607
20,661	-	-	-	305,728
-	-	-	558	5,337
-	<u>7,814</u>	-	<u>(3,024)</u>	<u>5,236</u>
<u>\$ 20,661</u>	<u>\$ 26,188</u>	<u>\$ 127,327</u>	<u>\$ 48,808</u>	<u>\$ 562,186</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, 2012
(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	\$ 4,565	\$ 2,665	\$ -	\$ 2,996	\$ 318,199
Unemployment Insurance	-	-	-	-	-
Federal Revenue	-	-	10,105	-	-
Loan and Other Income	-	-	4,384	-	-
Other Operating Revenues	-	-	-	34	4,394
Total Operating Revenues	<u>4,565</u>	<u>2,665</u>	<u>14,489</u>	<u>3,030</u>	<u>322,593</u>
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	-	-	-	41,255
General and Administrative Expenses	295	-	874	811	1,193
Insurance Losses	-	-	-	-	262,046
Depreciation Expense	16	69	-	-	21
Other Operating Expenses	4,140	2,496	-	1,916	18,389
Total Operating Expenses	<u>4,451</u>	<u>2,565</u>	<u>874</u>	<u>2,727</u>	<u>322,904</u>
Operating Income (Loss)	<u>114</u>	<u>100</u>	<u>13,615</u>	<u>303</u>	<u>(311)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	4	-	-	285
Interest and Other Expenses on Capital	-	-	-	-	-
Asset-related Debt	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-
Other Revenue (Expenses)	-	60	(1,859)	-	41
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>64</u>	<u>(1,859)</u>	<u>-</u>	<u>326</u>
Income (Loss) Before Transfers	<u>114</u>	<u>164</u>	<u>11,756</u>	<u>303</u>	<u>15</u>
TRANSFERS					
Transfers In	-	-	-	1,560	-
Transfers Out	-	-	-	-	-
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,560</u>	<u>-</u>
Change in Net Assets	114	164	11,756	1,863	15
Net Assets - Beginning	233	4,209	273,311	(1,536)	49,073
Net Assets - Ending	<u>\$ 347</u>	<u>\$ 4,373</u>	<u>\$ 285,067</u>	<u>\$ 327</u>	<u>\$ 49,088</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 18,305	\$ -	\$ 13,831	\$ 360,561
-	-	211,736	-	211,736
-	264	261,861	250	272,480
-	-	-	-	4,384
-	5,150	5,088	-	14,666
-	23,719	478,685	14,081	863,827
-	-	546,600	-	587,855
-	12,331	-	6,103	21,607
-	-	-	-	262,046
-	1,953	-	2,944	5,003
-	8,324	-	7,068	42,333
-	22,608	546,600	16,115	918,844
-	1,111	(67,915)	(2,034)	(55,017)
69	12	3,542	3	3,915
-	(568)	-	(76)	(644)
-	-	-	3	3
-	(586)	-	-	(2,344)
69	(1,142)	3,542	(70)	930
69	(31)	(64,373)	(2,104)	(54,087)
-	-	-	1,222	2,782
-	-	-	-	-
-	-	-	1,222	2,782
69	(31)	(64,373)	(882)	(51,305)
20,592	26,219	191,700	49,690	613,491
\$ 20,661	\$ 26,188	\$ 127,327	\$ 48,808	\$ 562,186

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2012

(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	\$ 441	\$ -	\$ -	\$ -	\$ 319,105
Sale of Products	4,298	2,828	-	2,955	-
Loan and Note Repayments	-	-	19,565	-	-
Unemployment Insurance	-	-	-	-	-
Other Sources	1	-	397	-	3,848
Cash Payments to or for:					
Suppliers	(4,523)	(1,461)	(703)	(1,873)	(60,236)
Employees	(306)	(1,030)	-	(850)	-
Unemployment Benefits	-	-	-	-	-
Loans, Loan Losses, Insurance Losses	-	-	(12,466)	-	(259,980)
Other Payments	1	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(88)	337	6,793	232	2,737
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	-	-	-	1,560	-
Transfers Out	-	-	(1,859)	-	-
Gifts for Other Than Capital Purposes	-	-	-	-	-
Intergovernmental Receipts	-	-	27	-	41
Net Cash Provided by Noncapital Financing Activities	-	-	(1,832)	1,560	41
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(5)	-	-	-	-
Capital Gifts, Grants, and Contracts	-	-	10,076	-	-
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	(5)	-	10,076	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	-	4	-	-	225
Purchase of Investments	-	-	-	-	-
Receipts of Rent	-	60	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-
Net Cash Provided by Investing Activities	-	64	-	-	225
Net Increase (Decrease) in Cash	(93)	401	15,037	1,792	3,003
Cash and Cash Equivalents at Beginning of Year, as Restated	362	2,612	89,845	(405)	77,450
Cash and Cash Equivalents at End of Year	\$ 269	\$ 3,013	\$ 104,882	\$ 1,387	\$ 80,453
Cash and Cash Equivalents					
Unrestricted	\$ 257	\$ 2	\$ -	\$ -	\$ 15,159
Restricted	-	-	-	-	-
Investment in the State General Fund Investment Pool	12	3,011	104,882	1,387	586
Investment in the Local Government Investment Pool	-	-	-	-	64,708
Total Cash and Cash Equivalents	\$ 269	\$ 3,013	\$ 104,882	\$ 1,387	\$ 80,453

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 26,333	\$ -	\$ 13,839	\$ 359,718
-	-	-	-	10,081
1,438	-	-	-	21,003
-	-	220,700	-	220,700
-	-	-	-	4,246
-	(8,422)	-	(7,024)	(84,242)
-	(12,842)	-	(6,169)	(21,197)
-	-	(539,157)	-	(539,157)
(109)	-	-	-	(272,555)
-	-	-	-	1
<u>1,329</u>	<u>5,069</u>	<u>(318,457)</u>	<u>646</u>	<u>(301,402)</u>
-	-	527	-	2,087
-	-	(23,559)	-	(25,418)
-	-	-	-	-
-	-	248,379	-	248,447
-	-	225,347	-	225,116
-	(356)	-	(188)	(549)
-	-	-	-	10,076
-	(742)	-	(607)	(1,349)
-	(567)	-	(79)	(646)
-	-	-	1,472	1,472
-	-	-	3	3
-	(1,665)	-	601	9,007
-	-	3,542	3	3,774
-	(7)	-	-	(7)
-	-	-	-	60
-	16	-	-	16
-	9	3,542	3	3,843
1,329	3,413	(89,568)	1,250	(63,436)
18,870	2,957	177,449	1,492	370,632
<u>\$ 20,199</u>	<u>\$ 6,370</u>	<u>\$ 87,881</u>	<u>\$ 2,742</u>	<u>\$ 307,196</u>
\$ -	\$ 162	\$ 87,881	\$ 2,184	\$ 105,645
-	-	-	558	558
20,199	6,208	-	-	136,285
-	-	-	-	64,708
<u>\$ 20,199</u>	<u>\$ 6,370</u>	<u>\$ 87,881</u>	<u>\$ 2,742</u>	<u>\$ 307,196</u>

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(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)	\$ 114	\$ 100	\$ 13,615	\$ 303	\$ (311)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	16	69	-	-	21
Bad Debt Expense	-	-	-	-	-
Loss on Investment in Local Government Investment Pool	-	-	-	-	-
Reserve for Losses	-	-	-	-	2,066
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	159	162	(9,283)	(79)	412
Notes/Loans	13	-	2,452	-	-
Inventories	2	52	-	(9)	-
Prepaid Items/Deferred Charges	-	-	-	(38)	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(392)	(56)	9	51	601
Unearned Revenue	-	10	-	4	(52)
Net Cash Provided (Used) by Operating Activities	<u>\$ (88)</u>	<u>\$ 337</u>	<u>\$ 6,793</u>	<u>\$ 232</u>	<u>\$ 2,737</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ -	\$ 1,111	\$ (67,915)	\$ (2,034)	\$ (55,017)
-	1,953	-	2,944	5,003
-	3,660	-	-	3,660
-	-	-	-	-
-	-	-	-	2,066
-	(1,094)	(257,986)	(3)	(267,712)
1,329	-	-	-	3,794
-	(111)	-	-	(66)
-	-	-	(54)	(92)
-	(450)	7,444	(240)	6,967
-	-	-	33	(5)
<u>\$ 1,329</u>	<u>\$ 5,069</u>	<u>\$ (318,457)</u>	<u>\$ 646</u>	<u>\$ (301,402)</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, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Charges for Services	\$ 337	\$ 337	\$ 366	\$ 29
Operating Transfers In	-	-	-	-
Total Revenues and Other Financing Sources	<u>337</u>	<u>337</u>	<u>366</u>	<u>29</u>
EXPENSES				
Industries for the Blind				
P695 Commission for the Blind	337	337	320	17
Total Expenses	<u>337</u>	<u>337</u>	<u>320</u>	<u>17</u>
Net Change in Fund Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 12</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Net Assets (Budgetary Basis)	\$ 46
Differences Budget to GAAP:	
GAAP Adjustments	<u>68</u>
Total Change in Net Assets as Reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets	<u>\$ 114</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – CORRECTIONS INDUSTRIES REVOLVING FUND For the Year Ended June 30, 2012 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Investment Income	\$ 3	\$ 3	\$ 4	\$ 1
Charges of Services	3,959	3,959	2,718	(1,241)
Miscellaneous and Other	-	-	12	12
Total Revenues and Other Financing Sources	<u>3,962</u>	<u>3,962</u>	<u>2,734</u>	<u>(1,228)</u>
EXPENSES				
Corrections Industries Revolving Fund				
P533 Corrections Industries	3,962	3,962	2,462	1,500
Total Expenses	<u>3,962</u>	<u>3,962</u>	<u>2,462</u>	<u>1,500</u>
Net Change in Fund Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ (2,728)</u>
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Net Assets (Budgetary Basis)			\$ 272	
Differences Budget to GAAP:				
GAAP Adjustments			(108)	
Total Change in Net Assets as Reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets			<u>\$ 164</u>	

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Charges of Services	\$ 4,173	\$ 4,173	\$ 3,283	\$ (890)
Miscellaneous and Other	-	-	34	34
Transfers In	1,560	1,560	1,560	-
Total Revenues and Other Financing Sources	5,733	5,733	4,877	(856)
EXPENSES				
New Mexico Magazine				
P546 New Mexico Magazine	4,083	4,083	2,943	1,140
P549 Marketing and Promotion	90	90	25	65
Total Expenses	4,173	4,173	2,968	1,205
Net Change in Fund Net Assets	\$ 1,560	\$ 1,560	\$ 1,909	\$ (2,061)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Net Assets (Budgetary Basis)			\$ 1,909	
Differences Budget to GAAP:				
GAAP Adjustments			(46)	
Total Change in Net Assets as Reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets			\$ 1,863	

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, 2012 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Investment Income	\$ 117	\$ 117	\$ 285	\$ 168
Assessments	332,706	332,706	318,199	(14,507)
Miscellaneous and Other	3,301	3,301	3,889	588
Operating Transfers In	1,273	1,273	1,273	-
Total Revenues and Other Financing Sources	337,397	337,397	323,646	(13,751)
Cash balance carryforward	14,234	14,241		
Total	<u>351,631</u>	<u>351,638</u>		
EXPENSES				
Public Schools Insurance Authority				
P630 Benefits	286,300	286,300	263,740	22,560
P631 Risk	64,058	64,058	60,128	3,930
P632 Program Support	1,273	1,280	1,273	7
Total Expenses	351,631	351,638	325,141	26,497
Net Change in Fund Net Assets	\$ -	\$ -	\$ (1,495)	\$ (40,248)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Net Assets (Budgetary Basis)			\$ (1,495)	
Differences Budget to GAAP:				
GAAP Adjustments			1,510	
Total Change in Net Assets as Reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets			\$ 15	

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS – MINERS’ COLFAX MEDICAL CENTER

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES AND OTHER FINANCING SOURCES				
Federal Revenue	\$ 322	\$ 322	\$ 264	\$ (58)
Investment Income (Loss)	938	938	4,411	3,473
Rentals and Royalties	4,137	4,137	3,759	(378)
Charges for Services	17,317	17,317	15,720	(1,597)
Miscellaneous and Other	106	106	471	365
Operating Transfers In	6,023	6,023	5,203	(820)
Total Revenues and Other Financing Sources	28,843	28,843	29,828	985
EXPENSES				
Miners' Colfax Medical Center				
P723 MCMC Health Care/Acute Care	25,690	25,690	25,473	217
P724 MCMC Health Care/Long Term Care	2,758	2,758	2,600	158
P725 MCMC Black Lung Clinic	395	395	307	88
Total Expenses	28,843	28,843	28,380	463
Net Change in Fund Net Assets	\$ -	\$ -	\$ 1,448	\$ 522

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Net Assets (Budgetary Basis)	\$ 1,448
Differences Budget to GAAP:	
GAAP Adjustments	(1,479)
Total Change in Net Assets as Reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets	\$ (31)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR INTERNAL SERVICE FUNDS COMBINING FINANCIAL STATEMENTS

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, 2012
(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
ASSETS					
Current Assets:					
Investment in the State General Fund					
Investment Pool	\$ 7,293	\$ 106,581	\$ 631	\$ 9,579	\$ 17,234
Due From Other Funds	20	2,828	6	493	10,536
Receivables, Net	740	1,442	324	8,714	220
Inventories and Other Assets	-	-	334	-	-
Total Current Assets	<u>8,053</u>	<u>110,851</u>	<u>1,295</u>	<u>18,786</u>	<u>27,990</u>
Noncurrent Assets:					
Capital Assets, Net	5,622	-	191	30,401	16,434
Total Noncurrent Assets	<u>5,622</u>	<u>-</u>	<u>191</u>	<u>30,401</u>	<u>16,434</u>
Total Assets	<u>13,675</u>	<u>110,851</u>	<u>1,486</u>	<u>49,187</u>	<u>44,424</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	379	14,277	373	3,254	669
Accrued Liabilities	88	287	184	374	170
Due to Other Funds	6	2,642	223	6,893	3,835
Other Liabilities	45	100,349	144	119	37
Total Current Liabilities	<u>518</u>	<u>117,555</u>	<u>924</u>	<u>10,640</u>	<u>4,711</u>
Noncurrent Liabilities:					
Other Liabilities	6	184,166	-	532	205
Total Noncurrent Liabilities	<u>6</u>	<u>184,166</u>	<u>-</u>	<u>532</u>	<u>205</u>
Total Liabilities	<u>524</u>	<u>301,721</u>	<u>924</u>	<u>11,172</u>	<u>4,916</u>
NET ASSETS					
Invested in Capital Assets, Net of					
Related Debt	5,622	-	191	30,401	16,434
Restricted for:					
Unemployment and Insurance	-	284,515	-	-	-
Other Purposes	-	-	-	-	24,901
Unrestricted (Deficit)	7,529	(475,385)	371	7,614	(1,827)
Total Net Assets	<u>\$ 13,151</u>	<u>\$ (190,870)</u>	<u>\$ 562</u>	<u>\$ 38,015</u>	<u>\$ 39,508</u>

<u>Total</u>	
\$	141,318
	13,883
	11,440
	334
	<u>166,975</u>
	52,648
	<u>52,648</u>
	<u>219,623</u>
	18,952
	1,103
	13,599
	100,694
	<u>134,348</u>
	184,909
	<u>184,909</u>
	<u>319,257</u>
	52,648
	284,515
	24,901
	<u>(461,698)</u>
\$	<u><u>(99,634)</u></u>

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, 2012 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
OPERATING REVENUES					
Charges for Services	\$ 4,439	\$ 397,188	\$ 2,073	\$ 38,793	\$ 6,446
Other Operating Revenues	179	606	11	927	1
Total Operating Revenues	<u>4,618</u>	<u>397,794</u>	<u>2,084</u>	<u>39,720</u>	<u>6,447</u>
OPERATING EXPENSES					
General and Administrative Expenses	1,573	3,191	3,555	9,897	4,100
Depreciation Expense	2,602	-	41	6,511	3,749
Other Operating Expenses	4,078	527,898	1,674	34,115	2,131
Total Operating Expenses	<u>8,253</u>	<u>531,089</u>	<u>5,270</u>	<u>50,523</u>	<u>9,980</u>
Operating Income (Loss)	<u>(3,635)</u>	<u>(133,295)</u>	<u>(3,186)</u>	<u>(10,803)</u>	<u>(3,533)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	189	-	-	14
Gain (Loss) on Sale of Capital Assets	3,022	-	-	(4)	-
Total Nonoperating Revenues (Expenses)	<u>3,022</u>	<u>189</u>	<u>-</u>	<u>(4)</u>	<u>14</u>
Income (Loss) Before Transfers	<u>(613)</u>	<u>(133,106)</u>	<u>(3,186)</u>	<u>(10,807)</u>	<u>(3,519)</u>
TRANSFERS					
Transfers In	-	6,733	3,034	11,218	13,842
Transfers Out	(2,681)	(9,209)	(29)	(9,341)	(8,437)
Total Transfers	<u>(2,681)</u>	<u>(2,476)</u>	<u>3,005</u>	<u>1,877</u>	<u>5,405</u>
Change in Net Assets	(3,294)	(135,582)	(181)	(8,930)	1,886
Net Assets - Beginning	16,445	(55,288)	743	46,945	37,622
Net Assets - Ending	<u>\$ 13,151</u>	<u>\$ (190,870)</u>	<u>\$ 562</u>	<u>\$ 38,015</u>	<u>\$ 39,508</u>

	<u>Total</u>
\$	448,939
	<u>1,724</u>
	<u>450,663</u>
	22,316
	12,903
	<u>569,896</u>
	<u>605,115</u>
	<u>(154,452)</u>
	203
	<u>3,018</u>
	3,221
	<u>(151,231)</u>
	34,827
	<u>(29,697)</u>
	<u>5,130</u>
	(146,101)
	46,467
\$	<u><u>(99,634)</u></u>

