

STATE OF NEW MEXICO

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009



**BILL RICHARDSON, GOVERNOR**

*PREPARED BY DEPARTMENT OF FINANCE AND ADMINISTRATION*

*KATHERINE B. MILLER  
CABINET SECRETARY*

*ANTHONY I. ARMIJO, CPA, CGFM  
STATE CONTROLLER*

# STATE OF NEW MEXICO

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### INTRODUCTORY SECTION



Source: New Mexico Tourism Department, Dan Monaghan

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



**Bill Richardson**  
Governor

**STATE OF NEW MEXICO**  
**DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**FINANCIAL CONTROL DIVISION**  
407 GALISTEO STREET  
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**Katherine B. Miller**  
Secretary

**Anthony I. Armijo, CPA**  
Director/State Controller

March 19, 2010

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

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the fiscal year ended June 30, 2009. The Department of Finance and Administration Financial Control Division, as required by Chapter 6-5-4.1 of the New Mexico Statutes Annotated, 1978, prepared this report. The Department of Finance and Administration is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

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

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

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

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

New Mexico Finance Authority  
New Mexico Mortgage Finance Authority

To the Honorable Governor Bill Richardson, the New Mexico State Legislature,  
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New Mexico Computing Applications Center, Inc.

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

**Internal Control.** The CAFR consists of management’s representations concerning the finances of the State of New Mexico. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State’s financial statements in conformity with GAAP as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. Since the cost of internal controls should not outweigh the benefits, the State’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

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

**PROFILE OF THE GOVERNMENT**

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

**SIGNIFICANT NEW MEXICO RANKINGS**

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

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

**Structure.** As shown in the organizational chart on page xv, state government is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the *Constitution of the State of New Mexico*, which can be amended only by a majority vote of the State’s citizens. State government services provided to citizens include building and maintaining roads; providing public safety, health, and environmental

To the Honorable Governor Bill Richardson, the New Mexico State Legislature,  
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protection services to protect the general welfare of the State's citizens; helping adults, children and families through difficult times such as abuse, divorce, illness, death, and unemployment; fostering an attractive business climate to encourage economic growth; and protecting public lands and natural resources for conservation and recreational activities. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help those entities meet the specific needs of their constituents.

**Budgetary Control.** The *Constitution of the State of New Mexico* requires that budgeted expenditures not exceed estimated revenues and other sources of funding, including beginning fund balances. Annually, the Governor is required to submit a balanced budget by fund, function, and activity to the Legislature for the General Fund, Education Fund, Health and Human Service Fund, Highway and Transportation Fund, and all Special Revenue funds with the exception of the American Recovery and Reinvestment Act Fund and the Bond Proceeds Fund. The Legislature authorizes expenditures in the annual *Appropriations Act*. The *Appropriation Acts* also identify the sources of funding for budgeted expenditures. In the event actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the Legislature to address budget issues. Adjustments to the budget may also be made throughout the year for changes in departmental or fund revenues so that departments and fund will not end the fiscal year in a deficit position. Expenditures are controlled at the program appropriation unit level. Administrative category expenditures (personal service, contracts, other) may legally exceed budgeted amounts; however, the total of all the category expenditures may not legally exceed the approved program appropriation budget. For additional information on budgetary control see the Required Supplementary Information on page 157.

## ECONOMIC CONDITIONS AND OUTLOOK

**Economy.** The United States economy shrank during fiscal year 2009 by 2.3 percent (real), although with a moderate increase in the consumer price index (CPI) inflation to 1.4 percent. The real gross domestic product (GDP) changed 0.0, (1.9), (3.3), and (3.9) percent, respectively, over the four quarters of fiscal year 2009.

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

The State economy followed the U.S. economy with a lag of about five months. Recently published benchmark data implies a loss of jobs in New Mexico from peak to trough of over 30,000 jobs.

Of particular importance to New Mexico, crude oil and natural gas prices have declined from highs of \$12.55 per mcf for natural gas and \$130.57 per barrel of crude oil in July 2008 to \$3.43 per mcf for natural gas and \$31.84 per barrel of crude oil in April and February 2009, respectively.

The September 2009 Global Insight Forecast Summary explains the current situation as follows:

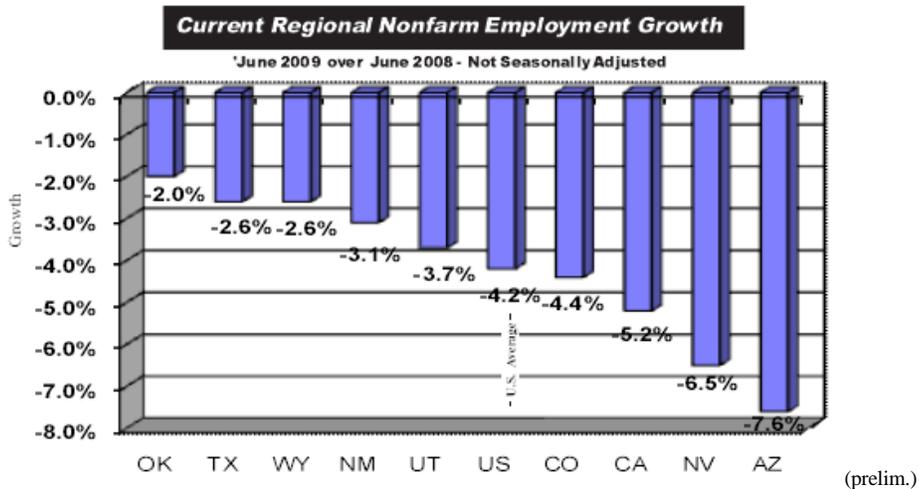
- The bottom of the recession was probably in June 2009. We now expect GDP to grow.... We do not see employment rising until 2010.
- We still do not see a V-shaped recovery, since credit conditions will stay tight and consumer spending sluggish. ...The unemployment rate reaches 10.0 percent.
- Inflation remains a risk for the future, but is not an imminent threat. Headline CPI inflation is in negative territory and wage inflation is falling, not rising.

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Global Insight (GI) and the University of New Mexico's Bureau of Business and Economic Research (BBER) – our state macroeconomic forecaster – expect job losses in the State through the end of the 2009 and into the first quarter of 2010. This job weakness is reflected in substantial reductions in expected revenues for the fiscal year 2009 through fiscal year 2014. The root causes are well known: mortgage defaults and home foreclosures, which led to a national financial crisis; falling house prices and resulting severe decreases in household net wealth; falling stock market prices; and a national and worldwide recession.