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from:					
Fees for Service	\$ 5,593	\$ 395,693	\$ 2,083	\$ 39,963	\$ 6,308
Other Sources	3	-	-	-	-
Cash Payments to or for:					
Suppliers	(4,368)	(420,356)	(1,662)	(29,201)	(2,221)
Employees	(1,576)	(3,177)	(3,463)	(9,666)	(4,047)
Other Payments	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(348)</u>	<u>(27,840)</u>	<u>(3,042)</u>	<u>1,096</u>	<u>40</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	-	4,653	3,034	1,571	12,351
Transfers Out	(2,681)	(8,231)	(29)	(8,147)	(4,345)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,681)</u>	<u>(3,578)</u>	<u>3,005</u>	<u>(6,576)</u>	<u>8,006</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Sale of Capital Assets	3,338	19	-	-	-
Acquisition of Capital Assets	-	-	(102)	(1,100)	(3,749)
Net Cash Used by Capital and Related Financing Activities	<u>3,338</u>	<u>19</u>	<u>(102)</u>	<u>(1,100)</u>	<u>(3,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	-	190	-	-	12
Net Cash Provided by Investing Activities	<u>-</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>12</u>
Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year, as Restated	309	(31,209)	(139)	(6,580)	4,309
Cash and Cash Equivalents at End of Year	<u>6,984</u>	<u>137,790</u>	<u>770</u>	<u>16,159</u>	<u>12,925</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,293</u>	<u>\$ 106,581</u>	<u>\$ 631</u>	<u>\$ 9,579</u>	<u>\$ 17,234</u>
Cash and Cash Equivalents					
Investment in the State General Fund Investment Pool	\$ 7,293	\$ 106,581	\$ 631	\$ 9,579	\$ 17,234
Total Cash and Cash Equivalents	<u>\$ 7,293</u>	<u>\$ 106,581</u>	<u>\$ 631</u>	<u>\$ 9,579</u>	<u>\$ 17,234</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (3,635)	\$ (133,295)	\$ (3,186)	\$ (10,803)	\$ (3,533)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	2,602	-	41	6,511	3,749
Reserve for Losses	-	-	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	978	(3,987)	(65)	2,517	(138)
Inventories	-	-	37	-	-
Prepaid Items/Deferred Charges	-	31	-	-	-
Insurance Claims Payable	-	106,266	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(293)	3,145	131	2,871	(38)
Net Cash Provided (Used) by Operating Activities	<u>\$ (348)</u>	<u>\$ (27,840)</u>	<u>\$ (3,042)</u>	<u>\$ 1,096</u>	<u>\$ 40</u>

	<u>Total</u>
\$	449,640
	3
	(457,808)
	(21,929)
	-
	<u>(30,094)</u>
	21,609
	<u>(23,433)</u>
	<u>(1,824)</u>
	3,357
	<u>(4,951)</u>
	<u>(1,594)</u>
	202
	<u>202</u>
	(33,310)
	174,628
\$	<u>141,318</u>
\$	141,318
\$	<u>141,318</u>

\$	(154,452)
	12,903
	-
	(695)
	37
	31
	106,266
	<u>5,816</u>
\$	<u>(30,094)</u>

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Rentals and Royalties	\$ -	\$ -	\$ -	\$ -
Charges for Services	5,461	5,461	4,569	(892)
Licenses, Fees and Permits	-	-	34	34
Assessments	-	-	6	6
Miscellaneous and Other	-	-	6	6
Gain (Loss) on Sale of Capital Assets	-	-	970	970
Total Revenues and Other Financing Sources	<u>5,461</u>	<u>5,461</u>	<u>5,585</u>	<u>124</u>
Net Asset Balance	<u>2,135</u>	<u>2,135</u>		
Total Budget	<u>7,596</u>	<u>7,596</u>		
EXPENDITURES				
Fleet Operations				
P609 Transportation Services	<u>7,596</u>	<u>7,596</u>	<u>6,166</u>	<u>1,430</u>
Total Expenditures and Other Financing Uses	<u>7,596</u>	<u>7,596</u>	<u>6,166</u>	<u>1,430</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (581)</u>	
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Net Assets				
Net Change in Fund Net Assets (Budgetary Basis)			\$ (581)	
Differences Budget to GAAP:				
GAAP Adjustments			(2,713)	
Multiple Year Expenditures				
Total Change in Net Assets as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Net Assets			<u>\$ (3,294)</u>	

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Investment Income	\$ -	\$ -	\$ 189	\$ 189
Charges for Services	441,276	441,276	395,555	(45,721)
Miscellaneous and Other	-	-	1,837	1,837
Operating Transfers In	6,733	13,733	6,733	(7,000)
Total Revenues and Other Financing Sources	<u>448,009</u>	<u>455,009</u>	<u>404,314</u>	<u>(50,695)</u>
Net Asset Balance	74	26,074		
Total Budget	<u>448,083</u>	<u>481,083</u>		
EXPENDITURES				
Risk Management				
P598 Program Support	-	-	-	-
P606 Risk Management	95,008	128,008	91,040	36,968
P607 Employee Group Health Benefits	353,075	353,075	342,664	10,411
Total Expenditures and Other Financing Uses	<u>448,083</u>	<u>481,083</u>	<u>433,704</u>	<u>\$ 47,379</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,390)</u>	
Net Change in Fund Net Assets				
Net Change in Fund Net Assets (Budgetary Basis)			\$ (29,390)	
Differences Budget to GAAP:				
GAAP Adjustments			(106,192)	
Total Change in Net Assets as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Net Assets			<u>\$ (135,582)</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, 2012

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 5,841	\$ 5,841	\$ 1,888	\$ (3,953)
Assessment	-	-	-	-
Miscellaneous and Other	-	-	189	189
Operating Transfers In	-	-	3,211	3,211
Total Revenues and Other Financing Sources	5,841	5,841	5,288	(553)
EXPENDITURES				
Printing and Records				
P598 Administration	3,321	3,321	2,941	380
P605 State Printing Services	1,928	1,928	1,338	590
P609 Transportation Services	-	-	533	(533)
P641 State Commission of Public Records	592	592	190	402
Total Expenditures and Other Financing Uses	5,841	5,841	5,002	839
Net Change Budgetary Basis	\$ -	\$ -	\$ 286	\$ (1,392)

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Net Assets

Net Change in Fund Net Assets (Budgetary Basis)

\$ 286

Differences Budget to GAAP:

GAAP Adjustments

(467)

Total Change in Net Assets as Reported on the Statement of

Revenues, Expenditures, and Changes in Fund Net Assets

\$ (181)

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 42,733	\$ 44,058	\$ 38,793	\$ (5,265)
Miscellaneous and Other	-	-	70	70
Operating Transfers In	-	-	1,138	1,138
Total Revenues and Other Financing Sources	<u>42,733</u>	<u>44,058</u>	<u>40,001</u>	<u>(4,057)</u>
Net assets balance	-	1,750		
	<u>42,733</u>	<u>45,808</u>		
EXPENDITURES				
Communications Services				
P773 Enterprise Services	42,733	45,808	40,642	5,166
Total Expenditures and Other Financing Uses	<u>42,733</u>	<u>45,808</u>	<u>40,642</u>	<u>5,166</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (641)</u>	<u>\$ (9,223)</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Net Assets

Net Change in Fund Net Assets (Budgetary Basis) \$ (641)

Differences Budget to GAAP:

GAAP Adjustments (2,455)

Expenditures not associated with P Code (5,834)

Total Change in Net Assets as Reported on the Statement of

Revenues, Expenditures, and Changes in Fund Net Assets \$ (8,930)

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2012

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ 14	\$ 14
Charges for Services	5,531	5,531	6,446	915
Miscellaneous and Other	-	-	-	-
Operating Transfers In	7,958	7,958	3,644	(4,314)
Total Revenues and Other Financing Sources	13,489	13,489	10,104	(3,385)
Net Assets Balance	-	1,000		
Total Budget	<u>13,489</u>	<u>14,489</u>		
EXPENDITURES				
Information Processing				
P771 Program Support	3,210	3,210	3,333	(123)
P772 Compliance and Project Managem	472	472	476	(4)
P773 Enterprise Services	5,531	5,531	3,532	1,999
P784 Equipment Replacement Program	4,276	5,276	3,484	1,792
Total Expenditures and Other Financing Uses	13,489	14,489	10,825	3,664
Net Change Budgetary Basis	\$ -	\$ -	\$ (721)	\$ (7,049)
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Net Assets				
Net Change in Fund Net Assets (Budgetary Basis)			\$ (721)	
Differences Budget to GAAP:				
GAAP Adjustments			2,949	
Expenditures not associated with a Pcode			(342)	
Total Change in Net Assets as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Net Assets			\$ 1,886	

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,” 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, 2012
(In Thousands)

	Public Employees Retirement	Judicial Retirement	Magistrate Retirement	Volunteer Firefighters Retirement	Educational Employees Retirement System
ASSETS					
Cash and Cash Equivalents	\$ 455,917	\$ 2,924	\$ 1,200	\$ 1,857	\$ 317,057
Investment in State General Fund Investment Pool	5,691	1,258	455	365	5,522
Investments					
U.S. Government and Agency Securities	1,174,984	7,535	3,094	4,787	721,850
International Securities	2,988,158	19,162	7,868	12,175	1,303,989
Corporate Equity Securities	2,831,339	18,157	7,455	11,536	2,774,110
Corporate and Municipal Bonds	1,327,348	8,513	3,496	5,408	986,268
Partnerships and Other Investments	2,711,950	17,392	7,139	11,049	3,391,756
Securities Lending Collateral Investments	439,099	2,802	1,157	1,779	-
Due From Other Funds	363	-	-	-	-
Receivables					
Brokers	1,556,836	9,984	4,099	6,343	55,468
Contributions	28,489	151	37	-	70,942
Accrued Interest and Other	44,498	284	118	180	27,009
Participant Loans	-	-	-	-	-
Other Assets	-	-	-	-	-
Capital Assets, Net	13,654	-	-	-	2,863
Total Assets	13,578,326	88,162	36,118	55,479	9,656,834
LIABILITIES					
Accounts Payable	7,656	-	-	-	166,644
Security Lending Liability	464,349	2,964	1,223	1,882	1,210
Accrued Liabilities	198	-	-	-	-
Due to Other Funds	-	182	77	100	-
Due to Brokers	1,505,807	9,656	3,965	6,135	-
Unearned Revenue	-	-	-	-	-
Deposits Held in Trust	-	-	-	-	19
Other Liabilities	292	-	-	-	-
Total Liabilities	1,978,302	12,802	5,265	8,117	167,873
NET ASSETS					
Held in Trust for:					
Pension Benefits	11,600,024	75,360	30,853	47,362	9,488,961
Other Employee Benefits	-	-	-	-	-
Defined Contribution	-	-	-	-	-
Net Assets	\$ 11,600,024	\$ 75,360	\$ 30,853	\$ 47,362	\$ 9,488,961

<u>New Mexico Retiree Health Care Authority</u>	<u>Deferred Compensation (IRC 457) Plan</u>	<u>Total</u>
\$ -	\$ -	\$ 778,955
9,893	-	23,184
-	-	1,912,250
-	-	4,331,352
-	-	5,642,597
-	-	2,331,033
229,634	384,120	6,753,040
-	-	444,837
3	-	366
-	-	1,632,730
10,994	-	110,613
4,644	-	76,733
	6,702	6,702
1	1,998	1,999
31	-	16,548
<u>255,200</u>	<u>392,820</u>	<u>24,062,939</u>
11,544	-	185,844
120	-	471,748
-	-	198
-	-	359
-	-	1,525,563
2,961	-	2,961
-	-	19
17,205	-	17,497
<u>31,830</u>	<u>-</u>	<u>2,204,189</u>
-	-	21,242,560
223,370	-	223,370
-	392,820	392,820
<u>\$ 223,370</u>	<u>\$ 392,820</u>	<u>\$ 21,858,750</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, 2012

(In Thousands)

	Public Employees Retirement	Judicial Retirement	Magistrate Retirement	Volunteer Firefighters Retirement	Educational Employees Retirement System
ADDITIONS					
Contributions:					
Employee Contributions	\$ 248,070	\$ 1,348	\$ 350	\$ -	\$ 289,852
Employer Contributions	274,906	3,266	676	-	253,845
Other	10,150	17	-	-	-
Transfers In	-	-	-	750	-
Total Contributions	533,126	4,631	1,026	750	543,697
Investment Income (Loss):					
Net Increase in Fair Value of Investments	(341,657)	(2,266)	(919)	(1,343)	(565)
Interest and Dividends	247,135	1,836	768	1,163	172,221
	(94,522)	(430)	(151)	(180)	171,656
Less Investment Expense	(24,969)	(162)	(66)	(101)	(10,895)
Net Investment Income	(119,491)	(592)	(217)	(281)	160,761
Other Additions					
Other Operating Revenues	27,691	184	75	109	3,062
Total Other Additions	27,691	184	75	109	3,062
Total Additions	441,326	4,223	884	578	707,520
DEDUCTIONS					
Benefits and Claims	780,709	7,656	3,218	856	754,555
Retiree Healthcare Payments	-	-	-	-	-
Refunds	45,771	10	-	-	34,520
General and Administrative Expenses	9,841	22	12	-	11,986
Other Operating Expenses	-	-	-	-	6,061
Total Deductions	836,321	7,688	3,230	856	807,122
Change in Net Assets	(394,995)	(3,465)	(2,346)	(278)	(99,602)
Net Assets - Beginning	11,995,019	78,825	33,199	47,640	9,588,563
Net Assets - Ending	\$ 11,600,024	\$ 75,360	\$ 30,853	\$ 47,362	\$ 9,488,961

<u>New Mexico Retiree Health Care Authority</u>	<u>Deferred Compensation (IRC 457) Plan</u>	<u>Total</u>
\$ 103,730	\$ 33,869	\$ 677,219
72,723	-	605,416
36,361		46,528
86	-	836
<u>212,900</u>	<u>33,869</u>	<u>1,329,999</u>
(4,806)	(1,051)	(352,607)
31	2,497	425,651
<u>(4,775)</u>	<u>1,446</u>	<u>73,044</u>
-	-	(36,193)
<u>(4,775)</u>	<u>1,446</u>	<u>36,851</u>
34,908	-	66,029
<u>34,908</u>	<u>-</u>	<u>66,029</u>
<u>243,033</u>	<u>35,315</u>	<u>1,432,879</u>
229,021	29,960	1,805,975
-	-	-
-	-	80,301
2,374	956	25,191
<u>3,472</u>	<u>112</u>	<u>9,645</u>
<u>234,867</u>	<u>31,028</u>	<u>1,921,112</u>
8,166	4,287	(488,233)
215,204	388,533	22,346,983
<u>\$ 223,370</u>	<u>\$ 392,820</u>	<u>\$ 21,858,750</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, 2012
(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Investment Income	\$ 29,552	\$ 34,948	\$ 112,835	\$ 77,887
Charges for Services	108	108	62	(46)
Total Revenues and Other Financing Sources	<u>29,660</u>	<u>35,056</u>	<u>112,897</u>	<u>77,841</u>
EXPENDITURES				
Public Employees Retirement				
P640 Pension Administration Program	29,660	35,056	32,180	2,876
Total Expenditures and Other Financing Uses	<u>29,660</u>	<u>35,056</u>	<u>32,180</u>	<u>2,876</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,717</u>	<u>\$ 74,965</u>

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance

Net Change in Fund Balance (Budgetary Basis) \$ 80,717

Differences in Budget to GAAP:

Investment earnings and change in fair value	(207,707)
Depreciation expense	(1,988)
Compensated absences	(292)
Contributions from members and employers	533,126
Other income	27,629
Benefit payments to retirees and beneficiaries	(780,709)
Refunds to terminated employees	(45,771)

Increase (Decrease) in plan assets

(394,995)

Net position held in trust for pension benefits

Balance - beginning of year	<u>11,995,019</u>
Balance - end of year	<u>\$ 11,600,024</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, 2012
(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Investment Income	\$ 40,234	\$ 40,561	\$ 40,561	\$ -
Total Revenues and Other Financing Sources	<u>40,234</u>	<u>40,561</u>	<u>40,561</u>	<u>-</u>
EXPENDITURES				
Educational Retirement Board				
P635 Educational Retirement Board	40,234	40,561	21,542	19,019
Total Expenditures and Other Financing Uses	<u>40,234</u>	<u>40,561</u>	<u>21,542</u>	<u>19,019</u>
Net Change Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,019</u>	<u>\$ (19,019)</u>
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			19,019	
Differences in Budget to GAAP:				
Investment earnings and change in fair value			120,200	
Depreciation expense			(1,408)	
Capital outlay			(72)	
Contributions from members and employers			543,697	
Other income			3,062	
Benefit payments to retirees and beneficiaries			(754,555)	
Refunds to terminated employees			<u>(29,545)</u>	
Increase (Decrease) in plan assets			<u>(99,602)</u>	
Net position held in trust for pension benefits				
Balance - beginning of year			<u>9,588,563</u>	
Balance - end of year			<u>\$ 9,488,961</u>	

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, 2012
(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
REVENUES				
Investment Income	\$ 28	\$ 28	\$ 31	\$ 3
Retiree contributions	97,640	97,640	103,731	6,091
Employer/employee contributions	100,299	100,299	109,171	8,872
Pension taxes	19,686	19,686	19,686	-
Miscellaneous and Other	19,289	19,289	11,866	(7,423)
Transfers in	2,664	2,664	2,959	295
Federal revenue	-	-	3,355	3,355
Total Revenues and Other Financing Sources	239,606	239,606	250,799	11,193
EXPENDITURES				
Retiree Health Care Authority				
P633 Healthcare Benefits Administration Program	236,942	236,942	231,690	5,252
P634 Program Support	2,664	2,664	2,664	-
Total Expenditures and Other Financing Uses	239,606	239,606	234,354	5,252
Net Change Budgetary Basis	\$ -	\$ -	\$ 16,445	\$ 5,941
Budget Basis to GAAP Basis Reconciliation				
Net Change in Fund Balance				
Net Change in Fund Balance (Budgetary Basis)			\$ 16,445	
Differences in Budget to GAAP:				
Loss on investments excluding interest			(4,806)	
Depreciation expense			(10)	
Miscellaneous			(1)	
Change in IBNR liability			(3,462)	
Increase (Decrease) in plan assets			8,166	
Net position held in trust for pension benefits				
Balance - beginning of year			215,204	
Balance - end of year			<u>\$ 223,370</u>	

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, 2012

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income (Expense)	
2012	\$ 248,070	\$ 274,906	\$ (119,491)	\$ 37,841	\$ 441,326
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2012	\$ 780,709	\$ 9,841	\$ 45,771	\$ -	\$ 836,321
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

STATE OF NEW MEXICO

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

For the Last Ten Years Ending June 30, 2012

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member	Employer	Investment	Other	
	Contributions	Contributions	Income (Loss)	Income	
2012	\$ 1,348	\$ 3,266	\$ (592)	\$ 201	\$ 4,223
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative		Other Expenses	
		Expenses	Refunds		
2012	\$ 7,656	\$ 22	\$ 10	\$ -	\$ 7,688
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

STATE OF NEW MEXICO

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

For the Last Ten Years Ending June 30, 2012

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member	Employer	Investment	Other	
	Contributions	Contributions	Income (Loss)	Income	
2012	\$ 350	\$ 676	\$ (217)	\$ 75	\$ 884
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and	General and	Refunds	Other	
	Claims	Administrative Expenses		Expenses	
2012	\$ 3,218	\$ 12	\$ -	\$ -	\$ 3,230
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

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, 2012
(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member	Employer	Investment	Other	
	Contributions	Contributions	Income (Loss)	Income+	
2012	\$ -	\$ -	\$ (281)	\$ 859	\$ 578
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and	General and	Refunds	Other	
	Claims	Administrative			
2012	\$ 856	\$ -	\$ -	\$ -	\$ 856
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

*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, 2012
(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2012	\$ 289,852	\$ 253,845	\$ 160,761	\$ 3,062	\$ 707,520
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2012	\$ 754,555	\$ 11,986	\$ 34,520	\$ 6,061	\$ 807,122
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

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, 2012

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income+	
2012	\$ 103,730	\$ 72,723	\$ (4,775)	\$ 71,355	\$ 243,033
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	
2012	\$ 229,021	\$ 2,374	\$ -	\$ 3,472	\$ 234,867
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 INVESTMENT 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 INVESTMENT TRUST FUNDS

June 30, 2012
(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,060	\$ 85,003	\$ 95,063
Investment in State General Fund			
Investment Pool	-	-	-
Other Investment Pools	93,792	408,845	502,637
Receivables	42,707	723	43,430
Total Assets	<u>146,559</u>	<u>494,571</u>	<u>641,130</u>
LIABILITIES			
Due to Other Funds	-	-	-
Due to Brokers	84,902	-	84,902
Intergovernmental Payables	-	-	-
Other Liabilities	729	-	729
Total Liabilities	<u>85,631</u>	<u>-</u>	<u>85,631</u>
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	60,928	494,571	555,499
Net Assets	<u>\$ 60,928</u>	<u>\$ 494,571</u>	<u>\$ 555,499</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS EXTERNAL INVESTMENT TRUST FUNDS

For the Year Ended June 30, 2012

(In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ 2,630	\$ 104,193 *	\$ 106,823
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	(549)	(197,410) **	(197,959)
Interest and Dividends	1,586	1,216	2,802
Total Additions	<u>3,667</u>	<u>(92,001)</u>	<u>(88,334)</u>
DEDUCTIONS			
Pool Participant Withdrawals	935	-	935
General and Administrative Expenses	50	242	292
Total Deductions	<u>985</u>	<u>242</u>	<u>1,227</u>
Change in Net Assets	2,682	(92,243)	(89,561)
Net Assets - Beginning	<u>58,246</u>	<u>586,814</u>	<u>645,060</u>
Net Assets - Ending	<u>\$ 60,928</u>	<u>\$ 494,571</u>	<u>\$ 555,499</u>

*The pool participant deposits of \$20,214 reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

** Includes reduction of interfund investments.

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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 – 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.

Education Trust 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.

Bartlett Trust Fund – The Cultural Affairs Department is the administrator of a trust fund which was privately endowed for the benefit of the Museum of International Folk Art.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

June 30, 2012
(In Thousands)

	Scholarship	Land Grant	Education Trust	Water Trust	Bartlett Trust	Total
ASSETS						
Cash and Cash Equivalents	\$ 20	\$ 402,275	\$ 17,182	\$ 1,053	\$ -	\$ 420,530
Investment in State General Fund Investment Pool	-	33,630	-	-	171	33,801
Investments						
U.S. Government and Agency Securities	-	-	-	-	-	-
Corporate Equity Securities	-	1,301	-	-	-	1,301
Partnerships and Other Investments	-	1,190,394	-	-	-	1,190,394
Investment Pools	22,312	7,737,346	1,960,299	45,844	-	9,765,801
Due From Other Funds	-	17,027	-	-	-	17,027
Receivables						
Brokers	-	316,068	-	2,138	-	318,206
Contributions	-	-	-	-	-	-
Accrued Interest and Other	-	22,218	642	131	-	22,991
Participant Loans	-	-	-	-	-	-
Other Receivables	-	-	1,687	-	-	1,687
Total Assets	<u>22,332</u>	<u>9,720,259</u>	<u>1,979,810</u>	<u>49,166</u>	<u>171</u>	<u>11,771,738</u>
LIABILITIES						
Accounts Payable	-	-	2,379	-	-	2,379
Accrued Liabilities	-	8,021	800	66	-	8,887
Due to Other Funds	11,851	-	-	-	-	11,851
Due to Beneficiaries	-	42,732	-	-	-	42,732
Due to Brokers	-	648,311	-	4,202	-	652,513
Other Liabilities	-	-	12,151	-	-	12,151
Total Liabilities	<u>11,851</u>	<u>699,064</u>	<u>15,330</u>	<u>4,268</u>	<u>-</u>	<u>730,513</u>
NET ASSETS						
Held in Trust for:						
Other Purposes	10,481	9,021,195	1,964,480	44,898	171	11,041,225
Net Assets	<u>\$ 10,481</u>	<u>\$ 9,021,195</u>	<u>\$ 1,964,480</u>	<u>\$ 44,898</u>	<u>171</u>	<u>\$ 11,041,225</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, 2012

(In Thousands)

	Scholarship	Land Grant	Education Trust	Water Trust	Bartlett Trust	Total
ADDITIONS						
Member Contributions	\$ -	\$ -	\$ 668,980	\$ -	\$ -	\$ 668,980
Transfers In	-	-	-	-	-	-
Total Contributions	-	-	668,980	-	-	668,980
Investment Income:						
Net Increase (Decrease) in						
Fair Value of Investments	(41)	(164,729)	(14,332)	(1,684)	170	(180,616)
Interest and Dividends	-	744,531	28,280	974	1	773,786
	(41)	579,802	13,948	(710)	171	593,170
Less Investment Expense	-	-	(11,325)	-	-	(11,325)
Net Investment Income	(41)	579,802	2,623	(710)	171	581,845
Total Additions	(41)	579,802	671,603	(710)	171	1,250,825
DEDUCTIONS						
Distributions	12,809	512,788	652,526	4,000	-	1,182,123
Other Operating Expenses	20	-	-	50	-	70
Transfers Out	-	17,436	-	-	-	17,436
Total Deductions	12,829	530,224	652,526	4,050	-	1,199,629
Change in Net Assets	(12,870)	49,578	19,077	(4,760)	171	51,196
Net Assets - Beginning	23,351	8,971,617	1,945,403	49,658	-	10,990,029
Net Assets - Ending	\$ 10,481	\$ 9,021,195	\$ 1,964,480	\$ 44,898	\$ 171	\$ 11,041,225

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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, 2012

(In Thousands)

	Culture, Recreation, and Natural Resources	Other Agency	Receipts Pending Distribution	Suspense Related	Total
ASSETS					
Cash and Cash Equivalents	\$ 420	\$ 129	\$ 976	\$ 470,494	\$ 472,019
Investment in State General Fund					
Investment Pool	350	223,746	18,104	798,121	1,040,321
Investment in Local Government					
Investment Pool	-	-	474	3,162	3,636
Investments					
Investment Pools	-	21,970	-	-	21,970
Due From Other Funds	-	34,017	117	109,246	143,380
Receivables, Net	87	91,627	615	-	92,329
Total Assets	\$ 857	\$ 371,489	\$ 20,286	\$ 1,381,023	\$ 1,773,655
LIABILITIES					
Accounts Payable	\$ -	\$ 43,662	\$ 74	\$ 77	\$ 43,813
Accrued Liabilities	-	356	-	2,075	2,431
Due to Other Funds	-	69,053	17,803	149,361	236,217
Due to Beneficiaries	-	225,504	-	-	225,504
Due to Taxpayers	-	-	-	207,885	207,885
Intergovernmental Payables	-	7,711	26	323,715	331,452
Deposits Held in Trust	443	24,967	1,786	697,678	724,874
Other Liabilities	414	236	597	232	1,479
Total Liabilities	\$ 857	\$ 371,489	\$ 20,286	\$ 1,381,023	\$ 1,773,655

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended June 30, 2012

(In Thousands)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
CULTURE, RECREATION, AND NATURAL RESOURCES				
Assets				
Cash and Cash Equivalents	\$ 347	\$ 95	\$ 22	\$ 420
Investment in State General Fund Investment Pool	340	10	-	350
Receivables, Net	94	-	7	87
Total Assets	<u>\$ 781</u>	<u>\$ 105</u>	<u>\$ 29</u>	<u>\$ 857</u>
Liabilities				
Deposits Held in Trust	\$ 367	\$ 98	\$ 22	\$ 443
Other Liabilities	414	-	-	414
Total Liabilities	<u>\$ 781</u>	<u>\$ 98</u>	<u>\$ 22</u>	<u>\$ 857</u>

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
OTHER AGENCY				
Assets				
Cash and Cash Equivalents	\$ 362	\$ 575	\$ 808	\$ 129
Investment in State General Fund Investment Pool	38,348	17,535,687	17,350,289	223,746
Investments	21,755	15,581	15,366	21,970
Due From Other Funds	16,559	44,992	27,534	34,017
Receivables, Net	10,027	256,456	174,856	91,627
Total Assets	<u>\$ 87,051</u>	<u>\$ 17,853,291</u>	<u>\$ 17,568,853</u>	<u>\$ 371,489</u>
Liabilities				
Accounts Payable	\$ 44,864	\$ 849,276	\$ 850,478	\$ 43,662
Accrued Liabilities	829	417	890	356
Due to Other Funds	-	2,639,957	2,570,904	69,053
Due to Beneficiaries	-	225,504	-	225,504
Intergovernmental Payables	18,522	793,279	804,090	7,711
Deposits Held in Trust	22,836	198,368	196,237	24,967
Other Liabilities	-	1,480	1,244	236
Total Liabilities	<u>\$ 87,051</u>	<u>\$ 4,708,281</u>	<u>\$ 4,423,843</u>	<u>\$ 371,489</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, 2012

(In Thousands)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
RECEIPTS PENDING DISTRIBUTION OF FUNDS				
Assets				
Cash and Cash Equivalents	\$ 501	\$ 493	\$ 18	\$ 976
Investment in State General Fund Investment Pool	28,733	371,973	382,602	18,104
Investment in Local Government Investment Pool	15	459	-	474
Due From Other Funds	-	1,021	904	117
Receivables, Net	633	5,189	5,207	615
Total Assets	\$ 29,882	\$ 379,135	\$ 388,731	\$ 20,286
Liabilities				
Accounts Payable	\$ 27,696	\$ 1,742	\$ 29,364	\$ 74
Due to Other Funds	-	69,168	51,365	17,803
Intergovernmental Payables	127	13,504	13,605	26
Deposits Held in Trust	1,468	489,560	489,242	1,786
Other Liabilities	591	1,088	1,082	597
Total Liabilities	\$ 29,882	\$ 575,062	\$ 584,658	\$ 20,286
	Balance June 30, 2011,	Additions	Deletions	Balance June 30, 2012
SUSPENSE RELATED FUNDS				
Assets				
Cash and Cash Equivalents	\$ 455,919	\$ 31,327	\$ 16,752	\$ 470,494
Investment in State General Fund Investment Pool	363,055	8,554,890	8,119,824	798,121
Investment in Local Government Investment Pool	3,199	1,393	1,430	3,162
Due From Other Funds	221,944	221	112,919	109,246
Total Assets	\$ 1,044,117	\$ 8,587,831	\$ 8,250,925	\$ 1,381,023
Liabilities				
Accounts Payable	\$ 59	\$ 383,468	\$ 383,450	\$ 77
Accrued Liabilities	-	2,075	-	2,075
Due to Other Funds	-	149,361	-	149,361
Due to Taxpayer	190,279	18,382	776	207,885
Intergovernmental Payables	292,236	31,603	124	323,715
Deposits Held in Trust	561,181	9,520,540	9,384,043	697,678
Other Liabilities	362	4,513	4,643	232
Total Liabilities	\$ 1,044,117	\$ 10,109,942	\$ 9,773,036	\$ 1,381,023

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, 2012

(In Thousands)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$ 457,129	\$ 32,490	\$ 17,600	\$ 472,019
Investment in State General Fund Investment Pool	430,476	26,462,560	25,852,715	1,040,321
Investment in Local Government Investment Pool	3,214	1,852	1,430	3,636
Investments	21,755	15,581	15,366	21,970
Due From Other Funds	238,503	46,234	141,357	143,380
Receivables, Net	10,754	261,645	180,070	92,329
Total Assets	<u>\$ 1,161,831</u>	<u>\$ 26,820,362</u>	<u>\$ 26,208,538</u>	<u>\$ 1,773,655</u>
Liabilities				
Accounts Payable	\$ 72,619	\$ 1,234,486	\$ 1,263,292	\$ 43,813
Accrued Liabilities	829	2,492	890	2,431
Due to Other Funds	-	2,858,486	2,622,269	236,217
Due to Beneficiaries	-	225,504	-	225,504
Due to Taxpayers	190,279	18,382	776	207,885
Intergovernmental Payables	310,885	838,386	817,819	331,452
Deposits Held in Trust	585,852	10,208,566	10,069,544	724,874
Other Liabilities	1,367	7,081	6,969	1,479
Total Liabilities	<u>\$ 1,161,831</u>	<u>\$ 15,393,383</u>	<u>\$ 14,781,559</u>	<u>\$ 1,773,655</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF STATE GENERAL FUND INVESTMENT POOL (SGFIP) - BY PARTICIPANT

For the Year Ended June 30, 2012

(In Thousands)

Business Unit	Agency Name - Participant	Interest in SGFIP Per Participant's Audit Report
11100	Legislative Council Service	\$ 5,712
11200	Legislative Finance Committee	389
11400	Legislative Council Service - Permanent Senate Chief	321
11500	Legislative Council Service - Permanent House Chief	269
11700	Legislative Education Study Commission	160
13100	Legislature - Staff	5,569
13101	Legislature - Senate	658
13102	Legislature - House	700
20500	Supreme Court Law Library	139
20800	Compilation Commission	1,350
21000	Judicial Standards Commission	38
21500	Court of Appeals	226
21600	Supreme Court	161
21800	Administrative Office of the Courts	10,999
21801	Administrative Office of the Courts - Fiduciary Funds	3,049
21900	Supreme Court Building Commission	38
23100	First Judicial District Court	529
23200	Second Judicial District Court	1,139
23300	Third Judicial District Court	689
23400	Fourth Judicial District Court	121
23500	Fifth Judicial District Court	519
23600	Sixth Judicial District Court	207
23700	Seventh Judicial District Court	221
23800	Eighth Judicial District Court	264
23900	Ninth Judicial District Court	223
24000	Tenth Judicial District Court	55
24100	Eleventh Judicial District Court	354
24200	Twelfth Judicial District Court	365
24300	Thirteenth Judicial District Court	442
24400	Bernalillo County Metropolitan Court	1,689
25100	First Judicial District Attorney	320
25200	Second Judicial District Attorney	990
25300	Third Judicial District Attorney	481
25400	Fourth Judicial District Attorney	244
25500	Fifth Judicial District Attorney	560
25600	Sixth Judicial District Attorney	310
25700	Seventh Judicial District Attorney	134
25800	Eighth Judicial District Attorney	148

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF STATE GENERAL FUND INVESTMENT POOL (SGFIP) - BY PARTICIPANT (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

Business Unit	Agency Name - Participant	Interest in SGFIP Per Participant's Audit Report
25900	Ninth Judicial District Attorney	\$ 172
26000	Tenth Judicial District Attorney	57
26100	Eleventh Judicial District Attorney, Division I	1,731
26200	Twelfth Judicial District Attorney	372
26300	Thirteenth Judicial District Attorney	526
26400	Administrative Office of the District Attorneys	1,142
26500	Eleventh Judicial District Attorney, Division II	308
30500	Office of the Attorney General	11,575
30800	Office of the State Auditor	505
33300	Taxation and Revenue Department	832,764
33700	State Investment Council	62,716
34100	Department of Finance and Administration	78,628
34101	State General Fund	370,100
34200	Public Schools Insurance Authority	586
34300	Retiree Health Care Authority	9,893
35000	General Services Department	148,049
35200	Educational Retirement Board	5,521
35400	Sentencing Commission	85
35500	Public Defender Department	4,417
35600	Office of the Governor	399
36000	Office of the Lieutenant Governor	292
36100	Department of Information Technology	27,247
36600	Public Employees Retirement Association	7,769
36900	State Commission of Public Records	463
37000	Secretary of State	2,703
37800	State Personnel Board	401
37900	Public Employee Labor Relations Board	272
38500	New Mexico Finance Authority	169
39400	Office of the State Treasurer	274
40400	Board of Examiners for Architects	840
41700	Border Authority	1,229
41800	Tourism Department	4,743
41900	Economic Development Department	13,355
42000	Regulation and Licensing Department	24,376
43000	Public Regulation Commission	101,229
44600	Medical Board	2,048
44900	Board of Nursing	1,929
46400	State Board of Licensure for Professional Engineers	1,916

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF STATE GENERAL FUND INVESTMENT POOL (SGFIP) - BY PARTICIPANT (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

Business Unit	Agency Name - Participant	Interest in SGFIP Per Participant's Audit Report
46500	Gaming Control Board	\$ 798
46900	State Racing Commission	591
47900	Board of Veterinary Medicine	168
49100	Military Homebase Planning	24
49500	Spaceport Authority	259
50500	Department of Cultural Affairs	11,766
50800	Livestock Board	3,906
51600	Department of Game and Fish	50,587
52100	Energy, Minerals and Natural Resources Department	32,815
53800	Inter Tribal Ceremony	3
53900	Commissioner of Public Lands	135,358
55000	Office of the State Engineer	41,363
60100	Commission on the Status of Women	312
60300	Office of African American Affairs	130
60400	Commission of for Deaf and Hard of Hearing	5,886
60500	Martin Luther Kings, Jr. Commission	231
60600	Commission for the Blind	230
60900	Indian Affair Department	4,348
62400	Aging and Long-Term Services Department	4,655
63000	Human Services Department	13,360
63100	Department of Workforce Solutions	12,794
63200	Workers' Compensation Administration	6,866
64400	Division of Vocational Rehabilitation	9,056
64500	Governor's Commission on Disability	375
64700	Development Disabilities Planning Council	287
66200	Miners' Colfax Medical Center	6,208
66500	Department of Health	57,589
66700	Environment Department	141,960
66800	Office of Natural Resources Trustee	17,793
66900	Health Policy Commission	-
67000	Department of Veteran's Services	738
69000	Children, Youth and Families Department	23,100
70500	Department of Military Affairs	
76000	Adult Parole Board	29
76500	Juvenile Parole Board	36
77000	Corrections Department	41,855
78000	Crime Victims Reparation Commission	454
79000	Department of Public Safety	12,198