As of the end of June 2009, the New Mexico Department of Workforce Solutions reports:

- New Mexico's year-over-year revised job growth was (2.8) percent, representing a year-over-year loss of 24,000 jobs. Even with the weakest job growth in decades, New Mexico remained in the top half of the state rankings, at twentieth highest for June 2009 preliminary.
- Preliminary employment declined by 13,000 jobs or (3.3) percent year-over-year in the Albuquerque MSA, with only two of the 12 industries adding jobs. Job growth has been negative for nine consecutive months, with the rate of decline increasing for each month during that period.
- The preliminary rate of year-over-year job growth for the Las Cruces MSA was at (2.9) percent. This month marks the fourth consecutive month of negative job growth for Las Cruces, a situation not seen since the 1991 recession.
- The preliminary rate of year-over-year job growth for the Santa Fe MSA was (4.2) percent, representing a loss of 2,800 jobs. The Santa Fe job market has been weak for almost two years, but recent data are disappointing.



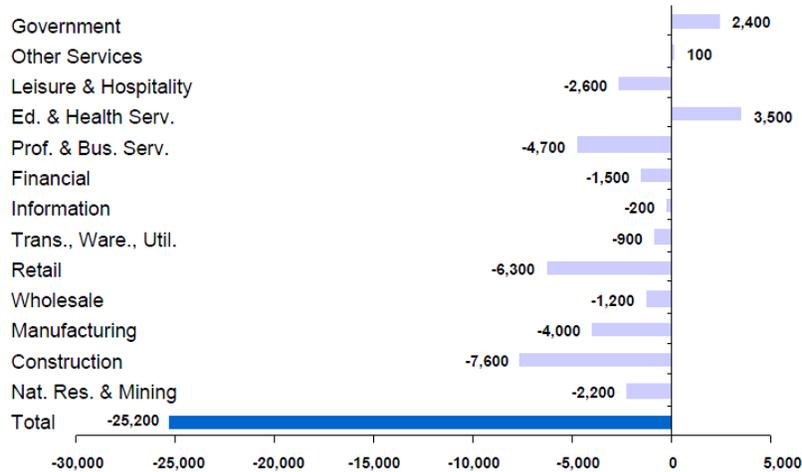
Source: New Mexico Department of Workforce Solutions Labor Market Review, preliminary 08/04/09, revised 09/08/09

Preliminary non-farm employment fell 2.6 percent in fiscal year 2009, with quarterly job losses of (1.1), (0.4), (0.6), and (1.6) percent year-on-year. Non-farm employment is expected to continue to accumulate losses for three more quarters [(3.1), (2.3), and (0.8) percent year-on-year, respectively]] before resuming slow recovery beginning in the second quarter of 2010.

To the Honorable Governor Bill Richardson, the New Mexico State Legislature,  
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The following information details the changes in employment by industries:

**Numerical Change in New Mexico Employment by Industry  
July 2008-2009**



Source: New Mexico Workforce Solutions Department

- ✦ **Construction** – Housing contributed to a loss of 7,600 construction jobs, a (13.1) percent drop, in the last year, and total permits for new housing construction in the State were down (37.5) percent in the second quarter of 2009. Housing valuations were down for the second quarter of 2009 year-over-year. In August, New Mexico ranked 36th among states for foreclosure rates, which were low relative to the nation.
- ✦ **Defense** – Department of Defense contracts performed in New Mexico in federal fiscal year 2007 were reported at \$7 billion. The current level of defense activity is expected to continue in 2009, a result of military involvement overseas.
- ✦ **Energy and Minerals** – Mining and logging sector job growth dropped again after almost six years of consecutive quarterly growth, with a large drop in energy prices in two quarters (Q4 2008 and Q1 2009) and 1,700 jobs lost in the second quarter of 2009, an (8.1) percent decline.
- ✦ **Government** – New Mexico's government sector gained 2,867 jobs year-over-year in the second quarter of 2009, a 1.4 percent gain, primarily in federal jobs associated with the 2010 census and from gains at the local level, mostly from native operations expansions, subject to the declining economy. Slight growth is expected in this sector in future years.
- ✦ **Health Care** – New Mexico's large health care and social assistance sector added 2,867 jobs year-over-year for the second quarter of 2009, a 2.8 percent gain, with consistent growth expected in future years.
- ✦ **High Technology** – The information sector was down slightly for the quarter, with 333 jobs lost year-over-year, a (2.1) percent drop. No gains are expected in this sector until 2011.
- ✦ **Manufacturing** – The manufacturing sector continues to deeply contract in New Mexico, with some firm closures and job losses of 3,667 in the second quarter of 2009, a (10.4) percent decline. Solar manufacturing appears to be a bright subsector, subject to continued availability of financing and installation incentives.
- ✦ **Professional** – Professional sector employment declined (2.4) percent year-over-year in the second quarter of 2009 and faces a total decline of (2.2) percent in 2009, with some large temporary boosts expected over the next three years from call centers. Employment growth in this sector is expected to be above 2.0 percent from 2010 through 2014.
- ✦ **Tourism** – New Mexico's accommodation and foodservices sector is down (2.8) percent year-over-year for the second quarter of 2009, with no new jobs in arts, entertainment and recreation year-over-year.

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- ✦ **Trade** – Trade is expected to have negative year-over-year growth in 2009. For July, retail trade lost 6,300 jobs year-over-year, a (6.5) percent drop, with a weak economy and retail bankruptcies, closings and downsizings. The wholesale trade sector lost 1,200 jobs, and the transportation, warehousing and utilities sector lost 900 jobs, for drops of (5.0) percent and (3.8) percent, respectively.

Amid the gloomy news about the housing slump, the well-publicized sub-prime mortgage foreclosures, and the global financial crisis, New Mexico turned in relatively a good performance. The well-publicized crash of the “housing bubble”, the collapse of the sub-prime lending market and the global financial crisis will hold down state and national economic growth. Some housing markets were apparently overvalued and experienced significant declines in new home construction, sales of pre-owned homes and median prices of new and pre-owned homes. Other markets, including Albuquerque and the rest of New Mexico, have experienced a more modest slowing of shorter duration in new home construction. It is expected that there will be only a modest decline or even a modest increase in median prices and eventual recovery to pre-2004 trend growth. The housing crisis has been largely restricted to California, Florida, Nevada, and Michigan, as New Mexico’s median home prices increased by 1.7 percent in Q2 2008, down from 7.4 percent the prior year but still positive, compared to down (1.7) percent nationally.