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF STATE GENERAL FUND INVESTMENT POOL (SGFIP) - BY PARTICIPANT (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

Business Unit	Agency Name - Participant	Interest in SGFIP Per Participant's Audit Report
79500	Department of Homeland Security	\$ 7,434
80500	Department of Transportation	285,297
92400	Public Education Department	76,200
94000	Public School Facilities Authority	-
94900	Education Trust Board	1,670
95000	Higher Education Department	63,167
	Subtotal	2,832,479
	Less: overdrawn balances reclassified to a liability account	(754,658)
	Total Interest in State General Fund Investment Pool by Participant	<u>\$ 2,077,821</u>

* Refer to note 3.F. for more information.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF CONSOLIDATED INVESTMENT POOL - BY PARTICIPANT

For the Year Ended June 30, 2012

(In Thousands)

Business Unit/Fund	Agency Name	Interest in SGFIP	
			Per Participant's Audit Report
34103/0010	DFA - BOF - Capital Projects Funds	\$	476
34103/0190	DFA - BOF - Capital Projects Funds		9,394
34103/0220	DFA - BOF - Capital Projects Funds		92
34103/0270	DFA - BOF - Capital Projects Funds		840
34103/0400	DFA - BOF - Capital Projects Funds		73
34103/0540	DFA - BOF - Capital Projects Funds		642
34103/0620	DFA - BOF - Capital Projects Funds		89
34103/1059	DFA - BOF - Capital Projects Funds		23,907
34103/1071	DFA - BOF - Capital Projects Funds		7,464
34103/1073	DFA - BOF - Capital Projects Funds		5,670
34103/1074	DFA - BOF - Capital Projects Funds		44,464
34103/1091	DFA - BOF - Capital Projects Funds		18,311
34103/1092	DFA - BOF - Capital Projects Funds		86,200
34103/1093	DFA - BOF - Capital Projects Funds		1,692
34103/1116	DFA - BOF - Capital Projects Funds		27,007
34103/1117	DFA - BOF - Capital Projects Funds		94,863
34103/1129	DFA - BOF - Capital Projects Funds		31,552
34103/1131	DFA - BOF - Capital Projects Funds		15,920
34103/1133	DFA - BOF - Capital Projects Funds		154,608
34103/1135	DFA - BOF - Capital Projects Funds		50,189
34103/1143	DFA - BOF - Capital Projects Funds		50,025
34103/1144	DFA - BOF - Capital Projects Funds		70,293
34103/1145	DFA - BOF - Capital Projects Funds		59,775
34103/1158	DFA - BOF - Capital Projects Funds		21,460
34103/2290	DFA - BOF - Capital Projects Funds		304
34103/3010	DFA - BOF - Capital Projects Funds		500
34103/3020	DFA - BOF - Capital Projects Funds		178
34103/3088	DFA - BOF - Capital Projects Funds		1,444
34103/3089	DFA - BOF - Capital Projects Funds		95,355
34103/3120	DFA - BOF - Capital Projects Funds		22
34103/4030	DFA - BOF - Capital Projects Funds		1,269
34103/4070	DFA - BOF - Capital Projects Funds		89
34103/5630	DFA - BOF - Capital Projects Funds		60
34103/5880	DFA - BOF - Capital Projects Funds		10
34103/6090	DFA - BOF - Capital Projects Funds		25,994
34103/6091	DFA - BOF - Capital Projects Funds		12,313
34103/6093	DFA - BOF - Capital Projects Funds		5,356
34103/6210	DFA - BOF - Capital Projects Funds		50

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF CONSOLIDATED INVESTMENT POOL - BY PARTICIPANT (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

Business Unit/Fund	Agency Name	Interest in SGFIP Per Participant's Audit Report
34103/6530	DFA - BOF - Capital Projects Funds	\$ 4,225
34103/6630	DFA - BOF - Capital Projects Funds	5,825
34103/6640	DFA - BOF - Capital Projects Funds	12,716
34103/7320	DFA - BOF - Capital Projects Funds	204
34103/8030	DFA - BOF - Capital Projects Funds	3,422
34103/8050	DFA - BOF - Capital Projects Funds	483
34103/8090	DFA - BOF - Capital Projects Funds	61
34103/8150	DFA - BOF - Capital Projects Funds	3,959
34103/8210	DFA - BOF - Capital Projects Funds	1,244
34103/9685	DFA - BOF - Capital Projects Funds	12,580
34103/9686	DFA - BOF - Capital Projects Funds	944
34103/9960	DFA - BOF - Capital Projects Funds	1
	Subtotal - DFA Capital Project Funds	963,614
39400/0310	STO - Bond Obligations - Debt Service Funds	774
39400/0320	STO - Bond Obligations - Debt Service Funds	2,703
39400/1063	STO - Bond Obligations - Debt Service Funds	8,596
39400/1065	STO - Bond Obligations - Debt Service Funds	33
39400/1075	STO - Bond Obligations - Debt Service Funds	33,525
39400/1095	STO - Bond Obligations - Debt Service Funds	14,258
39400/1096	STO - Bond Obligations - Debt Service Funds	11,540
39400/1119	STO - Bond Obligations - Debt Service Funds	9,066
39400/1128	STO - Bond Obligations - Debt Service Funds	16,191
39400/1132	STO - Bond Obligations - Debt Service Funds	21
39400/1148	STO - Bond Obligations - Debt Service Funds	18
39400/1163	STO - Bond Obligations - Debt Service Funds	566
39400/1830	STO - Bond Obligations - Debt Service Funds	1,154
39400/2880	STO - Bond Obligations - Debt Service Funds	4,590
39400/3082	STO - Bond Obligations - Debt Service Funds	2,078
39400/3083	STO - Bond Obligations - Debt Service Funds	2,611
39400/3880	STO - Bond Obligations - Debt Service Funds	8,101
39400/4100	STO - Bond Obligations - Debt Service Funds	118,661
39400/4110	STO - Bond Obligations - Debt Service Funds	1
39400/4120	STO - Bond Obligations - Debt Service Funds	91
39400/4130	STO - Bond Obligations - Debt Service Funds	5
39400/4140	STO - Bond Obligations - Debt Service Funds	337
39400/4150	STO - Bond Obligations - Debt Service Funds	820

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF CONSOLIDATED INVESTMENT POOL - BY PARTICIPANT (CONTINUED)

For the Year Ended June 30, 2012

(In Thousands)

Business Unit/Fund	Agency Name	Interest in SGFIP Per Participant's Audit Report
39400/4180	STO - Bond Obligations - Debt Service Funds	\$ 8,161
39400/4190	STO - Bond Obligations - Debt Service Funds	152
39400/4200	STO - Bond Obligations - Debt Service Funds	13
39400/4260	STO - Bond Obligations - Debt Service Funds	4
39400/4830	STO - Bond Obligations - Debt Service Funds	247
39400/4840	STO - Bond Obligations - Debt Service Funds	1,230
39400/4880	STO - Bond Obligations - Debt Service Funds	111
39400/5370	STO - Bond Obligations - Debt Service Funds	13,543
39400/5700	STO - Bond Obligations - Debt Service Funds	11
39400/5710	STO - Bond Obligations - Debt Service Funds	1
39400/7201	STO - Bond Obligations - Debt Service Funds	14,637
39400/7207	STO - Bond Obligations - Debt Service Funds	5,528
39400/7301	STO - Bond Obligations - Debt Service Funds	3,014
39400/7303	STO - Bond Obligations - Debt Service Funds	221
39400/9600	STO - Bond Obligations - Debt Service Funds	7
39400/9630	STO - Bond Obligations - Debt Service Funds	2
39400/9640	STO - Bond Obligations - Debt Service Funds	39
	Subtotal -STO - Bond Obligations - Debt Service Funds	<u>282,661</u>
	Total Consolidated Investment Pool by Participant	<u>\$ 1,246,275</u>

* Refer to note 3.F. for more information.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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, 2012

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.....	298
Schedule A-2	Changes in Net Assets.....	300
Schedule A-3	Fund Balances, Governmental Funds.....	306
Schedule A-4	Changes in Fund Balances, Governmental Funds.....	308

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	Schedule of Revenues, State General Fund	310
Schedule B-2	Revenue Base.....	316
Schedule B-3	Revenue Payers by Industry – Taxable Sales, Services, and Use Tax Purchases	318
Schedule B-4	Revenue Payers – Personal Income Tax	319
Schedule B-5	Personal Income Tax Rates	320

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.

Schedule C-1	Ratios of Outstanding Debt by Type.....	322
Schedule C-2	Long-Term Liabilities	324
Schedule C-3	Legal Debt Margin	326
Schedule C-4	Statutory Debt Limit – Severance Tax Bonds.....	328
Schedule C-5	Pledged Revenue Bond Coverage	330

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.

Schedule D-1	Demographic and Economic Indicators	332
Schedule D-2	Principal Employers.....	333
Schedule D-3	Composition of Labor Force	334
Schedule D-4	Public Higher Education Enrollment	336

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

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	338
Schedule E-2	Operating Indicators by Function.....	340
Schedule E-3	Capital Assets Statistics by Function	346

Other Information

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

Schedule F-1	Expenditures – Historical and Constant Dollars	348
Schedule F-2	Per Capita Expenditures – Historical and Constant Dollars.....	349

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				
	2012	2011 as Restated	2010, as Restated	2009, as Restated	2008, as Restated
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 6,539,390	\$ 6,671,011	\$ 6,994,968	\$ 6,995,306	\$ 6,204,269
Restricted	5,542,541	5,685,913	4,868,634	4,530,761	7,558,292
Unrestricted	515,236	261,333	(108,104)	606,498	486,879
Total Governmental Activities Net Assets	\$ 12,597,167	\$ 12,618,257	\$ 11,755,498	\$ 12,132,565	\$ 14,249,440
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 1,488,738	\$ 1,491,224	1,453,705	\$ 1,381,260	\$ 1,090,692
Restricted	1,471,752	1,978,206	1,841,424	1,853,252	2,610,808
Unrestricted	1,256,024	767,876	731,394	659,451	471,516
Total Business-type Activities Net Assets	\$ 4,216,514	\$ 4,237,306	\$ 4,026,523	\$ 3,893,963	\$ 4,173,016
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 8,028,128	\$ 8,162,235	8,448,673	\$ 8,376,566	\$ 7,294,961
Restricted	7,014,293	7,664,119	6,710,058	6,384,013	10,169,100
Unrestricted	1,771,260	1,029,209	623,290	1,265,949	958,395
Total Primary Government Net Assets	\$ 16,813,681	\$ 16,855,563	\$ 15,782,021	\$ 16,026,528	\$ 18,422,456

SCHEDULE A-1

(Accrual Basis of Accounting)

	Fiscal Year				
2007, as Restated	2006	2005	2004	2003	
\$ 5,516,914	\$ 5,724,003	\$ 6,689,355	\$ 7,187,781	\$ 7,830,967	
8,828,955	6,427,635	5,282,593	5,301,338	4,075,363	
214,145	752,605	762,177	171,430	351,759	
<u>\$ 14,560,014</u>	<u>\$ 12,904,243</u>	<u>\$ 12,734,125</u>	<u>\$ 12,660,549</u>	<u>\$ 12,258,089</u>	
\$ 940,608	\$ 945,940	\$ 885,520	\$ 955,999	\$ 892,515	
2,422,434	2,145,306	1,391,203	1,561,273	1,506,856	
657,530	489,752	979,918	624,269	582,996	
<u>\$ 4,020,572</u>	<u>\$ 3,580,998</u>	<u>\$ 3,256,641</u>	<u>\$ 3,141,541</u>	<u>\$ 2,982,367</u>	
\$ 6,457,522	\$ 6,669,943	\$ 7,574,875	\$ 8,143,780	\$ 8,723,482	
11,251,389	8,572,941	6,673,796	6,862,611	5,582,219	
871,675	1,242,357	1,742,095	795,699	934,755	
<u>\$ 18,580,586</u>	<u>\$ 16,485,241</u>	<u>\$ 15,990,766</u>	<u>\$ 15,802,090</u>	<u>\$ 15,240,456</u>	

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009, as Restated	2008, as Restated
Program Expenses					
Governmental Activities:					
General Control	\$ 1,281,435	\$ 1,217,362	\$ 1,197,734	\$ 1,313,985	\$ 1,020,981
Culture, Recreation, and Natural Resources	308,748	226,366	227,367	216,328	215,727
Highway and Transportation	941,748	905,469	1,007,714	939,111	999,407
Judicial	230,465	237,705	244,824	252,343	231,571
Legislative	24,047	26,147	25,474	27,766	22,236
Public Safety	441,675	449,734	456,583	505,599	453,297
Regulation and Licensing	145,748	105,199	117,728	132,021	119,865
Health and Human Services	5,603,724	5,631,423	5,995,540	5,297,968	4,854,810
Education	3,117,733	3,180,978	3,325,810	3,277,536	3,221,028
Unemployment Benefits	-	15,809 +	11,537	1,986	-
Interest	121,970	154,043	130,997	117,338	175,364
Provision for Potential Loss - State General Fund Investment Pool	101,735	-	-	-	-
Total Governmental Activities Expenses	12,319,028	12,150,235	12,741,308	12,081,981	11,314,286
Business-type Activities:					
Educational Institutions	2,768,492	2,761,289	2,678,999	2,668,110	2,921,387
Public Schools Insurance	322,904	320,762	298,852	334,740	309,955
Environmental Loans	874	14,908	7,581	863	8,433
Lottery	-	- #	99,997	101,750	106,997
Miners' Colfax Medical Center	22,608	24,706	24,896	26,908	24,459
Unemployment Insurance	546,600	742,883	781,494	368,957	159,776
State Fair	16,115	16,031	18,916	20,025	19,381
Other Business-type Activities	10,387	11,988	8,726	9,909	10,347
Total Business-type Activity Expenses	3,687,980	3,892,567	3,919,461	3,531,262	3,560,735
Total Primary Government Expenses	\$ 16,007,008	\$ 16,042,802	\$ 16,660,769	\$ 15,613,243	\$ 14,875,021

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.

SCHEDULE A-2

(Accrual Basis of Accounting)

Fiscal Year				
2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated	2003, as Restated
\$ 921,198	\$ 869,013	\$ 882,809	\$ 537,442	\$ 279,041
263,457	202,330	185,303	183,074	203,607
1,126,085	1,027,618	877,638	785,042	585,187
215,954	194,452	184,319	168,013	158,362
22,079	14,052	12,412	12,036	22,424
451,320	390,557	378,394	345,779	338,676
115,717	97,956	88,722	81,551	75,894
4,471,413	4,055,602	3,729,641	3,732,015	3,424,129
2,987,212	2,902,753	2,637,052	2,611,476	2,381,521
-	-	-	-	-
547,366	92,505	125,476	132,440	246,340
-	-	-	-	-
<u>11,121,801</u>	<u>9,846,838</u>	<u>9,101,766</u>	<u>8,588,868</u>	<u>7,715,181</u>
2,273,301	2,142,898	1,996,827	1,876,567	1,801,107
283,995	259,513	247,248	223,798	199,749
429	565	328	374	454
113,963	113,721	102,512	106,661	100,463
19,477	21,511	19,408	18,173	17,468
120,931	109,936 *	129,422	159,954	174,705
17,626	17,639	15,931	15,891	16,221
9,643	10,154	9,880	9,491	10,074
<u>2,839,365</u>	<u>2,675,937</u>	<u>2,521,556</u>	<u>2,410,909</u>	<u>2,320,241</u>
<u>\$ 13,961,166</u>	<u>\$ 12,522,775</u>	<u>\$ 11,623,322</u>	<u>\$ 10,999,777</u>	<u>\$ 10,035,422</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009, as Restated	2008, as Restated
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 305,501	\$ 187,280	\$ 196,030	\$ 246,637	\$ 381,779
Culture, Recreation, and Natural Resources	134,163	125,711	151,080	174,137	160,091
Highway and Transportation	268,612	272,038	78,887	162,366	146,165
Judicial	176,484	151,097	172,084	206,442	167,600
Public Safety	363,078	355,965	328,297	494,388	409,075
Regulation and Licensing	97,075	138,848	90,715	110,738	107,218
Commerce and Industry	-	-	-	-	-
Health and Human Services	167,230	275,408	361,077	101,945	86,810
Education	4,899	6,252	279	2,071	1,170
Operating Grants and Contributions	4,635,542	5,220,477	5,331,479	4,272,942	3,715,696
Capital Grants and Contributions	447,962	369,813	376,259	388,792	311,661
Total Governmental Activities					
Program Revenues	<u>6,600,546</u>	<u>7,102,889</u>	<u>7,086,187</u>	<u>6,160,458</u>	<u>5,487,265</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,289,871	1,169,885	1,116,796	1,104,240	997,629
Public Schools Insurance	322,593	326,622	322,741	320,132	293,758
Lottery	-	-	# 143,539	142,316	147,152
Environmental Loans	4,384	4,215	-	-	-
Miners' Colfax Medical Center	23,455	22,442	20,588	15,650	15,022
Unemployment Insurance	216,824	-	-	35	-
Retiree Health Care	-	-	-	-	-
State Fair	13,831	11,983	13,859	14,489	12,763
Other Business-type Activities	10,260	11,218	11,883	8,812	9,312
Operating Grants and Contributions	1,041,706	1,306,820	1,188,887	692,833	454,131
Capital Grants and Contributions	16,132	998	26,966	29,682	73,918
Total Business-type Activities					
Program Revenues	<u>2,939,056</u>	<u>2,854,183</u>	<u>2,845,259</u>	<u>2,328,189</u>	<u>2,003,685</u>
Total Primary Government					
Program Revenues	<u>\$ 9,539,602</u>	<u>\$ 9,957,072</u>	<u>\$ 9,931,446</u>	<u>\$ 8,488,647</u>	<u>\$ 7,490,950</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,718,482)	\$ (5,071,968)	(5,655,121)	\$ (5,921,523)	\$ (5,827,021)
Business-type Activities	<u>(748,924)</u>	<u>(1,038,384)</u>	<u>(1,074,202)</u>	<u>(1,203,073)</u>	<u>(1,557,050)</u>
Total Primary Government Net Expense	<u>\$ (6,467,406)</u>	<u>\$ (6,110,352)</u>	<u>\$ (6,729,323)</u>	<u>\$ (7,124,596)</u>	<u>\$ (7,384,071)</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							
		2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated	2003, as Restated			
\$	804,054	\$	865,759	\$	551,802	\$	426,919	\$	336,123
	101,262		109,033		69,493		53,766		42,331
	24,988		26,906		17,149		13,268		10,446
	5,555		5,981		3,812		2,949		2,322
	50,527		54,404		34,675		26,828		21,122
	62,983		67,816		43,223		33,441		-
	-		-		-		-		26,329
	73,499		79,139		50,440		39,025		30,725
	82,553		88,888		56,654		43,832		34,510
	3,416,802		3,283,620		3,268,985		3,182,126		2,765,888
	290,317		323,013		275,053		292,847		324,588
	<u>4,912,540</u>		<u>4,904,559</u>		<u>4,371,286</u>		<u>4,115,001</u>		<u>3,594,384</u>
	768,176		1,316,416		1,296,603		778,643		603,635
	288,168		260,972		245,390		226,622		185,435
	148,080		150,043		134,469		142,317		133,250
	69		155		4,914		69		-
	16,720		19,265		16,149		13,774		17,898
	103,718		94,289		85,858		80,706		89,337
	-		-		-		-		-
	15,632		15,892		14,629		13,998		14,881
	8,955		9,364		9,328		9,100		8,905
	650,982		120,205		35,418		460,203		581,150
	99,347		28,934		30,553		20,699		13,080
	<u>2,099,847</u>		<u>2,015,535</u>		<u>1,873,311</u>		<u>1,746,131</u>		<u>1,647,571</u>
\$	<u>7,012,387</u>	\$	<u>6,920,094</u>	\$	<u>6,244,597</u>	\$	<u>5,861,132</u>	\$	<u>5,241,955</u>
\$	(6,209,261)	\$	(4,942,279)	\$	(4,730,480)	\$	(4,473,867)	\$	(4,120,797)
	<u>(739,518)</u>		<u>(660,402)</u>		<u>(648,245)</u>		<u>(664,778)</u>		<u>(672,670)</u>
\$	<u>(6,948,779)</u>	\$	<u>(5,602,681)</u>	\$	<u>(5,378,725)</u>	\$	<u>(5,138,645)</u>	\$	<u>(4,793,467)</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009, as Restated	2008, as Restated
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,171,182	\$ 1,088,300	\$ 956,560	\$ 918,090	\$ 1,618,406
Corporate Income Tax	265,118	238,452	125,101	192,487	403,525
Sales and Use Tax	522,847	444,717	737,996	1,831,946	397,894
Business Privilege	2,372,984	2,272,909	2,071,687	1,341,753	3,319,760
Severance	-	-	-	-	-
Other Taxes	989,407	872,196	475,961	523,085	38,706
Tribal Gaming Revenue	-	-	-	-	-
Investment Income	708,673	1,618,785	1,252,935	(373,965)	595,463
Other Revenue (Expense)	296,826	103,917	183,159	134,477	(114,555)
Transfers	(629,645)	(704,549)	(723,795)	(763,662)	(692,490)
Total Governmental Activities	<u>5,697,392</u>	<u>5,934,727</u>	<u>5,079,604</u>	<u>3,804,211</u>	<u>5,566,709</u>
Business-type Activities:					
Taxes					
Other Taxes	-	207,140	188,465	193,380	-
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	70,774	261,972	220,917	(188,463)	170,050
Other Revenue	27,713	75,506	103,066	93,204	424,018
Transfers	629,645	704,549	723,795	763,662	692,490
Total Business-type Activities	<u>728,132</u>	<u>1,249,167</u>	<u>1,236,243</u>	<u>861,783</u>	<u>1,286,558</u>
Total Primary Government	<u>\$ 6,425,524</u>	<u>\$ 7,183,894</u>	<u>\$ 6,315,847</u>	<u>\$ 4,665,994</u>	<u>\$ 6,853,267</u>
Change in Net Assets					
Governmental Activities	\$ (21,090)	\$ 862,759	\$ (575,517)	\$ (2,117,312)	\$ (260,312)
Business-type Activities	(20,792)	210,783	162,041	(341,290)	(270,492)
Total Primary Government	<u>\$ (41,882)</u>	<u>\$ 1,073,542</u>	<u>\$ (413,476)</u>	<u>\$ (2,458,602)</u>	<u>\$ (530,804)</u>

SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

		Fiscal Year				
2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated	2003, as Restated		
\$ 1,520,214	\$ 1,543,262	\$ 1,089,031	\$ 1,090,733	\$ 980,326		
453,857	374,957	244,371	131,897	102,846		
403,909	388,739	368,716	327,878	275,873		
2,962,550	2,370,530	1,970,239	1,821,396	1,684,150		
-	-	-	-	-		
30,683	30,683	507,381	360,940	301,555		
-	-	-	-	-		
1,622,183	1,203,881	994,872	1,071,990	639,731		
276,242	(264,596)	239,724	181,707	139,060		
(560,187)	(533,035)	(495,101)	(481,507)	(473,007)		
<u>6,709,451</u>	<u>5,114,421</u>	<u>4,919,233</u>	<u>4,505,034</u>	<u>3,650,534</u>		
-	-	-	-	-		
-	-	-	-	-		
318,922	129,014	115,187	134,001	77,334		
299,983	259,303	154,389	186,383	160,058		
560,187	533,035	495,101	481,507	473,007		
<u>1,179,092</u>	<u>921,352</u>	<u>764,677</u>	<u>801,891</u>	<u>710,399</u>		
<u>\$ 7,888,543</u>	<u>\$ 6,035,773</u>	<u>\$ 5,683,910</u>	<u>\$ 5,306,925</u>	<u>\$ 4,360,933</u>		
\$ 500,190	\$ 172,142	\$ 188,753	\$ 31,167	\$ (470,263)		
<u>439,574</u>	<u>260,950</u>	<u>116,432</u>	<u>137,113</u>	<u>37,729</u>		
<u>\$ 939,764</u>	<u>\$ 433,092</u>	<u>\$ 305,185</u>	<u>\$ 168,280</u>	<u>\$ (432,534)</u>		

STATE OF NEW MEXICO

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011 as Restated	2010, as Restated	2009, as Restated	2008, as Restated
General Fund					
Pre-GASB 54 Implementation					
Reserved	\$	\$ -	\$ -	\$ 13,478	\$ 33,455
Unreserved		-	-	464,260	804,311
Post-GASB 54 Implementation					
Non-spendable	6,157	8,636	7,549	-	-
Restricted	194,988	237,097	184,417	-	-
Committed	10,082	56,219	15,562	-	-
Assigned	293	7,866	2,790	-	-
Unassigned	604,813	310,765	177,521	-	-
Total General Fund	816,333	620,583	387,839	477,738	837,766
All Other Governmental Funds					
Pre-GASB 54 Implementation					
Reserved		-	-	5,544,836	7,961,168
Unreserved, Reported in:					
Special Revenue Funds		-	-	593,975	576,290
Capital Projects Funds (Deficit)		-	-	5,962	(61,482)
Debt Service Funds		-	-	255,285	55,977
Post-GASB 54 Implementation					
Non-spendable	4,651,829	4,755,242	4,049,274	-	-
Restricted	821,792	752,599	311,917	-	-
Committed	1,320,787	1,497,949	2,039,275	-	-
Assigned	-	3,745	4,997	-	-
Unassigned (Deficit)	(43,407)	(190,255)	(63,938)	-	-
Total All Other Governmental Funds	\$ 6,751,001	\$ 6,819,280	\$ 6,341,525	\$ 6,400,058	\$ 8,531,953

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

Fiscal Year				
2007	2006	2005	2004	2003
\$ 72,979	\$ 76,990	\$ 69,687	\$ 186,655	\$ 230,781
681,061	859,338	732,395	427,605	172,240
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>754,040</u>	<u>936,328</u>	<u>802,082</u>	<u>614,260</u>	<u>403,021</u>
6,672,312	5,516,982	5,253,182	5,183,451	4,507,256
898,371	685,478	422,245	116,023	196,816
114,637	224,278	36,745	105,151	12,497
1,542	1,147	621,143	889,304	177,355
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,686,862</u>	<u>\$ 6,427,885</u>	<u>\$ 6,333,315</u>	<u>\$ 6,293,929</u>	<u>\$ 4,893,924</u>

STATE OF NEW MEXICO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2012	2011 as Restated	2010, as Restated	2009, as Restated	2008, as Restated
Revenues					
Taxes	\$ 5,321,538	\$ 4,926,279	\$ 4,407,236	\$ 4,769,862	\$ 5,778,291
Licenses, Fees, and Permits	361,671	356,897	212,328	288,697	218,066
Interest and Other Investment Income (Loss)	708,470	1,618,502	1,252,709	(375,149)	572,015
Rentals and Royalties	651,576	479,546	445,547	654,578	730,175
Charges for Services	155,089	212,816	241,411	69,934	66,159
Federal	5,035,279	5,558,515	5,722,781	4,661,734	4,027,357
Other Revenues	212,326	135,360	179,906	129,301	224,605
Total Revenues	12,445,949	13,287,915	12,461,918	10,198,957	11,616,668
Expenditures					
Current:					
General Control	413,807	376,279	421,810	430,195	592,814
Culture, Recreation, and Natural Resources	223,858	211,032	210,552	200,747	201,324
Highways and Transportation	330,574	307,454	429,522	372,406	409,321
Judicial	223,942	232,136	238,608	246,565	226,465
Legislative	22,381	24,651	24,128	26,401	20,876
Public Safety	428,331	437,529	442,777	485,937	438,744
Regulation and Licensing	108,457	99,528	110,411	129,504	118,611
Health and Human Services	5,625,669	5,623,871	5,907,586	5,291,005	4,851,140
Education	3,117,042	3,180,447	3,325,183	3,276,575	3,214,688
Unemployment Benefits	-	15,809	11,537 +	1,986 +	-
Land Grant	45,005	1,132	1,673 ^	-	-
Severance Tax	183,423	8,318	2,772 ^	-	-
Capital Outlay	612,156	721,706	710,727	864,676	727,171
Debt Service:					
Interest	249,345	227,115	139,666	113,284	171,673
Principal	139,847	347,486	332,447	230,504	175,043
Bond Issuance Costs	204	10,225	7,023	984	932
Advance Refunding Escrow	-	-	-	-	-
Provision for Potential Loss in the State General Fund Investment Pool	101,735	-	-	-	-
Total Expenditures	11,825,776	11,824,718	12,316,422	11,670,769	11,148,802
Excess (Deficiency) of Revenues Over Expenditures	620,173	1,463,197	145,496	(1,471,812)	467,866
Other Financing Sources (Uses)					
Bonds Issued	105,780	39,205	432,693	196,330	220,270
Bond Premium	27,668	129,344	56,025	28,082	9,120
Note Proceeds	-	2,025	80,534 ^	-	-
Refunding Bond Issue	75,715	776,220	174,990	-	490,950
Payment to Refunded Bond Escrow Agent	(88,898)	(668,590)	(72,570)	(95,290)	(498,480)
Proceeds from the Sale of Capital Assets	5,208	1,420	1,154 ^	-	-
Nonoperating Revenues (Expenditures)	-	-	-	-	-
Operating Transfers In	6,414,978	6,611,286	7,418,136	8,119,988	7,191,186
Operating Transfers Out	(7,033,153)	(7,643,610)	(8,336,960)	(9,269,658)	(7,906,532)
Total Other Financing Sources (Uses)	(492,702)	(752,700)	(245,998)	(1,020,548)	(493,486)
Net Change in Fund Balances	\$ 127,471	\$ 710,497	\$ (100,502)	\$ (2,492,360)	\$ (25,620)
Debt Service as a Percentage of Noncapital Expenditures	3.5%	5.2%	4.1%	3.2%	3.3%

SCHEDULE A-4

(Modified Accrual Basis of Accounting)

Fiscal Year				
2007	2006	2005	2004	2003
\$ 5,360,317	\$ 4,701,612	\$ 4,122,934	\$ 3,957,290	\$ 3,366,514
202,897	212,590	98,114	79,069	113,421
1,617,035	1,200,119	991,789	1,069,187	639,731
571,919	623,131	499,319	370,014	302,101
57,883	151,759	229,816	190,945	88,386
3,708,912	3,606,240	3,543,855	3,474,722	3,090,476
148,132	220,093	233,804	173,300	139,060
11,667,095	10,715,544	9,719,631	9,314,527	7,739,689
546,890	488,674	852,544	343,036	272,941
249,460	190,662	175,341	173,455	199,287
623,619	515,262	374,151	291,302	208,190
209,601	188,703	178,863	164,519	154,441
20,564	13,940	12,313	11,935	22,121
437,857	373,973	359,980	325,687	330,397
112,887	96,071	87,008	79,517	73,338
4,527,036	4,043,961	3,790,976	3,639,440	3,383,743
3,083,174	2,901,712	2,636,367	2,610,544	2,321,789
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
502,040	491,493	371,535	364,113	563,652
547,366	92,556	125,476	133,740	246,340
903,289	1,106,838	1,190,529	364,460	176,328
397	445	3,870	10,597	-
-	-	651	7,286	-
-	-	-	-	-
11,764,180	10,504,290	10,159,604	8,519,631	7,952,567
(97,085)	211,254	(439,973)	794,896	(212,878)
1,468,650	795,012	1,535,043	1,103,469	336,653
-	-	18,977	59,904	-
-	-	-	-	-
-	-	-	437,950	-
-	-	(75,077)	(408,856)	-
-	-	-	-	-
137,964	6,885	-	-	-
6,179,320	5,888,308	5,217,701	4,697,378	4,628,455
(6,746,776)	(6,425,666)	(5,725,723)	(5,180,257)	(5,103,650)
1,039,158	264,539	970,921	709,588	(138,542)
\$ 942,073	\$ 475,793	\$ 530,948	\$ 1,504,484	\$ (351,420)
12.9%	12.0%	13.4%	6.1%	5.7%

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years

(In Thousands)

	FISCAL YEAR				
	2012	2011	2010	2009	2008
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,928,469	\$ 1,822,457	\$ 1,634,367	\$ 1,831,946	\$ 1,835,572
Compensating	62,066	69,135	50,935	69,947	63,778
Tobacco (Luxury)	85,360	88,158	45,731	49,580	48,115
Alcoholic Beverage	26,129	25,673	25,593	25,837	25,093
Insurance	114,076	132,659	130,347	121,893	109,825
Fire Protection	18,812	17,583	4,995	30,809	21,109
Racing	852	413	564	614	660
Private Car	553	480	382	532	936
Motor Vehicle and Other Excise Tax	114,707	103,653	92,264	100,497	127,622
Gaming Tax	65,527	65,787	65,116	69,207	56,149
Leased Vehicles Gross Receipts and Surcharge	5,366	5,047	5,663	4,901	7,541
Gasoline Tax	5,539	792	1,472	(1,241)	1,957
Telecommunications Relay Surcharge	98	121	114	104	104
Boat Excise Tax	453	494	543	534	652
Franchise Receipts	19	73	88	112	152
Total General and Selective Sales Tax	<u>2,428,026</u>	<u>2,332,525</u>	<u>2,058,174</u>	<u>2,305,272</u>	<u>2,299,265</u>
Income Taxes					
Gross Withholding	1,151,866	1,042,323	1,020,104	982,766	1,014,975
Final Settlements	355,734	382,690	337,782	387,901	546,498
Less:					
Transfer - Retiree Health Care	(19,853)	(18,047)	(15,935)	(14,996)	(15,704)
Transfer - PIT Suspense and Others	(346,289)	(352,633)	(384,055)	(450,902)	(344,184)
Refunds - TAA Suspense		-	-	(365)	(16,206)
Net Personal Income Taxes	<u>1,141,458</u>	<u>1,054,333</u>	<u>957,896</u>	<u>904,404</u>	<u>1,185,379</u>
Corporate Taxes	281,047	229,818	125,101	253,345	479,447
Less Refunds		-	-	(60,858)	(75,922)
Net Corporate Income Taxes	<u>281,047</u>	<u>229,818</u>	<u>125,101</u>	<u>192,487</u>	<u>403,525</u>
Estate Taxes	-	12	(1)	36	40
Fiduciary Taxes	9,011	42,589	(1,336)	13,650	13,011
Total Income Taxes	<u>1,431,516</u>	<u>1,326,752</u>	<u>1,081,660</u>	<u>1,110,577</u>	<u>1,601,955</u>
Severance Taxes					
Oil and Gas School Tax	399,589	376,104	324,544	370,354	557,332
7% Oil Conservation	21,452	19,371	16,353	18,260	24,065
Resources Excise	12,018	10,139	9,368	11,237	11,641
Natural Gas Processors	23,343	18,182	40,437	40,341	30,618
Total Severance Taxes	<u>456,402</u>	<u>423,796</u>	<u>390,702</u>	<u>440,192</u>	<u>623,656</u>
Total Taxes	<u>4,315,944</u>	<u>4,083,073</u>	<u>3,530,536</u>	<u>3,856,041</u>	<u>4,524,876</u>