Similarly, improved data from RealtyTrac through October 2008 show that New Mexico experienced another substantial year-on-year decline in housing foreclosure action, following a decline the prior year. Data that is more recent has confirmed this overall assessment.

Fiscal year 2009 total State General Fund revenues fell by (5.0) percent from fiscal year 2008 and recurring State General Fund revenues fell by (11.4) percent from fiscal year 2008. Energy revenues decrease by (29.7) percent, while income taxes fell by (28.2) percent. General sales tax collections, which include the gross receipts tax and the compensating tax decreased by (0.9) percent from fiscal year 2008. Based on the August 2009 revenue forecast, general sales taxes are expected to fall (1.3) percent from fiscal year 2009 levels, mineral production taxes and royalties, including federal mineral leasing and State Land Office residual revenues are expected to fall by (32.3) percent from fiscal year 2009.

Total recurring fiscal year 2010 and fiscal year 2011 State General Fund revenues are currently forecasted to grow at (6.8) and 6.8 percent, respectively (based on the August forecast). Four factors contribute to the year-over-year negative and slow growth. 1) First, oil and gas taxes and federal mineral leasing payments are directly responsive to the forecast in energy prices. We expect oil prices to fall from their fiscal year 2009 peak over \$130.00 per barrel to \$64.00 per barrel in fiscal year 2010 and natural gas prices were revised downwards in the October 2009 forecast from the peak in July 2008 of \$12.55 per mcf to an average of \$4.15 per mcf in fiscal year 2010. Overall, both fiscal year 2010 and fiscal year 2011 revenues from crude oil and natural gas production will contribute some growth, but primarily later stages of the five-year forecast period. 2) Secondly, for the period June 2007 through June 2008, approximately 2/3<sup>rd</sup> of almost record-high corporate income tax collections came from mineral extraction firms. As energy prices moderated, profits for these mineral extraction firms also moderated. In addition, there are elevated levels of claims against the corporate income tax from the higher levels of film production credit enacted in 2004 and the renewable energy credits enacted in 2007. 3) The third reason for the decline is that the final step of 2003’s phased personal income tax rate reduction law became effective January 1, 2008 and affected fiscal year 2009 personal income tax (PIT) growth. Gross receipts tax and personal income tax collections are not as sensitive to oil and gas drilling or production activity as the corporate income and the mineral extraction taxes. Finally, 4) the continuing national downturn in housing markets and the global financial crisis will continue to spread their effects through the economy and be a drag on income and general sales revenues.

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and the Citizens of the State of New Mexico  
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General sales tax collections, which include the gross receipts tax and the compensating tax, are expected to total \$1,905 million for fiscal year 2009 and are expected to fall further to \$1,880 million in fiscal year 2010 per the August 2009 forecast, or a (1.0) percent decrease from fiscal year 2009.

Income taxes, both personal and corporate, were expected to increase by 1.9 percent from \$1,215 million in fiscal year 2009 to \$1,235 million in fiscal year 2010, based on the August forecast. However, the August 2009 estimate of fiscal year 2009 recurring income taxes is over \$89 million more than the actual. The October revenue forecast – due to be reported to the Governor and the Legislature is scheduled for October 14, 2009 – is expected to be significantly lower for the income taxes than the August forecast. This relatively modest revenue performance comes from a combination of 1) higher film production and renewable energy credits than previously experienced; 2) the implementation of income tax credits and rebates enacted in 2007 and 2008; 3) the national downturn in housing markets and the global financial crisis, combining with an economic recession that has reduced employment and income growth far below previously estimated. Personal income is currently forecasted to be flat in fiscal year 2010.

**Outlook.** Overall, after three years of double-digit recurring revenue growth (fiscal year 2004, fiscal year 2005, fiscal year 2006), the recurring revenue estimate for fiscal year 2007 and fiscal year 2008 showed growth slowing to a more traditional and accustomed growth levels of 3.5 percent and 4.2 percent, respectively. However, the recurring revenue decline for fiscal year 2009 of (11.4) percent is unprecedented, showing the state economy is working through the national recession and global crisis to return to a more traditional growth. However, this return to traditional growth will not occur until fiscal year 2011 and beyond.

Downside risks to the fiscal year 2010 and fiscal year 2011 revenue forecasts include: 1) New Mexico's participation in the national and international recession of 2008-2009 may accelerate. We may well not hit the trough until the end of the second quarter of 2010. Of course, this would have a significant impact on New Mexico's broad-based tax revenues, even more than currently forecasted. New Mexico is expected to have over 30,000 jobs lost from peak to trough; 2) regular federal spending, which New Mexico relies on heavily; may be somewhat curtailed, due to the massive spending in the State under the American Recovery and Reinvestment Act (ARRA), which is largely oriented about construction spending; 3) the potential for reduced oil and natural gas production levels if natural declines are replaced more slowly due to exploration and extraction disincentives of lower energy prices; 4) decreased investment returns from increased financial market volatility and credit market dysfunctions; and 5) stock market reductions affecting Tobacco Settlement Permanent Fund General Fund Reserves.

Upside risks, include an extension of the ARRA funding – perhaps in the fiscal year 2010 and fiscal year 2011 general federal budgets. In particular, there is a significant possibility of enhanced Medicaid matching revenues and road and bridge infrastructure spending.

#### **ACKNOWLEDGEMENTS**

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

Respectfully submitted,



Katherine B. Miller



Anthony I. Armijo

# STATE OF NEW MEXICO

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## SELECTED STATE OFFICIALS

June 30, 2009

### Executive

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

### Judicial

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

### Legislative

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

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



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

## FINANCIAL SECTION



Source: New Mexico Tourism Department, Dan Monaghan

**Balloon Gallup Red Rock:** On the first weekend of each December Gallup, New Mexico hosts 200 balloons from across the Southwest. Early each morning the balloons lift off from Red Rock State Park. Frequently described as a balloonist's paradise, it is also a photographer's paradise as the colorful balloons float and play in the many canyons carved from the red stone.

**Independent Accountants' Report**

T 505-878-7200

F 505-878-7282

The Honorable Bill Richardson, Governor of the State of New Mexico  
Ms. Katherine Miller, Secretary of the  
New Mexico Department of Finance and Administration,  
Mr. Anthony I. Armijo, CPA, Director/State Controller, and  
Mr. Hector Balderas, New Mexico State Auditor

We have reviewed the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. Our review was conducted in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the State of New Mexico. We did not review the financial statements of the New Mexico Mortgage Finance Authority (MFA), a component unit of the State, the Deferred Compensation (IRC 457) Fund of the Public Employee Retirement Association of New Mexico, a fiduciary fund of the State, or the 529 Higher Education Savings Plan (529 Plan) of the Education Trust Board, a private purpose trust fund of the State, which statements reflect total assets and revenues constituting 6.1% and 3.8%, respectively, of the basic financial statements. These statements were reviewed by other accountants, whose reports thereon have been furnished to us, and the results of our review expressed herein, insofar as it relates to the amounts included for MFA, the Deferred Compensation Fund, and the 529 Plan, are based solely upon the reports of other accountants.