SCHEDULE B-1

FISCAL YEAR					
2007	2006	2005	2004	2003	
\$ 1,840,489	\$ 1,689,838	\$ 1,512,483	\$ 1,556,015	\$ 1,340,369	
61,352	51,835	44,117	36,718	38,398	
46,775	48,405	48,477	51,828	18,318	
26,726	29,340	25,173	28,472	25,376	
108,044	103,081	95,464	102,201	53,763	
19,929	24,589	27,157	25,765	20,756	
1,378	362	897	1,188	1,150	
384	411	537	476	661	
131,254	121,870	118,919	115,730	111,142	
70,893	56,677	46,353	41,646	38,997	
6,036	19,948	26,018	6,556	6,067	
410	-	-	-	-	
101	99	100	108	94	
751	581	219	307	366	
22	33	82	121	57	
<u>2,315,104</u>	<u>2,147,069</u>	<u>1,945,996</u>	<u>1,967,131</u>	<u>1,655,514</u>	
972,374	942,470	888,168	950,904	832,687	
516,122	471,952	446,945	420,278	346,920	
(9,647)	(8,453)	(7,623)	(7,368)	(6,017)	
(299,375)	(373,974)	(247,158)	(281,740)	(248,067)	
(7,868)	(13,784)	(6,142)	(2,684)	(1,112)	
<u>1,171,606</u>	<u>1,018,211</u>	<u>1,074,190</u>	<u>1,079,390</u>	<u>924,411</u>	
498,413	410,377	265,999	172,712	154,669	
(38,533)	(33,192)	(23,537)	(49,269)	(51,823)	
<u>459,880</u>	<u>377,185</u>	<u>242,462</u>	<u>123,443</u>	<u>102,846</u>	
78	3,138	4,925	8,764	28,443	
8,597	12,960	11,825	11,033	7,003	
<u>1,640,161</u>	<u>1,411,494</u>	<u>1,333,402</u>	<u>1,222,630</u>	<u>1,062,703</u>	
420,254	483,240	381,302	366,056	229,639	
19,916	22,564	17,822	16,689	11,939	
10,767	9,151	6,547	6,182	5,756	
35,627	26,841	21,728	16,513	21,077	
<u>486,564</u>	<u>541,796</u>	<u>427,399</u>	<u>405,440</u>	<u>268,411</u>	
<u>4,441,829</u>	<u>4,100,359</u>	<u>3,706,797</u>	<u>3,595,201</u>	<u>2,986,628</u>	

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years

(In Thousands)

	FISCAL YEAR				
	2012	2011	2010	2009	2008
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 420	\$ 549	\$ 579	\$ 590	\$ 648
Corporate Filing	2,864	2,850	2,777	2,821	2,997
Alcoholic Beverages and Gaming	3,856	3,840	4,419	3,627	3,593
Financial Institutions	2,917	3,109	3,082	3,148	3,046
Corporate Special	4,096	1,125	3,512	4,883	5,393
Construction Industries	5,052	5,682	6,580	6,052	7,648
Gaming License and Permit Fees	392	262	387	420	609
Securities Receipts	18,765	18,374	17,838	17,031	16,946
Public Utilities	11,056	13,734	10,892	11,333	9,407
Health Facilities Fees	-	-	-	-	158
Pipeline Fees	41	74	60	34	75
Motor Vehicles Miscellaneous Fees	136	150	139	159	156
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
Total License Fees	<u>49,595</u>	<u>49,749</u>	<u>50,265</u>	<u>50,098</u>	<u>50,676</u>
Total Taxes and License Fees	<u>4,365,539</u>	<u>4,132,822</u>	<u>3,580,801</u>	<u>3,906,139</u>	<u>4,575,552</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	461,737	446,227	437,128	433,497	390,484
Earnings on State Balances	17,618	17,633	22,126	67,754	114,975
Severance Tax Permanent Fund Earnings	183,424	184,571	187,072	191,292	177,172
Total Interest Earnings	<u>662,779</u>	<u>648,431</u>	<u>646,326</u>	<u>692,543</u>	<u>682,631</u>
Rents and Royalties					
Federal Mineral Leasing	502,574	411,819	355,302	507,229	45,085
Land Office	92,508	65,620	67,702	36,442	611,182
Total Rents and Royalties	<u>595,082</u>	<u>477,439</u>	<u>423,004</u>	<u>543,671</u>	<u>656,267</u>

SCHEDULE B-1 (Continued)

FISCAL YEAR				
2007	2006	2005	2004	2003
\$ 652	\$ 674	\$ 728	\$ 623	\$ 440
2,955	2,841	2,810	2,651	2,540
4,195	3,509	3,541	4,075	3,480
3,011	3,073	2,845	2,585	2,288
4,014	8,339	4,070	4,620	4,356
7,369	6,825	6,800	6,432	4,881
302	327	322	267	246
15,824	14,840	13,830	16,273	12,307
10,182	8,064	8,923	8,320	7,347
172	290	175	271	329
137	11	38	55	56
146	139	142	141	123
-	39	41	46	27
-	-	-	-	-
48,959	48,971	44,265	46,359	38,420
4,490,788	4,149,330	3,751,062	3,641,560	3,025,048
364,697	354,156	350,285	292,235	275,684
87,307	77,935	34,386	25,374	40,504
170,973	171,798	173,249	172,434	170,955
622,977	603,889	557,920	490,043	487,143
501,124	556,541	445,004	334,883	268,366
50,410	52,696	42,044	22,061	20,727
551,534	609,237	487,048	356,944	289,093

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	FISCAL YEAR				
	2012	2011	2010	2009	2008
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 2,048	\$ 5,201	\$ 4,412	\$ 8,551	\$ 2,253
Tribal Revenue Sharing	68,189	65,891	64,118	65,385	66,560
Media Lease Payments	19	17	31	23	20
MVD Penalty Assessments	5,705	5,737	6,078	6,873	7,019
Fines and Forfeitures	6,052	7,104	7,276	8,756	9,110
Birth and Death Certificates	1,075	1,051	1,032	1,068	1,170
District Judge Receipts	1,064	1,196	1,260	1,202	1,208
Notary Public Fees	1,386	607	580	614	686
Legislative Receipts	20	46	29	54	44
Workmen's Compensation Fees	4	15	-	70	80
Law Enforcement Protection	8,291	9,089	9,920	6,953	6,699
Small County Assistance	3,576	3,346	-	4,013	7,943
Unclaimed Property	15,452	18,352	11,757	13,538	-
Public Defender Reimbursement	411	414	429	533	430
Small Cities Assistance		-	1,546	-	-
Total Miscellaneous Receipts and Fees	<u>113,292</u>	<u>118,067</u>	<u>108,468</u>	<u>117,633</u>	<u>103,222</u>
Other Revenues					
Miscellaneous Nonrecurring	42,604	55,825	55,039	33,942	45,024
Transfers - Reversions	68,077	73,499	394,354	331,995	66,000
Total Other Revenues	<u>110,681</u>	<u>129,324</u>	<u>449,393</u>	<u>365,937</u>	<u>111,024</u>
Total Other Revenue Sources	<u>1,481,834</u>	<u>1,373,261</u>	<u>1,627,191</u>	<u>1,719,784</u>	<u>1,553,144</u>
Total Revenues	<u>\$ 5,847,373</u>	<u>\$ 5,506,083</u>	<u>\$ 5,207,992</u>	<u>\$ 5,625,923</u>	<u>\$ 6,128,696</u>

SCHEDULE B-1 (Continued)

FISCAL YEAR					
2007	2006	2005	2004	2003	
\$ 1,237	\$ 1,272	\$ 1,181	\$ 1,492	\$ 1,449	
56,158	49,520	41,263	58,634	33,096	
18	18	19	18	19	
6,053	5,704	5,894	5,933	6,597	
8,086	8,425	8,243	8,041	8,443	
865	661	576	572	709	
1,042	986	1,032	986	968	
56	728	721	783	751	
59	38	59	44	61	
67	10	21	2	29	
6,838	8,593	7,042	-	669	
-	-	1,563	1,669	2,561	
12,291	12,501	13,456	7,463	6,201	
404	389	595	260	223	
-	-	447	371	1,851	
<u>93,174</u>	<u>88,845</u>	<u>82,112</u>	<u>86,268</u>	<u>63,627</u>	
51,210	42,209	44,653	4,896	93	
<u>38,880</u>	<u>45,030</u>	<u>82,589</u>	<u>45,984</u>	<u>50,340</u>	
<u>90,090</u>	<u>87,239</u>	<u>127,242</u>	<u>50,880</u>	<u>50,433</u>	
<u>1,357,775</u>	<u>1,389,210</u>	<u>1,254,322</u>	<u>984,135</u>	<u>890,296</u>	
<u>\$ 5,848,563</u>	<u>\$ 5,538,540</u>	<u>\$ 5,005,384</u>	<u>\$ 4,625,695</u>	<u>\$ 3,915,344</u>	

STATE OF NEW MEXICO

REVENUE BASE

Last Ten Fiscal Years
(In Thousands)

	Calendar Year				
	2012 ²	2011	2010	2009, as Restated	2008
Taxable Gross Receipts					
Agriculture, Forestry and Fishing	\$ 57,791	\$ 59,602	\$ 51,681	\$ 62,842	\$ 83,216
Mining	3,431,242	3,239,185	1,860,940	1,866,669	2,473,548
Construction	5,271,994	5,326,763	3,982,945	6,019,441	7,407,837
Manufacturing	1,833,576	1,643,653	1,038,527	1,110,799	1,340,101
Transportation	686,364	679,289	546,715	625,733	646,162
Communications and Utilities	4,803,345	4,648,079	3,445,649	3,470,163	3,396,282
Wholesale Trade	2,280,235	2,207,054	1,573,254	1,926,673	2,632,017
Retail Trade	12,024,304	11,912,593	9,292,428	11,883,094	12,610,702
Finance, Insurance and Real Estate	1,218,396	1,131,560	784,486	1,107,662	1,106,311
Services and Other	17,395,771	17,558,765	14,674,794	21,364,218	18,953,106
Public Administration	597,549	692,754	151,857	180,217	191,262
Total Taxable Gross Receipts	<u>\$ 49,600,567</u>	<u>\$ 49,099,297</u>	<u>\$ 37,403,276</u>	<u>\$ 49,617,511</u>	<u>\$ 50,840,544</u>
State Gross Receipts Tax Rate	<u>5.1%</u>	<u>5.1%</u>	<u>5.3%</u>	<u>5.0%</u>	<u>5.0%</u>
Personal Income by Industry					
Federal Civilian	\$ 3,351	\$ 3,331	\$ 3,395	\$ 3,166	\$ 2,999
Federal Military	1,632	1,596	1,447	1,250	1,087
State and Local Government	8,934	8,640	8,643	8,678	7,660
Farm Earnings	1,203	1,389	1,034	575	812
Forestry, Fishing, and Related Activities	132	99	115	108	112
Mining	2,410	2,045	2,040	1,891	2,037
Utilities	522	442	460	468	431
Construction	2,888	2,868	2,651	2,840	3,390
Manufacturing	2,344	2,272	2,197	2,094	2,341
Wholesale Trade	1,444	1,382	1,482	1,426	1,565
Retail	3,417	3,274	3,219	3,190	3,442
Transportation and Warehousing	1,408	1,318	1,221	1,220	1,346
Information	878	832	862	1,220	914
Financial, Insurance, Real Estate, Rental, and Leasing	2,139	2,361	2,036	2,065	2,211
Services	17,731	17,233	9,215	9,077	11,367
Other ¹	22,791	22,931	27,694	27,407	24,370
Total Personal Income	<u>\$ 73,224</u>	<u>\$ 72,013</u>	<u>\$ 67,711</u>	<u>\$ 66,675</u>	<u>\$ 66,084</u>
Highest Income Tax Rate	<u>4.9%</u>	<u>4.9%</u>	<u>4.9%</u>	<u>4.9%</u>	<u>4.9%</u>

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.

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report.

SCHEDULE B-2

Calendar Year				
2007	2006	2005	2004	2003
\$ 84,941	\$ 81,043	\$ 83,895	\$ 73,783	\$ 66,610
2,162,156	2,063,727	1,626,594	1,238,262	1,089,119
7,546,822	7,402,413	6,038,563	5,299,913	4,585,905
1,373,810	1,296,135	1,058,988	964,158	795,101
577,428	500,233	399,323	291,512	226,665
3,298,025	3,166,151	2,953,396	2,740,597	2,362,770
2,583,579	2,702,003	2,419,634	2,184,839	1,982,751
12,884,778	11,826,522	11,067,204	12,511,302	11,791,656
1,198,885	1,047,208	955,373	847,706	756,685
17,201,063	16,085,796	14,679,218	14,195,843	13,445,195
521,733	460,533	469,556	452,731	344,280
<u>\$ 49,433,220</u>	<u>\$ 46,631,764</u>	<u>\$ 41,751,744</u>	<u>\$ 40,800,646</u>	<u>\$ 37,446,737</u>
<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
\$ 2,900	\$ 2,768	\$ 2,580	\$ 2,451	\$ 2,254
1,129	1,125	1,125	1,115	1,036
7,497	7,584	7,692	7,264	6,788
581	414	659	681	528
124	127	120	114	113
1,904	1,820	1,477	1,258	1,230
395	372	360	338	305
3,050	3,102	2,776	2,456	2,239
2,658	2,468	2,264	2,188	2,117
1,442	1,373	1,249	1,161	1,100
3,194	3,053	2,940	2,824	2,711
1,249	1,201	1,125	1,056	929
865	834	753	725	733
2,316	2,250	2,150	2,036	1,932
9,181	8,906	7,827	7,403	6,934
21,164	20,734	18,896	16,743	15,701
<u>\$ 59,649</u>	<u>\$ 58,131</u>	<u>\$ 53,993</u>	<u>\$ 49,813</u>	<u>\$ 46,650</u>
<u>5.3%</u>	<u>5.3%</u>	<u>5.7%</u>	<u>6.8%</u>	<u>7.7%</u>

STATE OF NEW MEXICO

REVENUE PAYERS BY INDUSTRY – TAXABLE SALES, SERVICES, AND USE TAX PURCHASES

SCHEDULE B-3

Most Current Calendar Year and Historical Comparison
(In Thousands)

	Calendar Year 2004				Calendar Year 2012 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	1,176	0.5%	\$ 73,783	0.2%	1,342	0.4%	\$ 57,791	0.1%
Mining	1,676	0.6%	1,238,262	3.0%	3,017	0.9%	3,431,242	6.9%
Construction	31,571	12.0%	5,299,913	13.0%	34,121	10.6%	5,271,994	10.6%
Manufacturing	10,318	3.9%	964,158	2.4%	13,279	4.1%	1,833,576	3.7%
Transportation	3,015	1.1%	291,512	0.7%	4,502	1.4%	686,364	1.4%
Communications and Utilities	12,376	4.7%	2,740,597	6.7%	20,622	6.4%	4,803,345	9.7%
Wholesale Trade	16,771	6.4%	2,184,839	5.4%	18,060	5.6%	2,280,235	4.6%
Retail Trade	55,797	21.1%	12,511,302	30.7%	65,035	20.3%	12,024,304	24.2%
Finance, Insurance and Real Estate	10,627	4.0%	847,706	2.1%	14,856	4.6%	1,218,396	2.5%
Services and Other	120,547	45.6%	14,195,843	34.8%	145,261	45.3%	17,395,771	35.1%
Public Administration	381	0.1%	452,731	1.0%	661	0.3%	597,549	1.2%
Total Number of Outlets and Total Taxable Gross Revenues	<u>264,255</u>	<u>100.0%</u>	<u>\$ 40,800,646</u>	<u>100.0%</u>	<u>320,756</u>	<u>100.0%</u>	<u>\$ 49,600,567</u>	<u>100.0%</u>
State Gross Receipts Tax Rate	<u>5.0%</u>				<u>5.1%</u>			

¹Data available as of December 2012

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-4

Most Current Calendar Year and Historical Comparison
(Dollars, Except for Income Level, in Thousands)

Income Level	2002				2011*			
	Number of Returns	Percent of Total	Income Tax Liability	Percent of Total	Number of Returns	Percent of Total	Income Tax Liability	Percent of Total
\$200,000 and higher	8,097	1.0%	\$ 876,946	26.0%	17,446	1.9%	\$ 1,615,034	33.7%
\$100,000 - \$199,999	36,026	4.5%	781,752	23.2%	74,247	8.1%	1,337,091	27.9%
\$75,000 - \$99,999	43,361	5.4%	475,407	14.1%	66,733	7.2%	609,242	12.7%
\$50,000 - \$74,999	91,317	11.3%	562,587	16.7%	112,044	12.3%	630,720	13.2%
\$49,999 and lower	626,050	77.8%	679,431	20.0%	643,974	70.5%	598,658	12.5%
Total	804,851	100.0%	\$ 3,376,123	100.0%	914,444	100.0%	\$ 4,790,745	100.0%

* At the time of the preparation of the 2012 New Mexico State CAFR, the 2012 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2011: Historical Table 2 (SOI Bulletin)

STATE OF NEW MEXICO

PERSONAL INCOME TAX RATES

Last Ten Fiscal Years

SCHEDULE B-5

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	
2012	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
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%

* 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				
	2012	2011	2010, as Restated	2009, as Restated	2008, as Restated
Governmental Activities					
General Obligation	\$ 296,890	\$ 379,228	\$ 423,854	\$ 453,730	\$ 388,318
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	798,740	884,320	1,020,550	626,715	738,687
Revenue Bonds	1,723,061	1,859,403	1,703,481	1,707,996	1,790,900
Total Government	<u>2,818,691</u>	<u>3,122,951</u>	<u>3,147,885</u>	<u>2,788,441</u>	<u>2,917,905</u>
Business-type Activities*					
Revenue Bonds	840,831	832,306	866,692	802,924	833,836
Capital Leases	1,292	919	248	2,025	1,711
Total Primary Government	<u>842,123</u>	<u>833,225</u>	<u>866,940</u>	<u>804,949</u>	<u>835,547</u>
Total Debt	<u>\$ 3,660,814</u>	<u>\$ 3,956,176</u>	<u>\$ 4,014,825</u>	<u>\$ 3,593,390</u>	<u>\$ 3,753,452</u>
New Mexico Personal Income	\$ 73,159,160	\$ 71,993,000	\$ 71,993,000	\$ 65,648,333	\$ 66,337,250
Debt as a Percentage of Personal Income	5.0%	5.5%	5.6%	5.5%	5.7%
New Mexico Population	2,086	2,066	2,066	2,010	1,984
General Obligation Debt Per Capita	\$ 142	\$ 184	\$ 205	\$ 226	\$ 196
Total Long-Term Debt Per Capita	\$ 1,755	\$ 1,915	\$ 1,943	\$ 1,788	\$ 1,892

Source: State of New Mexico Comprehensive Annual Financial Report for outstanding bonded and non-bonded debt.

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				
2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated	2003, as Restated
\$ 371,129	\$ 273,280	\$ 315,925	\$ 246,375	\$ 287,310
745	1,455	2,130	2,775	3,390
669,686	577,935	512,180	486,840	473,405
<u>1,829,528</u>	<u>1,453,057</u>	<u>1,559,535</u>	<u>1,696,603</u>	<u>841,781</u>
<u>2,871,088</u>	<u>2,305,727</u>	<u>2,389,770</u>	<u>2,432,593</u>	<u>1,605,886</u>
699,319	719,799	594,685	354,639	341,259
2,330	2,713	3,042	2,882	3,433
<u>701,649</u>	<u>722,512</u>	<u>597,727</u>	<u>357,521</u>	<u>344,692</u>
<u>\$ 3,572,737</u>	<u>\$ 3,028,239</u>	<u>\$ 2,987,497</u>	<u>\$ 2,790,114</u>	<u>\$ 1,950,578</u>
\$ 62,001,991	\$ 58,131,416	\$ 53,992,896	\$ 49,813,042	\$ 46,650,275
5.8%	5.2%	5.5%	5.6%	4.2%
2,059	2,014	1,969	1,930	1,900
\$ 180	\$ 136	\$ 160	\$ 128	\$ 151
\$ 1,735	\$ 1,504	\$ 1,517	\$ 1,446	\$ 1,027

STATE OF NEW MEXICO

LONG-TERM LIABILITIES

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011	2010, As Restated	2009, As Restated	2008, As Restated
Governmental Activities					
General Obligation Bonds	\$ 296,890	\$ 379,228	\$ 423,854	\$ 481,812	\$ 388,318
Severance Tax Bonds	798,740	884,320	1,020,550	626,715	738,687
Revenue Bonds	1,723,061	1,859,403	1,703,481	1,729,205	1,790,900
Bond Premium, Discount, Net *	236,190	-	-	-	-
Deferred Loss on Refunding, Net *	(81,982)	-	-	-	-
Notes Payable	2,454	3,715	124,205	43,781	2,943
Claims and Judgments	433,547	225,248	222,821	217,426	238,714
Reserve for Losses	-	-	-	-	-
Compensated Absences	60,946	63,934	73,483	73,757	68,898
Pollution Remediation Obligation	55,694	86,741	86,289	7,992	8,813
Other	-	-	501	100	251
Total Governmental Activities	<u>3,525,540</u>	<u>3,502,589</u>	<u>3,655,184</u>	<u>3,180,788</u>	<u>3,237,524</u>
Business-type Activities					
Revenue Bonds	840,831	832,306	866,692	809,215	833,836
Bond Premium, Discount, Net *	8,831	-	-	-	-
Capital Leases	1,292	919	238	2,075	1,711
Compensated Absences	96,219	99,689	93,997	87,747	67,466
Reserve for Losses	65,472	63,406	63,901	70,286	63,090
Other	56,173	52,750	45,126	50,538	29,705
Total Business-type Activities	<u>1,068,818</u>	<u>1,049,070</u>	<u>1,069,954</u>	<u>1,019,861</u>	<u>995,808</u>
Total Primary Government Long-term Liabilities	<u>\$ 4,594,358</u>	<u>\$ 4,551,659</u>	<u>\$ 4,725,138</u>	<u>\$ 4,200,649</u>	<u>\$ 4,233,332</u>

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

* In prior years, bond premium, discount, and loss on refunding was not stated separately.

SCHEDULE C-2

Fiscal Year				
2007	2006	2005	2004	2003
\$ 371,874	\$ 273,280	\$ 315,925	\$ 246,375	\$ 287,310
669,686	577,935	512,180	486,840	473,405
1,829,528	1,453,057	1,559,535	1,696,603	841,781
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
44,826	48,466	44,666	37,000	36,555
13,305	13,743	71,466	51,157	43,613
62,658	60,194	56,040	54,006	51,968
-	-	-	-	-
75,393	63,318	7,155	65,322	116,060
<u>3,067,270</u>	<u>2,489,993</u>	<u>2,566,967</u>	<u>2,637,303</u>	<u>1,850,692</u>
699,453	719,799	594,685	354,639	341,259
-	-	-	-	-
2,330	2,713	3,042	2,882	3,433
61,211	57,648	49,118	48,159	42,699
-	-	-	-	-
97,657	95,072	27,366	30,844	51,979
<u>860,651</u>	<u>875,232</u>	<u>674,211</u>	<u>436,524</u>	<u>439,370</u>
<u>\$ 3,927,921</u>	<u>\$ 3,365,225</u>	<u>\$ 3,241,178</u>	<u>\$ 3,073,827</u>	<u>\$ 2,290,062</u>

STATE OF NEW MEXICO

LEGAL DEBT MARGIN

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009, As Restated	2008
Net Taxable Value of Property					
Subject to Taxation	\$ 54,490,961	\$ 51,040,955	\$ 55,046,209	\$ 50,463,804	\$ 47,261,516
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	<u>544,910</u>	<u>510,410</u>	<u>550,462</u>	<u>504,638</u>	<u>472,615</u>
General Obligation Bonds	296,890	355,500	398,580	453,730	388,318
Enhanced E-911 Bonds	-	-	-	-	-
Total General Debt Outstanding	<u>296,890</u>	<u>355,500</u>	<u>398,580</u>	<u>453,730</u>	<u>388,318</u>
Legal Debt Margin	<u>\$ 248,020</u>	<u>\$ 154,910</u>	<u>\$ 151,882</u>	<u>\$ 50,908</u>	<u>\$ 84,297</u>
Legal Debt Margin as a Percentage of the Debt Limit	<u>45.5%</u>	<u>30.4%</u>	<u>27.6%</u>	<u>10.1%</u>	<u>17.8%</u>

Note: The *Constitution of the State of New Mexico*, Article IX, Section 8, limits the State's outstanding general debt to a maximum of one percent of the net taxable value of all property subject to taxation within the State. The legal debt margin is the remaining borrowing authority available and is calculated by subtracting the bonded debt outstanding from the legal debt limit as calculated per Constitutional requirements.

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's comprehensive annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division, Financial and Property Tax Data by County and Municipality. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule.

SCHEDULE C-3

Fiscal Year				
2007	2006	2005	2004	2003
\$ 42,985,028	\$ 38,910,768	\$ 35,890,023	\$ 32,149,435	\$ 31,750,454
1.0%	1.0%	1.0%	1.0%	1.0%
<u>429,850</u>	<u>389,108</u>	<u>358,900</u>	<u>321,494</u>	<u>317,505</u>
371,874	274,735	318,055	249,150	290,700
762	1,521	2,277	3,032	3,785
<u>372,636</u>	<u>276,256</u>	<u>320,332</u>	<u>252,182</u>	<u>294,485</u>
<u>\$ 57,214</u>	<u>\$ 112,852</u>	<u>\$ 38,568</u>	<u>\$ 69,312</u>	<u>\$ 23,020</u>
<u>13.3%</u>	<u>29.0%</u>	<u>10.7%</u>	<u>21.6%</u>	<u>7.3%</u>

STATE OF NEW MEXICO

STATUTORY DEBT LIMIT – SEVERANCE TAX BONDS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Annual Deposits into Severance Tax Bonding Fund	\$ 504,734	\$ 398,576	\$ 374,228	\$ 550,222	\$ 573,595
50.0% of Annual Deposits	252,367	199,288	187,114	275,111	286,798
Statutory Debt Limit Amount	<u>252,367</u>	<u>199,288</u>	<u>187,114</u>	<u>275,111</u>	<u>286,798</u>
Senior Bond Servicing Amount *	<u>121,367</u>	<u>103,867</u>	<u>96,290</u>	<u>12,433</u>	<u>158,564</u>
Statutory Debt Margin Amount	<u>\$ 131,000</u>	<u>\$ 95,421</u>	<u>\$ 90,824</u>	<u>\$ 262,678</u>	<u>\$ 128,234</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>51.9%</u>	<u>47.9%</u>	<u>48.5%</u>	<u>95.5%</u>	<u>44.7%</u>

Note: The State Board of Finance is prohibited by the Severance Tax Bonding Act from issuing Senior Severance Tax Bonds unless the aggregate amount of total Senior Severance Tax Bonds outstanding, including the bonds to be issued, can be serviced with not more than 50 percent of the annual deposits into the Bonding Fund, as determined by the deposits during the fiscal year preceding the issuance of the bonds.

* Does not include payment on refunded bonds, which are paid from escrowed securities, payments on short-term debt issued by the State Treasurer and paid in the same year issued, or payments on Supplemental Bond Series.

Sources: New Mexico Office of the State Treasurer audited financial statements.
New Mexico Board of Finance, Severance Tax Bonds, Bond Series 2012A Official Statement.

SCHEDULE C-4

Fiscal Year				
2007	2006	2005	2004	2003
\$ 508,508	\$ 532,386	\$ 405,541	\$ 319,337	\$ 257,157
<u>254,254</u>	<u>266,193</u>	<u>202,771</u>	<u>159,669</u>	<u>128,579</u>
<u>254,254</u>	<u>266,193</u>	<u>202,771</u>	<u>159,669</u>	<u>128,579</u>
<u>72,886</u>	<u>69,902</u>	<u>68,204</u>	<u>68,270</u>	<u>67,944</u>
<u>\$ 181,368</u>	<u>\$ 196,291</u>	<u>\$ 134,567</u>	<u>\$ 91,399</u>	<u>\$ 60,635</u>
<u>71.3%</u>	<u>73.7%</u>	<u>66.4%</u>	<u>57.2%</u>	<u>47.2%</u>

STATE OF NEW MEXICO

PLEDGED REVENUE BOND COVERAGE

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2012	\$ 504,734	\$ 128,013	\$ 24,304	3.3
2011	398,576	145,546	28,497	2.3
2010	374,234	154,858	23,357	2.1
2009	550,222	113,637	20,555	4.1
2008	573,595	116,365	20,561	4.2
2007	510,140	78,417	14,588	5.5
2006	996,911	93,463	13,691	9.3
2005	817,872	72,130	15,218	9.4
2004	629,339	73,789	13,082	7.2
2003	614,828	67,667	13,084	7.6
Highway Infrastructure Bonds				
2012	\$ 785,000	\$ 243,060	\$ 220,698	1.7
2011	719,811	71,450	79,742	4.8
2010	719,811	75,795	84,697	4.5
2009	726,430	75,500	88,574	4.4
2008	674,453	72,468	92,691	4.1
2007	651,635	75,295	73,162	4.4
2006	713,255	81,130	77,103	4.5
2005	631,388	70,861	39,739	5.7
2004	587,148	67,357	42,954	5.3
2003	594,288	64,085	46,540	5.4
Energy and Minerals Bonds				
2012	\$ 4,900	\$ 1,738	\$ 647	2.1
2011	2,578	1,546	395	1.3
2010	2,578	1,487	755	1.1
2009	3,730	1,429	809	1.7
2008	4,085	1,398	865	1.8
2007	3,911	1,351	908	1.7
2006	4,369	1,315	1,254	1.7
2005	3,527	1,271	978	1.6
2004	3,064	1,191	960	1.4
2003	3,416	993	822	1.9

N/A Data not available.

Sources: 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

SCHEDULE C-5

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Cultural Affairs Bonds and Loan				
2012	\$ 805	\$ 396	\$ 170	1.4
2011	795	385	178	1.4
2010	776	374	186	1.4
2009	1,000	364	193	1.8
2008	1,000	356	199	1.8
2007	702	349	204	1.3
2006	511	143	205	1.5
2005	506	142	205	1.5
2004	203	141	52	1.1
2003	210	110	80	1.1
Miners' Colfax Medical Center Bonds				
2012	\$ 6,302	\$ 744	\$ 535	4.9
2011	6,291	718	559	4.9
2010	6,000	694	581	4.7
2009	4,200	673	611	3.3
2008	5,500	653	619	4.3
2007	5,100	602	668	4.0
2006	4,200	580	690	3.3
2005	4,500	550	725	3.5
2004	4,390	540	750	3.4
2003	4,870	522	790	3.7
State Fair (EXPO) Bonds				
2012	\$ 1,100	\$ 607	\$ 79	1.6
2011	1,000	587	98	1.5
2010	1,000	570	115	1.5
2009	1,000	554	130	1.5
2008	800	541	143	1.2
2007	750	531	154	1.1
2006	770	209	157	2.1
2005	720	775	35	0.9
2004	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A
Spaceport Authority Bonds				
2012	\$ 5,900	\$ 2,565	\$ 3,066	1.0
2011	6,200	1,905	2,679	1.4
2010	6,200	2,025	2,204	1.5
Debt not issued in prior years.				

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
2012	2,085,538	\$ 73,159,160,000	\$ 35,079	36.8	N/A	337,225
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

Sources: 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.

Note: Personal Income data as of 2012, 4th quarter.
2012 population data represents estimates based on the 2010 census.

Note: Statistics were revised to indicate the percentage of individuals that have attained educational levels instead of the average educational level as was done in prior years.

STATE OF NEW MEXICO

PRINCIPAL EMPLOYERS

SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2002			Calendar Year 2012		
	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%	14,709	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%	150,173		12.1%

Sources: NMNETLINKS

Wal-Mart's Corporate web page <http://walmartstors.com/FactsNews/StateByState.aspx?st=NM>

Smith's Food and Drugs Corporate/HR

NM Department of Workforce Solutions

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

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

Last Ten Fiscal Years

	Calendar Year				
	2012	2011	2010	2009, as Restated	2008, as Restated
Nonagricultural Jobs					
Government	182,297	195,100	192,746	189,470	187,723
Mining	23,959	21,300	17,834	17,581	21,078
Construction	41,116	43,400	43,509	47,731	57,356
Manufacturing	29,672	29,400	28,693	30,013	35,035
Trade, Transportation and Utilities	134,061	133,300	130,652	134,337	143,162
Information	13,523	14,400	14,720	14,721	15,970
Financial Activity	35,547	32,500	21,813	22,144	33,350
Professional and Business Services	92,746	100,500	109,360	112,599	108,484
Education and Health Services	114,233	121,700	108,458	106,613	102,859
Leisure and Hospitality	86,269	86,300	83,079	84,167	86,625
Other Services	20,970	28,600	20,810	21,413	22,846
Total Nonagricultural Jobs	774,393	806,500	771,674	780,789	814,488
Civilian Labor Force	943,092	942,386	961,006	956,124	959,458
Total Employed	871,665	868,801	879,921	887,667	919,466
Unemployed	71,427	73,585	81,084	68,457	39,992
Unemployment Rate	7.6%	7.8%	7.0%	7.2%	4.2%
Seasonally Adjusted Rate	7.0%	7.8%	8.4%	7.2%	4.2%

Source: New Mexico Department of Workforce Solutions

SCHEDULE D-3

Calendar Year				
2007	2006	2005	2004	2003
186,955	183,436	181,088	178,280	175,067
19,347	18,624	16,860	15,010	14,221
59,966	59,191	54,356	50,301	47,166
37,606	37,659	36,306	35,870	36,472
142,935	139,875	138,417	136,223	134,167
17,327	15,859	14,651	14,816	15,906
33,822	33,870	33,617	33,171	32,643
109,233	102,361	92,472	89,996	88,553
99,639	96,060	93,236	90,856	86,713
89,249	86,621	83,763	82,443	81,447
21,869	21,817	21,362	21,133	20,802
<u>817,948</u>	<u>795,373</u>	<u>766,128</u>	<u>748,099</u>	<u>733,157</u>
863,518	846,790	826,405	812,365	798,594
830,424	807,063	778,233	760,449	745,935
33,094	39,727	48,172	51,916	52,659
3.5%	4.2%	5.3%	5.8%	5.9%
3.8%	4.7%	5.8%	6.4%	6.6%

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT

Last Ten Fiscal Years

	Academic Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Eastern New Mexico University	6,874	6,238	5,639	4,300	4,180
Highlands University	2,778	2,599	4,688	3,524	3,457
New Mexico Institute of Mining and Technology	1,599	1,423	2,550	1,912	1,844
New Mexico State University	23,418	21,897	20,411	17,200	16,726
Northern New Mexico College ²	1,254	1,317	3,717	3,303	N/A
University of New Mexico	28,541	26,662	30,156	25,820	25,749
Western New Mexico University	2,180	2,109	4,052	2,820	2,727
Total All Four-Year Institutions	66,644	62,245	71,213	58,879	54,683
Central New Mexico Community College ¹	16,384	15,617	38,842	35,553	34,722
Clovis Community College	1,760	1,827	6,198	5,876	5,703
Luna Community College	1,013	998	2,970	3,078	2,870
Mesalands Community College	597	594	1,783	1,431	1,137
New Mexico Junior College	1,966	1,810	4,887	4,691	4,553
New Mexico Military Institute	579	607	549	564	588
Northern New Mexico College ²	N/A	N/A	N/A	N/A	N/A
San Juan Community College	5,027	4,723	20,736	17,050	15,541
Santa Fe Community College	2,890	2,867	9,397	9,040	8,960
Total All Two-Year Institutions	30,216	29,043	85,362	77,283	74,074
Total All Institutions	96,860	91,288	156,575	136,162	128,757

¹ Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

² In the 2005 - 2006 year, Northern New Mexico College was accredited as a four-year institution

Sources: New Mexico Higher Education Department, Student Enrollment Data, Full Time Equivalents
http://hed.state.nm.us/PR_studenrollment.aspx

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
79,458	79,367	77,411	74,672	71,061
23,607	24,057	22,927	22,002	20,017
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
48,768	48,678	50,185	45,808	42,589
128,226	128,045	127,596	120,480	113,650

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2012	2011	2010	2009	2008
General Government					
Government Operations	1,215.0	1,255.3	1,314.3	1,315.3	1,311.3
Taxation and Revenue	1,136.0	1,150.5	1,280.0	1,206.0	1,241.7
Human Services and Youth Corrections	4,357.1	4,323.1	4,404.6	4,325.1	4,375.1
Adult Corrections	2,490.5	2,490.5	2,538.5	2,538.5	2,538.5
Public Safety	1,467.7	1,474.5	1,578.5	1,574.5	1,595.6
State Courts	3,490.1	3,503.1	3,502.5	3,477.0	3,481.0
Health and Environment					
Department of Health	3,941.0	4,098.0	4,182.0	4,138.0	4,141.0
Department of Environment	673.0	685.0	720.5	720.5	720.5
Miners Colfax Community Hospital	225.0	225.0	225.0	225.0	225.0
Employment and Family Services	624.5	652.5	698.5	696.5	696.5
Natural Resources	1,012.3	962.3	1,001.3	993.3	1,041.3
Cultural Affairs	536.7	534.2	572.0	551.0	586.0
Business, Labor and Agriculture	1,799.4	1,845.7	1,910.7	1,955.3	1,960.1
Education	418.8	412.2	435.2	423.2	427.8
Transportation	2,502.5	2,504.5	2,756.5	2,756.5	2,756.5
Total Full-Time Equivalent State Employees	25,889.6	26,116.4	27,120.1	26,895.7	27,097.9
Change	(3.8)%	(3.8)%	0.8%	(0.8)%	4.1%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation.