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

The Departments of Transportation and Workforce Solutions had not reconciled their accounting records, including Transportation's capital assets, to the Statewide Human Resources Accounting and Reporting (SHARE) accounting system as of the date of our review. Consequently, the balances related to these agencies may require adjustments once the reconciliations are completed.

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

As discussed in Note 2.H, the State has restated certain July 1, 2008 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$246 million due to errors made in certain expenditure accruals and decreased by \$366 million to remove premature recognition of bond proceeds. Governmental activities net assets were decreased by \$9 million to recognize pollution remediation liabilities and by \$8 million due to a fund classification

The Honorable Bill Richardson, Governor of the State of New Mexico  
Ms. Katherine Miller, Secretary of the  
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error. Business-type activities net assets were increased by \$450 million primarily due to errors made in relation to the Land Grant funds by the universities. Of this amount, \$27 million is due to errors made in certain expenditure accrual. Trust fund net assets were decreased by \$4,415 million due to the removal of the balance representing the State's participation in investment pool and by \$27 million due to errors made in certain expenditure accruals. Finally, net assets were increased by \$162,374 for the New Mexico Finance Authority, a discretely presented component unit, in order to correct bond accounting and revenue recognition errors.

Based on our review and the reports of other accountants, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying combining financial statements is presented only for supplementary analysis. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Management's Discussion and Analysis beginning on page 4, Schedule of Funding Progress for Employee Retirement Systems and Plans on pages 162-167, and Budgetary Comparison Schedules on pages 155-158 as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not review the information and express no opinion on it.

The accompanying introductory section and statistical information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements and, accordingly, we express no opinion on it.

*Moss Adams LLP*

Albuquerque, New Mexico  
March 15, 2010

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

### ❖ INTRODUCTION

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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, 2009. 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

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#### Government-wide

##### Net Assets

- ✦ The assets of the State of New Mexico exceeded its liabilities by \$16 billion as of June 30, 2009, a decrease of \$2,517 million or (13.7) percent from fiscal year 2008. Net assets of the governmental activities decreased \$2,176 million or (15.3) percent partially due to the initial decline of the stock market and lack of investor confidence and the projected revenues not materializing. Net assets of business-type activities decreased by \$341 million or (8.2) percent due to increased instructional expenses and having to liquidate investments for cash flow.
- ✦ The State General Fund ended the year with net assets at 6.8 percent of recurring prior year appropriations as compared to 14.4 percent in fiscal year 2008.

##### 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, 2009. Depreciation of SHARE has been recorded for all implementation and development costs through June 30, 2009.
- ✦ In addition, the State has spent the last several years constructing the infrastructure for the Rail Runner transportation system expansion from Albuquerque to Santa Fe. The Rail Runner used existing infrastructure and constructed new infrastructure to accommodate the planned route.

##### Long-term Debt

- ✦ The State's long-term bonded debt decreased a net of \$126 million or (3.4) percent through the payment of principal balances on outstanding debt exceeding the issuance of new bonds. During the year, the State issued bonds totaling \$196 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, 2009

### Fund Level

#### Governmental Funds

- ✦ As of June 30, 2009, the State's governmental funds reported a combined ending fund balance of \$6,840 million, a decrease of \$2,530 million or (27.0) percent from fiscal year 2008. The State reported a positive unreserved fund balance of \$1,282 million in fiscal year 2009.
- ✦ Total net tax collections for fiscal year 2009 were \$7,390 million. Combined reporting system taxes (gross receipts, withholding, and compensating taxes) were the single largest category of collections at \$4,300 million, or 59.0 percent of total collections. Mineral extraction taxes were next at \$1,100 million or 15.0 percent. Income taxes were \$754 million or 10.0 percent. Of the total tax collections, the Taxation and Revenue Department distributed a total of \$3,621 million to the State General Fund to finance the State's appropriations.

#### Proprietary Funds

- ✦ The proprietary funds reported net assets of \$3,832 million as of June 30, 2009, a decrease of \$341 million or (8.2) percent from fiscal year 2008, mainly due to poor investment market conditions specifically related to the Land Grant Permanent Fund investment and the State Investment Council's investment pools.
- ✦ The universities have shifted from long-term investments to cash equivalents due to market volatility and interest rates.
- ✦ Through bond funding and capital appropriations, the universities continue with new construction projects for student services, such as the Science & Mathematics Learning Center at the University of the New Mexico (UNM). UNM increased their capital assets by approximately \$98 million.
- ✦ The predicted increases in enrollment of 2.0 percent for 2008 have been realized by the universities. In addition, the universities are expecting a robust growth in all student level categories for 2009. The emphasis on retention has been successful and when this factor is combined with an expected increase in new students and market conditions very favorable to enrollments at flagship public universities, the result is a period of forecasted growth.
- ✦ The State experienced a significant increase in the payments for unemployment benefits. The State paid \$201 million more in unemployment benefits in fiscal year 2009 than in fiscal year 2008. The State's unemployment rate increased 65.9 percent from 4.1 percent as of June 30, 2008 to 6.8 percent as of June 30, 2009.

### ❖ 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, 2009

### Reporting the State as a Whole

#### Government-wide Statements

The Statement of Net Assets and the Statement of Activities beginning on page 21 together comprise the *government-wide financial statements*. These statements provide a broad overview of the State's finances as a whole with a long-term focus and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

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

#### Governmental Activities

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

#### Business-type Activities

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

#### Component Units

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

### Reporting the State's Most Significant Funds

#### Fund Financial Statements

The fund financial statements beginning on page 27 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that the State uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity.

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

#### Governmental Funds

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

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

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

### Proprietary Funds

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

### Reporting the State's Fiduciary Responsibilities

#### Fiduciary Funds

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

### Component Units of the State

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

### Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 29 and 33 that reconcile and explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus).