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				
2007	2006	2005	2004	2003
1,231.1	1,220.8	1,245.3	1,189.6	1,173.3
1,124.7	1,109.7	1,010.7	987.7	987.7
4,100.1	3,985.1	3,779.8	3,776.3	3,781.4
2,473.5	2,326.0	2,295.0	2,287.0	2,231.5
1,520.1	1,476.1	1,449.5	1,384.0	1,376.0
3,175.3	2,988.3	2,905.8	2,844.0	2,746.2
4,065.5	4,014.5	3,866.8	3,904.3	3,848.1
664.5	647.5	640.5	640.5	642.5
225.0	225.0	225.0	225.0	215.0
674.0	672.0	651.5	650.2	648.2
1,002.8	957.7	870.7	863.7	858.4
565.5	561.5	555.0	557.4	536.3
2,110.2	1,893.7	1,874.4	1,873.3	1,863.9
391.8	386.3	333.9	316.7	289.9
<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>
<u>25,997.6</u>	<u>25,137.7</u>	<u>24,377.4</u>	<u>24,173.2</u>	<u>23,871.9</u>
<u>3.3%</u>	<u>3.0%</u>	<u>0.8%</u>	<u>1.2%</u>	<u>100.0%</u>

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009, as Restated
General Government				
Operations				
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{5 7 8}	50 th	49 th	81 st	49 th
Taxation				
% of Electronically Filed Personal Income Tax Returns ^{5 6}	65%	63%	55%	51%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{5 6}	92%	91%	91%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties (New Measure Fiscal Year 2009, \$ Millions) ⁸	6.5	7	5	5
Regulation				
# of Vehicular Port Traffic at New Mexico Ports ^{5 7}	830,000	830,000	434,061	864,020
Nursing Licenses Issued ^{5 7}	14,500	13,576	NA	13,897
Tri-Annual Physician Licenses Issued ^{5 7}	3,000	2,707	2,403	3,546
Biennial Physician Assistant Licenses Issued ^{5 7}	225	262	230	277
Public Safety				
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7}	35,500	25,000	18,013	23,453
# of Traffic Fatalities ⁵	328	306	351	384
# of Driving While Intoxicated Fatalities ⁵	96	89	147	153
# of Driving While Intoxicated Arrests ^{5 7}	2,479	3,309	4,311	3,694
Education				
Public				
# of High School Graduates ¹	18,370	N/A	NA	19,357
Student Dropout Rate for Grades 9 - 12 ²	4.6%	N/A	NA	NA
Public School Capital Outlay Allocation (\$ Millions) ^{3 4}	136	N/A	NA	153
Higher				
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ⁸	40%	43%	NA	43%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{5 6 8}	71%	71%	NA	65%

SCHEDULE E-2

Fiscal Year				
2008, as Restated	2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated
49 th	41 st	82 nd	83 rd	87 th
49%	37%	34%	30%	17%
89%	89%	87%	86%	83%
NA	NA	NA	3	NA
742,395	740,931	693,583	623,855	664,528
13,930	13,281	11,885	11,099	11,586
3,508	2,831	3,010	2,787	1,668
262	245	221	411	201
28,422	25,817	26,196	48,774	20,250
371	424	519	469	521
163	137	199	146	217
3,363	3,883	3,261	3,879	4,314
18,588	18,260	17,660	17,830	18,080
5%	6%	5%	5%	5%
137	160	242	280	248
43%	42%	37%	39%	39%
66%	65%	65%	64%	64%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Eight Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009, as Restated
Health and Human Services				
% of Children Receiving Services in Medicaid	70%	60%	60%	60%
Managed Care ^{5 6}				
% of Child Support Collected of Support Owed ^{5 6}	60%	57%	58%	59%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{5 7 8}	200	300	190	182
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7 8}	28%	28	23%	28%
% of Abused Children with Repeat Maltreatment ^{5 6}	7	6%	NA	6%
% of Preschoolers Fully Immunized ^{5 6}	82%	65%	70%	95%
# of Operating School-Based Health Centers ^{5 6}	82	84	84	84
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7}	4	4	4	4
Corrections				
Juvenile				
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	55%	47%	60%	38%
% of Juveniles Who Complete Formal Probation ^{5 6}	90%	92%	90%	91%
% of Juveniles Recommitted to a Youth Detention Facility ^{5 6}	9%	11%	80%	10%
Adult				
Turnover Rate of Correctional Officers ^{5 7}	13%	13%	15%	10%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7}	35%	35%	32%	40%
% of Prisoners Reincarcerated within 36 Months After Release	40%	40%	44%	46
Culture and Recreation				
# of Visits to Visitor Information Centers (Millions) ^{5 7 8}	1.3	1	1	1
# of Unique Website Visitor Sessions (Millions) ^{5 7 8}	2	3	2	1
Circulation Rate for New Mexico Magazine ^{5 7 8}	100,000	90,000	85,264	85,264
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7 8}	830,000	845,000	827,281	843,475
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7 8}	80%	80%	87%	83%
Fish Output from Hatchery System (in Pounds) ^{5 7 8}	455,000	455,000	485,375	423,501
# of Visitors to State Parks (Millions) ^{5 6 8}	4	4	5	5
Natural Resources, Environment				
# of Inspections of Oil and Gas Wells and Associated Facilities	23,500	27,816	38,352	38,318
% of Required Mine Inspection Conducted ^{5 7 8}	100%	100%	100%	100%
% of Abandoned Uranium Mines with Current Site Assessments ^{5 7 8}	50%	50%	70%	23%
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6}	75%	97%	NA	72%
# of Wildlife Habitat Acres Conserved or Enhanced ⁸	100,000	65,000	106,138	76,861
# of Threatened/Endangered Species Monitored/Involved in Recovery Process ^{5 7 8}	35	35	46	82

SCHEDULE E-2 (CONTINUED)

Fiscal Year				
2008, as Restated	2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated
64%	65%	55%	45%	52%
58%	56%	54%	52%	52%
222	270	160	840	72
36%	38%	33%	35%	44%
8%	7%	8%	7%	11%
81%	72%	78%	84%	75%
84	65	66	34	13
3	4	4	4	4
75%	84%	72%	42%	NA
90%	91%	90%	80%	83%
4%	13%	14%	17%	17%
13%	15%	21%	11%	12%
33%	38%	41%	38%	NA
NA	NA	NA	NA	NA
1	1	1	1	1
3	5	5	3	NA
105,665	105,275	107,870	106,758	113,333
840,520	790,175	902,282	886,812	808,457
83%	83%	85%	84%	85%
451,337	410,579	441,707	477,665	312,625
5	4	4	4	4
35,169	NA	NA	NA	NA
99%	NA	NA	NA	NA
NA	NA	NA	NA	NA
61%	66%	71%	80%	88%
132,00	110,621	106,921	NA	NA
77	69	58	49	42

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Eight Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009, as Restated
Business, Labor, and Agriculture				
% of Adults who Entered Employment in 1 st Quarter of Receiving Training Services ⁵	66%	86%	57%	83%
# of Rural Jobs Created ^{5 6}	1,100	958	1,446	1,641
# of Media Industry Worker Days ^{5 6}	150,000	181,366	142,524	162,190
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6}	300	697	559	746
Highways and Transportation				
# of System wide Miles in Deficient Condition ^{5 6}	<2,500	3,407	3,171	2,951
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7 8}	<1.5	1	1	1
# of Statewide Improved Pavement Surface Miles ^{5 6}	>2,750	4,000	2,393	3,764

Sources: Various departments of the State of New Mexico

¹ National Center for Education Statistics

² [2004-2005 and 2005-2006 New Mexico Dropout Report published by New Mexico Public Education Department](#)

³ [Report of the Legislative Finance Committee to the 47th Legislature First Session, January 2006, Vol. I, Pg. 105](#)

⁴ New Mexico Public Schools Finance Authority

⁵ [Report 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.](#)

⁶ [Report 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.](#)

⁷ [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.](#)

⁸ [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.](#)

Note: The State of New Mexico passed the Accountability in Government Act, NMSA 6-3A, 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.

N/A ¹ Measure deleted in FY09 and replaced by different criteria.

NA Information not available.

SCHEDULE E-2 (CONTINUED)

Fiscal Year				
2008, as Restated	2007, as Restated	2006, as Restated	2005, as Restated	2004, as Restated
86%	85%	80%	74%	77%
2,200	1,451	2,192	2,043	1,698
110,000	168,046	161,137	99,695	40,087
175	474	350	272	NA
3,468	3,468	3,905	5,567	5,768
6	2	2	2	2
4,321	2,424	4,144	3,700	5,337

STATE OF NEW MEXICO

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2012	2011	2010	2009, as Restated	2008, as Restated
General Government					
Buildings	110	110	110	110	101
Public Safety					
Buildings (not inc. POE'S)	29	29	9	8	7
Vehicles	921	935	935	983	926
Ports of Entry	16	16	14	14	13
Health and Human Services					
Buildings - General Administrative	34	34	34	34	32
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	253	253	253	248
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	426	440	440	440	417
Corrections					
Buildings	330	330	330	330	326
Vehicles	355	369	369	369	379
Culture and Recreation					
Vehicles	45	48	59	57	57
Museums	4	8	8	8	8
Monuments	6	8	6	6	6
Natural Resources, Environment					
Vehicles	380	383	383	387	383
State Parks	35	35	35	35	34
Wildlife Management Areas (Acres)	171,241	171,241	171,241	171,241	171,241
Fish Hatcheries	6	6	6	6	6
Highways and Transportation					
Highway Lane Miles	26,598	26,598	26,598	26,688	30,417
Vehicles/Heavy Equipment	6,417	6,417	6,469	6,300	6,531

Sources: New Mexico General Services Department, Property Control Division and Public Information Office ; New Mexico Game and Fish Department, Administrative Services Division; New Mexico Energy and Minerals Department, Administrative Services Division; New Mexico Department of Transportation, Office of Employee Support and Development; New Mexico Health and Human Services Department, Administrative Services Division; New Mexico Corrections Department, Administrative Services Division; New Mexico Children, Youth and Families Department, Administrative Services Division; New Mexico Department of Cultural Affairs, Administrative Services Division; State of New Mexico Report of the Legislative Finance Committee to the 47th Legislature Second Session, Vol. III, January 2006, pg. 23

Note: Capital asset information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

NA Information not available.

SCHEDULE E-3

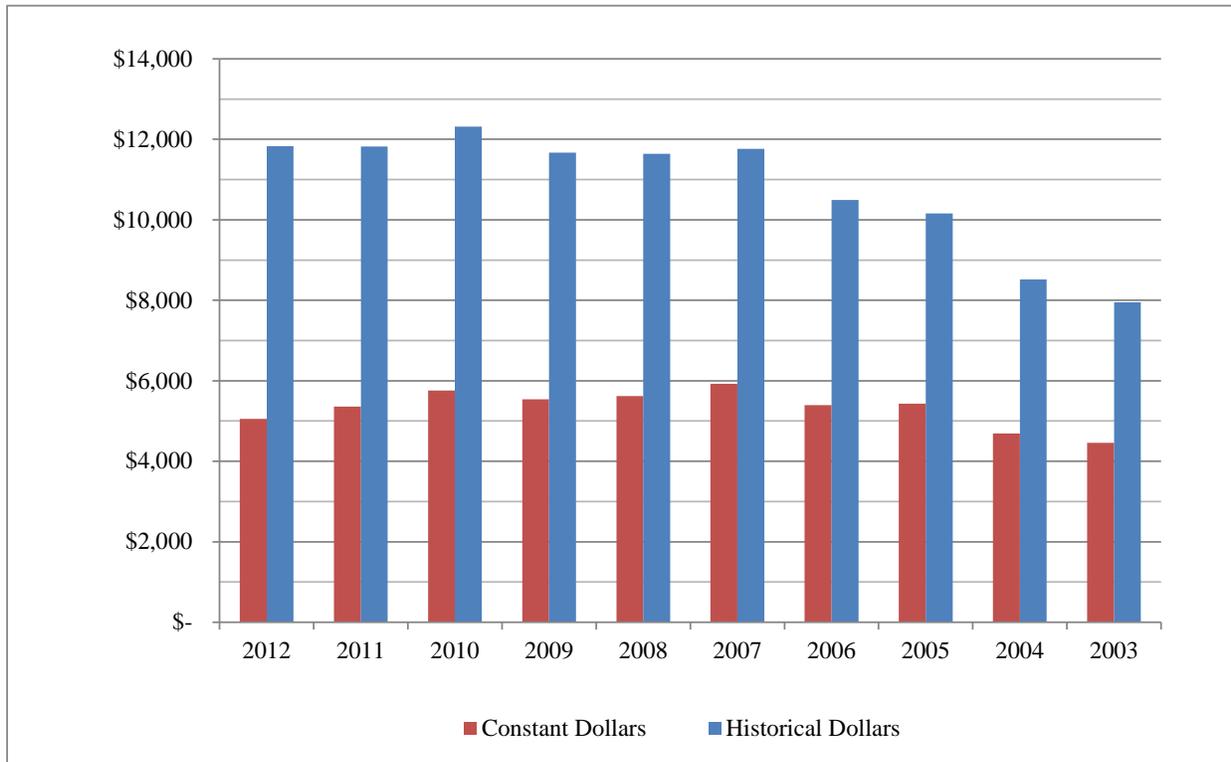
2007, as Restated	Fiscal Year			
	2006	2005	2004	2003
104	99	99	99	99
7	7	7	7	7
989	990	1,056	1,012	995
13	13	13	13	13
32	33	33	33	33
3	3	3	3	3
248	255	255	255	255
7	7	7	7	7
11	11	11	11	11
382	385	343	339	338
322	321	321	321	321
300	353	370	358	388
61	69	77	74	74
8	8	8	8	8
7	6	5	5	5
340	336	323	325	305
34	33	32	31	31
166,000	166,000	166,000	166,000	166,000
6	6	6	6	6
30,417	29,952	29,456	29,273	27,988
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
2012	\$ 11,826	-3.7%	\$ 5,055	-5.6%
2011	11,825	-4.0%	5,357	-6.9%
2010	12,316	5.5%	5,757	3.9%
2009	11,671	0.3%	5,543	-1.3%
2008	11,640	-1.1%	5,619	-5.1%
2007	11,764	12.1%	5,922	9.8%
2006	10,495	3.3%	5,393	-0.7%
2005	10,160	19.2%	5,429	15.8%
2004	8,520	7.1%	4,688	5.1%
2003	7,953	4.3%	4,460	1.6%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

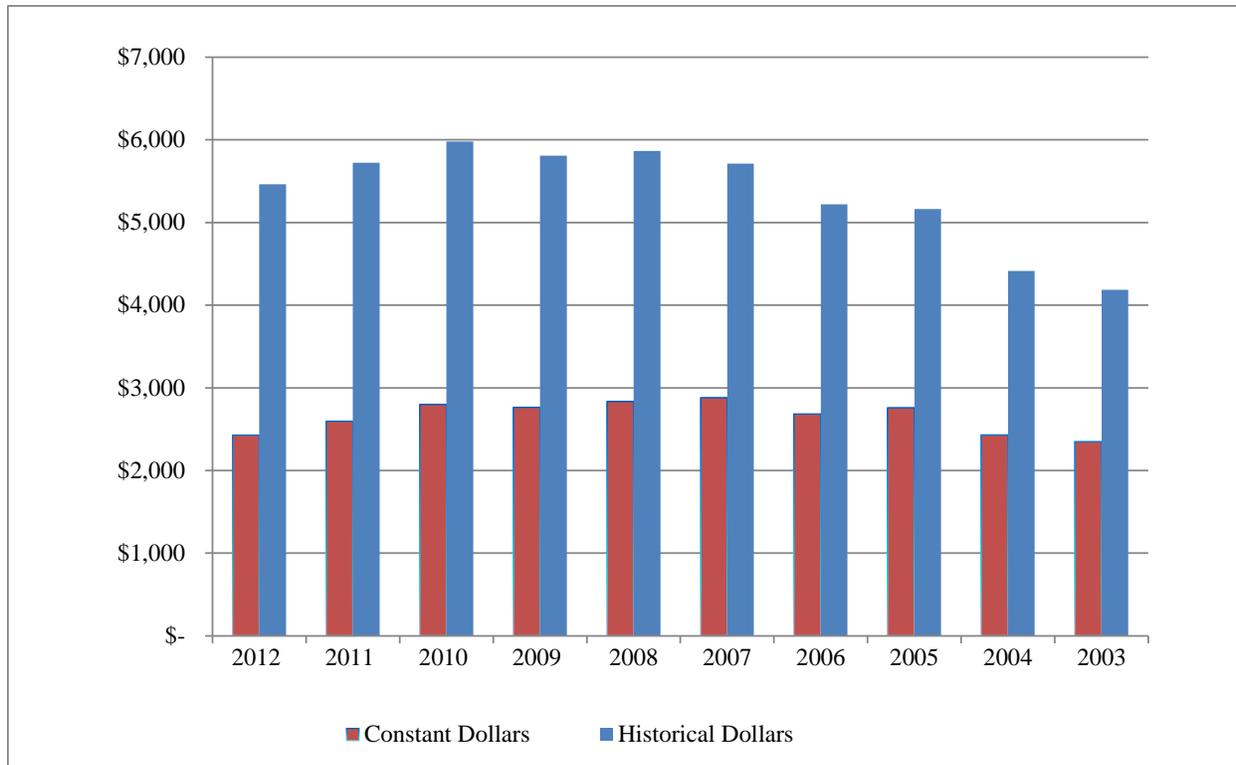
STATE OF NEW MEXICO

PER CAPITA EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS

SCHEDULE F-2

ALL GOVERNMENT FUND TYPES

Last Ten Fiscal Years



Per Capita Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2012	\$ 5,462	-4.6%	\$ 2,424	-6.5%
2011	5,724	-4.3%	2,593	-7.3%
2010	5,981	3.0%	2,796	1.4%
2009	5,807	-1.0%	2,758	-2.6%
2008	5,866	2.7%	2,832	-1.5%
2007	5,713	9.5%	2,876	7.2%
2006	5,220	1.1%	2,682	-2.7%
2005	5,161	16.9%	2,758	13.5%
2004	4,415	5.5%	2,429	3.5%
2003	4,186	3.0%	2,348	0.4%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

Note: 2008 amounts have been restated.



**Financial Control Division
Bataan Memorial Building
407 Galisteo Street
Santa Fe, NM 87501**



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