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

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

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

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

### Notes to the Financial Statements

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

### Required Supplementary Information (RSI)

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

### Other Supplementary Information

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

## ❖ ADJUSTMENTS TO BEGINNING NET ASSETS AND FUND BALANCES

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As discussed in Note 2.H, the State has restated certain July 1, 2008 net assets and fund balances. Governmental activities net assets, special revenue, capital projects, and debt service fund balances were decreased by \$120 million due to errors made in certain revenue and expenditure accruals. Nonmajor business-type activities net assets were increased by \$27 million due to errors made in certain revenue and expenditure accruals. In addition, \$423 million of the Land Grant Permanent Fund investment was recorded to increase the Educational Institutions' net assets. Finally, trust fund net assets were decreased by \$4,415 million due to the separation of the State's participation in the State Treasurer's investment pool and the State Investment Council's investment pools. The New Mexico Finance Authority (NMFA) increased net assets by \$162 million due to the reclassification of governmental funds to enterprise funds and removal of defeased bonds from the financial statements.

## ❖ FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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### Net Assets

The State's total net assets decreased \$2,517 million or (13.7) percent in fiscal year 2009. In comparison, net assets in the prior year decreased \$531 million or (2.8) percent, as restated. Net assets invested in capital assets increased approximately \$1,082 million as the State's investment in highways and buildings exceeded depreciation and no additional debt was used to finance current projects. In addition, previous year's analysis of unspent bond proceeds applicable to the State's capital assets was re-evaluated and adjusted to include only the debt attributable to the State's investment in capital assets. Total restricted net assets decreased \$3,766 million or (37.0) percent less than prior year. The \$3,008 million decrease in restricted net assets of governmental activities was primarily due to the decrease in market value of investments held by the State, significant reduction in projected revenue due to the down

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

turn of the economy, and the removal of appropriated bond proceeds prematurely recognized in the prior year. Restricted net assets in business-type activities decreased \$758 million primarily due to the decrease in market value of the Universities' investment in the Land Grant Permanent Fund and the State Investment Council's investment pools. The increase of \$42 million in unrestricted net assets of governmental activities was primarily due to the increase of \$37 million in unearned revenues recognized in the Statement of Net Assets. The increase of \$126 million in unrestricted net assets of business-type activities was the result of normal operations. Net assets of business-type activities generally can be used only to finance the on-going operations of business-type activities.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008, as Restated</u>	<u>2009</u>	<u>2008, as Restated</u>	<u>2009</u>	<u>2008, as Restated</u>
Current and Other Assets	\$ 8,583,052	\$ 12,691,750	\$ 3,213,229	\$ 3,570,040	\$ 11,796,281	\$ 16,261,790
Capital Assets	8,295,702	8,108,000	2,056,915	1,930,250	10,352,617	10,038,250
Total Assets	<u>16,878,754</u>	<u>20,799,750</u>	<u>5,270,144</u>	<u>5,500,290</u>	<u>22,148,898</u>	<u>26,300,040</u>
Current Liabilities	2,018,984	3,620,737	540,688	410,408	2,559,672	4,031,145
Long-term Liabilities	2,785,919	2,929,573	897,680	916,866	3,683,599	3,846,439
Total Liabilities	<u>4,804,903</u>	<u>6,550,310</u>	<u>1,438,368</u>	<u>1,327,274</u>	<u>6,243,271</u>	<u>7,877,584</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	6,995,306	6,204,269	1,381,260	1,090,692	8,376,566	7,294,961
Restricted	4,549,845	7,558,292	1,853,302	2,610,808	6,403,147	10,169,100
Unrestricted	528,700	486,879	597,214	471,516	1,125,914	958,395
Total Net Assets	<u>\$ 12,073,851</u>	<u>\$ 14,249,440</u>	<u>\$ 3,831,776</u>	<u>\$ 4,173,016</u>	<u>\$ 15,905,627</u>	<u>\$ 18,422,456</u>

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 52.7 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 40.3 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 7.0 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, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2009:

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

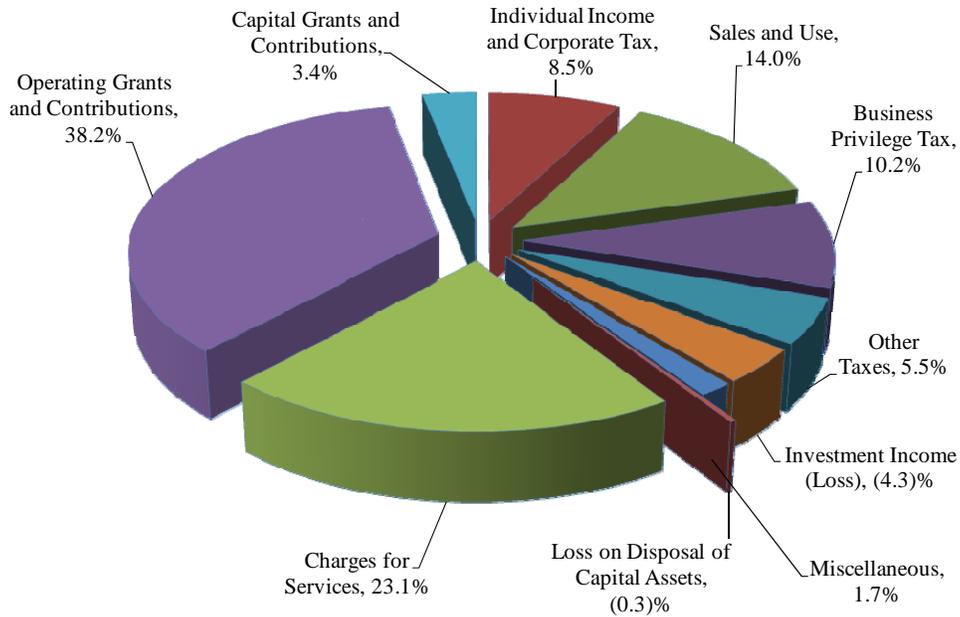
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2008 to 2009
	2009	2008, as Restated	2009	2008, as Restated	2009	2008, as Restated	
<b>Revenues</b>							
General Revenues:							
Taxes	\$ 4,807,361	\$ 5,778,291	\$ 193,380	\$ 97,867	\$ 5,000,741	\$ 5,876,158	(14.9) %
Other General Revenues	(280,864)	480,908	(95,209)	496,201	(376,073)	977,109	(138.5) %
Program Revenues:							
Charges for Services	1,411,408	1,459,908	1,605,674	1,475,636	3,017,082	2,935,544	2.8 %
Operating Grants and Contributions	4,299,203	3,715,696	692,833	454,131	4,992,036	4,169,827	19.7 %
Capital Grants and Contributions	416,118	311,661	29,682	73,918	445,800	385,579	15.6 %
<b>Total Revenues</b>	<b>10,653,226</b>	<b>11,746,464</b>	<b>2,426,360</b>	<b>2,597,753</b>	<b>13,079,586</b>	<b>14,344,217</b>	
<b>Expenses</b>							
General Control	1,301,405	1,020,982	-	-	1,301,405	1,020,982	27.5 %
Culture, Recreation, and Natural Resources	219,952	215,727	-	-	219,952	215,727	2.0 %
Highway and Transportation	939,111	999,407	-	-	939,111	999,407	(6.0) %
Judicial	248,206	231,571	-	-	248,206	231,571	7.2 %
Legislative	27,766	22,236	-	-	27,766	22,236	24.9 %
Public Safety	501,864	453,297	-	-	501,864	453,297	10.7 %
Regulation and Licensing	132,021	119,865	-	-	132,021	119,865	10.1 %
Health and Human Services	5,297,968	4,854,810	-	-	5,297,968	4,854,810	9.1 %
Education	3,277,536	3,221,028	-	-	3,277,536	3,221,028	1.8 %
Unemployment Benefits	1,986	-	-	-	1,986	-	
Indirect Interest on Long-term Debt	117,338	175,364	-	-	117,338	175,364	(33.1) %
Educational Institutions	-	-	2,668,110	2,921,387	2,668,110	2,921,387	(8.7) %
Other Business-type Activities	-	-	863,152	639,348	863,152	639,348	35.0 %
<b>Total Expenses</b>	<b>12,065,153</b>	<b>11,314,287</b>	<b>3,531,262</b>	<b>3,560,735</b>	<b>15,596,415</b>	<b>14,875,022</b>	
Excess Before Transfers	(1,411,927)	432,177	(1,104,902)	(962,982)	(2,516,829)	(530,805)	
Transfers	(763,662)	(692,490)	763,662	692,490	-	-	
Change in Net Assets	(2,175,589)	(260,313)	(341,240)	(270,492)	(2,516,829)	(530,805)	
Net Assets - Beginning, as Restated	14,249,440	14,509,753	4,173,016	4,443,508	18,422,456	18,953,261	
<b>Net Assets - Ending</b>	<b>\$ 12,073,851</b>	<b>\$ 14,249,440</b>	<b>\$ 3,831,776</b>	<b>\$ 4,173,016</b>	<b>\$ 15,905,627</b>	<b>\$ 18,422,456</b>	(13.7) %

# STATE OF NEW MEXICO

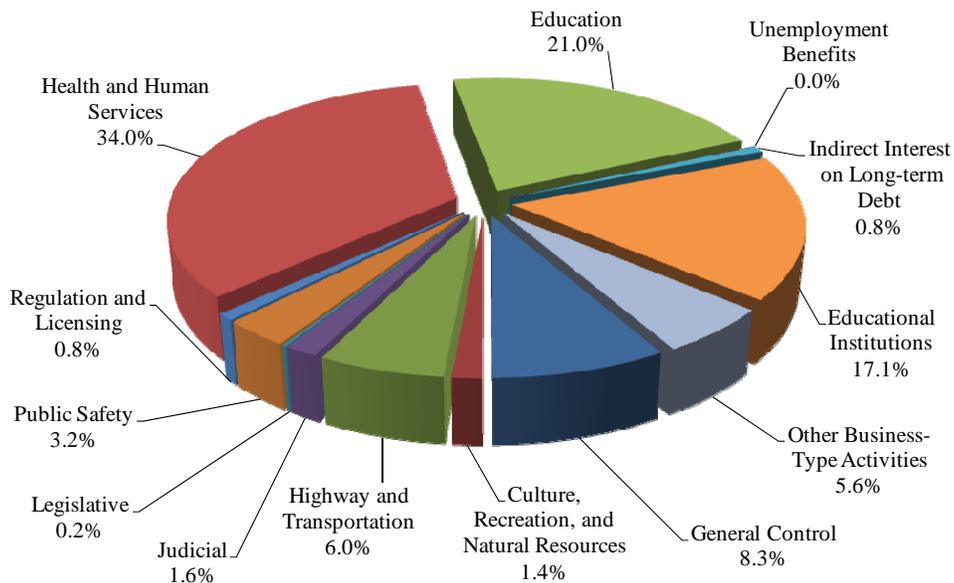
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

### STATE OF NEW MEXICO TOTAL REVENUES - FY 2009



### STATE OF NEW MEXICO TOTAL EXPENSES - FY 2009



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

### Changes in Net Assets

This year the entire State received 38.2 percent of its revenues from State taxes and 41.6 percent of its revenues from grants and contributions mostly from federal sources. In the prior year, state taxes accounted for 41.0 percent, and grants and contributions were 31.8 percent of total revenues, as restated. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 23.1 percent and 22.4 percent of total revenues for fiscal year 2009 and 2008 (as restated), respectively.

### Governmental Activities

The State's total governmental revenues from all sources decreased \$1,093 million or (9.3) percent. The receipt of taxes decreased by approximately \$971 million or (16.8) percent, which is a result of the down turn of the economy. However, due to the differences in measurement focus and timing of collections, the decrease at the government-wide level should not be used to predict future changes at the fund statement or budget level. The State's other income decreased by approximately \$762 million or (158.4) percent due to the investment income's decrease in market valuation at June 30, 2009. The operating grants and contributions increased by approximately \$584 million due to the funding from the American Recovery and Reinvestment Act of 2009 (ARRA). Education and Health and Human Services expenses increased by approximately \$57 million and \$443 million, respectively, due to increased services provided by the ARRA funding.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2009, state taxes and other general revenues covered 49.2 percent of expenses. The remaining \$6 million or 50.8 percent of the total expenses were covered by charges for services and grants and contributions.

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

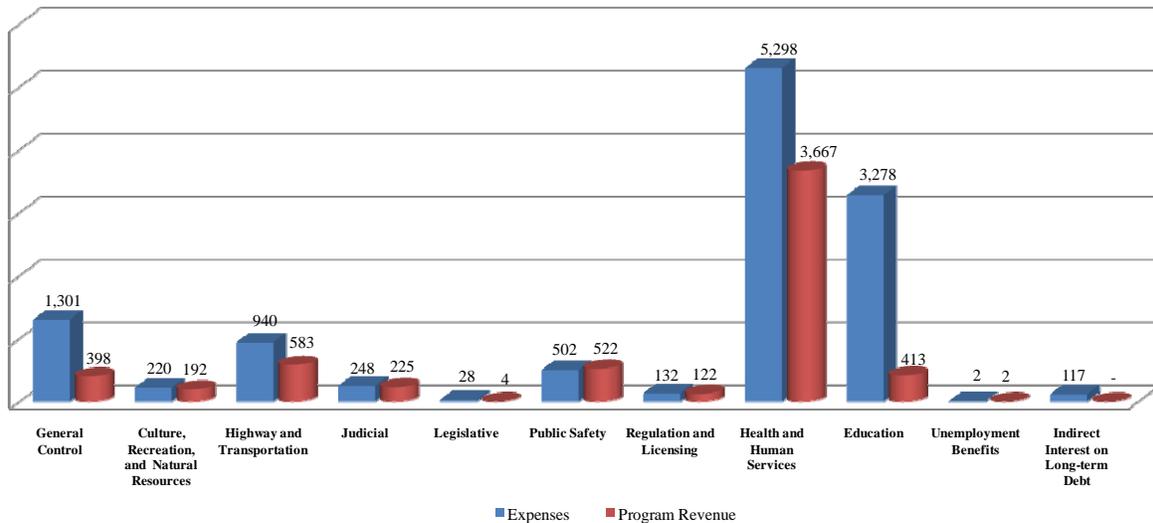
	<b>Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Costs</b>		<b>Program Revenues as a Percentage of Program Expenses</b>	
			<b>2009</b>	<b>2008, as Restated</b>	<b>2009</b>	<b>2008, as Restated</b>
General Control	\$ 1,301,405	\$ (397,862)	\$ 903,543	\$ 580,318	30.6 %	43.2 %
Culture, Recreation, and Natural Resources	219,952	(191,683)	28,269	43,194	87.1 %	80.0 %
Highway and Transportation	939,111	(583,444)	355,667	541,581	62.1 %	45.8 %
Judicial	248,206	(224,703)	23,503	50,615	90.5 %	78.1 %
Legislative	27,766	(3,735)	24,031	20,954	13.5 %	5.8 %
Public Safety	501,864	(521,917)	(20,053)	18,079	104.0 %	96.0 %
Regulation and Licensing	132,021	(122,078)	9,943	5,734	92.5 %	95.2 %
Health and Human Services	5,297,968	(3,666,819)	1,631,149	1,573,214	69.2 %	67.6 %
Education	3,277,536	(412,502)	2,865,034	2,817,968	12.6 %	12.5 %
Unemployment Benefits	1,986	(1,986)	-	-	100.0 %	- %
Indirect Interest on Long-term Debt	117,338	-	117,338	175,364		
	<b>\$ 12,065,153</b>	<b>\$ (6,126,729)</b>	<b>\$ 5,938,424</b>	<b>\$ 5,827,021</b>	<b>50.8 %</b>	<b>48.5 %</b>

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

**STATE OF NEW MEXICO**  
**EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES**  
 For the Fiscal Year Ended June 30, 2009 (In Millions)



### Business-type Activities

Revenues from the State's business-type activities decreased by \$172 million or (6.6) percent from the prior year. Charges for services for business-type activities increased \$130 million or 8.8 percent. The modest increase is partially due to the 2.0 percent increase in enrollment and tuition rates the universities are experiencing. The other income decreased by approximately \$591 million or (119.2) percent due to the investment income's decrease in market valuation at June 30, 2009. The expenses for the educational institutions decreased by \$253 million or (8.7) 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, 2009, the State's governmental funds reported combined ending fund balances of \$6,840 million. Of this amount, \$5,558 million or 81.3 percent is reserved for specific programs by state law, by external constraints, or by contractual obligations. Unspent bond proceeds, balances of restricted accounts and agencies' nonlapsing balances are included in reserved fund balance. An additional \$256 million or 3.7 percent of total fund balance has been segregated through internally imposed limitations on uses of certain funds. Note 1. contains more details about reserved and segregated fund balances at June 30, 2009. The remaining \$1,026 million or 15.0 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, 2009

**State of New Mexico  
Fund Balances as of June 30, 2009  
(Expressed in Thousands)**

	<u>General Fund</u>	<u>Education</u>	<u>Health and Human Services</u>	<u>Highway and Transportation</u>	<u>Appropriated Bonds Proceeds Capital Outlay</u>	<u>Severance Tax Permanent</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
Reserved	\$ 13,478	\$ 99,120	\$ 180,309	\$ 139,939	\$ 1,319,657	\$ 3,173,449	\$ 632,362	\$ 5,558,314
Unreserved:								
Designated	-	-	-	-	-	-	255,641	255,641
Undesignated	376,944	42,332	22,094	221,062	-	-	363,575	1,026,007
<b>Total</b>	<b>\$ 390,422</b>	<b>\$ 141,452</b>	<b>\$ 202,403</b>	<b>\$ 361,001</b>	<b>\$ 1,319,657</b>	<b>\$ 3,173,449</b>	<b>\$ 1,251,578</b>	<b>\$ 6,839,962</b>
Percent Change from Prior Year	(53.4) %	3.7 %	(23.0) %	(45.4) %	(1.9) %	(53.0) %	(30.9) %	(27.0) %

### Governmental Funds

#### General Fund

Fund balance at June 30, 2009 totaled \$390 million, a decrease of (53.4) percent during the fiscal year. This decrease was due to expenditures exceeding revenue. See additional analysis below. The General Fund ended the fiscal year 2009 with a "surplus" from unreserved and undesignated sources of \$377 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues decreased \$945 million or (14.9) percent. The change was due to the decrease in taxes recognized, and royalties on natural resources in the State. All other revenue remained stable from the prior year.

The General Fund expenditures decreased \$58 million or (0.7) percent due to the reduction of the fiscal year 2009 original approved budgets that were mandated due to the revenue shortfall for the State. This measure was one aspect the Legislature took to balance the budget for fiscal year 2009.

#### Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2009 budget during the 2008 General Session. The original General Fund budgeted revenues at the start of fiscal year 2009 were 47.9 percent lower than the final fiscal year 2008 budget basis revenues. During the year, the actual revenue was \$51 million lower than the final approved budget, with the most significant change coming from federal revenues. The original budgeted expenditures for fiscal year 2009 were \$22 million higher than the final fiscal year 2008 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$122 million below the final budgeted amounts. This is mainly the result of a legislative mandated reduction of operating budgets by 3.0 percent during the fiscal year. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

#### Education

Fund balance at June 30, 2009 totaled \$141 million, an increase of \$5 million or 3.7 percent. Total revenues increased by \$2 million or 0.4 percent. This was a result of the slight increase in federal revenue expended for fiscal year 2009 relating to the ARRA funds. Total expenditures increased by \$61 million or 1.9 percent, which was subsidized by state appropriations.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

### **Health and Human Services**

Fund balance at June 30, 2009 totaled \$202 million, a decrease of \$61 million or (23.0) percent during the fiscal year. Total revenues increased by \$260 million or 7.6 percent with total expenditures increasing by 4.9 percent or \$236 million. The additional revenue and expenditures resulted from the ARRA funding source.

### **Highway and Transportation**

Fund balance at June 30, 2009 totaled \$361 million, a decrease of \$300 million or (45.4) percent. Total expenditures increased by \$48 million or 4.2 percent. During 2009, Highway and Transportation fund did not issue any new debt for construction projects. Spending on current construction projects came from prior bond issuances, which were included in reserved fund balance in fiscal year 2008.

### **Appropriated Bond Proceeds Capital Outlay Fund**

The Appropriated Bond Proceeds Capital Outlay Fund was a new governmental fund in fiscal year 2008. In previous years the fund was classified as a fiduciary fund and presented as the Allotment Related Funds agency fund; however, during fiscal year 2008, the State re-evaluated how it accounted for the general obligation and severance tax bond proceeds that are appropriated to state agencies and local governments. The restatement increased fund balance as of June 30, 2007 by \$714 million, which the State believed was the appropriate amount; however, based on additional analysis done during fiscal year 2009 an additional adjustment for \$300 million was necessary to correct fund balance. The fund balance at June 30, 2009 totaled \$1,320 million a decrease of \$25 million or (1.9) percent.

### **Severance Tax Permanent Fund**

Fund balance at June 30, 2009 totaled \$3,173 million, a decrease of \$1,142 million or (53.0) percent. The decrease relates to unrealized losses on investments, which is consistent with the downturn of the economy. During fiscal year 2009, the fund did not experience any other significant fluctuation from the prior fiscal year.

## ❖ FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

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The State's proprietary funds reported net assets of \$3,821 million; this includes a decrease of \$294 million or (7.1) percent. The above net assets include \$3,832 million for enterprise funds, which excludes the Internal Service Fund.

### **Educational Institutions**

Net assets at June 30, 2009 totaled \$3,064 million. Current period activity decreased the net assets of the State's educational institutions by \$175 million or (5.4) percent. For the fiscal year 2009, the State transferred \$804 million to the State's educational institutions from the State General Fund, an increase of \$72 million or 9.9 percent from fiscal year 2008.

## ❖ DISCRETE COMPONENT UNITS

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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.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

The State's discretely presented major component units are:

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

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

### ❖ CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

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#### **Capital Asset Activity**

At June 30, 2009, the State reported \$8,296 million in capital assets net of accumulated depreciation for governmental activities and \$2,057 million in capital assets net of accumulated depreciation for business-type activities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was an increase of 2.3 percent for governmental activities and an increase of 6.6 percent for business-type activities.

At June 30, 2009, the State had \$547 million in commitments for building projects in the state universities. Funding for these commitments will come from existing resources or from bond proceeds.

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

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

#### **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, 2009

The State had the following bond ratings at June 30, 2009:

**State of New Mexico  
Bond Ratings at June 30, 2009**

<u>Bonds</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
General Obligation Bonds	Aa1	AA+
Severance Tax Bonds	Aa2	AA
Supplemental Severance Tax Bonds	Aa3	AA-
Enhanced 9-11 Revenue Bonds	Aa3	AA

The governmental activities issued General Obligation Series 2009 Bonds for \$196 million. The State did not issue any severance tax bonds during fiscal year 2009.

**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 2008 to 2009</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
General Obligation Bonds, Net \$	481,812	\$ 388,318	\$ -	\$ -	\$ 481,812	\$ 388,318	24.1 %
Severance Tax Bonds, Net	626,715	738,687	-	-	626,715	738,687	(15.2) %
Revenue Bonds, Net	1,707,996	1,790,900	809,215	833,836	2,517,211	2,624,736	(4.1) %
<b>Total Bonds Payable</b>	<b><u>\$ 2,816,523</u></b>	<b><u>\$ 2,917,905</u></b>	<b><u>\$ 809,215</u></b>	<b><u>\$ 833,836</u></b>	<b><u>\$ 3,625,738</u></b>	<b><u>\$ 3,751,741</u></b>	<b>(3.4) %</b>

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

### ❖ ECONOMIC CONDITIONS AND OUTLOOK

Original general revenue estimates for fiscal year 2010 are lower than actual general revenue for fiscal year 2009 revenues. The Legislature was able to balance the 2009 budget by using one-time fund balances transfers, budget reductions, moratorium of capital projects, and federal funding provided by the ARRA. Currently, the fiscal year 2010 budget has not been balanced. To help with the deficit, the State is anticipating receiving up to \$1 billion of ARRA funds in fiscal year 2010. The funds will be used for general government, health, human services, employment, highway and transportation, and public and higher education operations.

Preliminary data for fiscal year 2010 show revenues lower than the original 2010 expected budget estimates. The State General Fund revenues are expected to decrease by (6.8) percent for fiscal year 2010. The overall unemployment rate is expected to increase in 2010; as of December 2009, the unemployment rate was 8.3 percent, up 4.2 percent from June 2008. Taxable retail sales are expected to decline 1.3 percent between 2009 and 2010. Personal income is expected to increase 1.9 percent in 2010; however, expectations are that the actual revenue will be much lower. Because these indicators are measured on a calendar year basis, the impact on the State budget will not be fully realized until well into fiscal year 2010. The Governor and Legislature reviewed the fiscal year 2010 budget during a special session and took further action to finding solutions for balancing the budget. The fiscal years 2010 and 2011 budgets will be addressed during the upcoming 2010 General Session and the Governor and Legislature will take action as necessary to balance the budget.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

### ❖ CONTACT THE STATE'S FINANCIAL MANAGEMENT

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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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# STATE OF NEW MEXICO

## BASIC FINANCIAL STATEMENTS

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Source: New Mexico Tourism Department, Gary Romero,  
James Orr, Mike Stauffer

**Gallup Ceremonial:** The Annual Inter-Tribal Indian Ceremonial is now more than 80 years old. The Ceremonial takes place each August, with all-Indian professional rodeos, Ceremonial Indian Dances, a downtown Gallup parade (America's only all-Indian non-mechanized parade), daily performing arts, and Indian foods. The Ceremonial draws participants from all around the United States, Mexico, and Canada.

# STATE OF NEW MEXICO

## STATEMENT OF NET ASSETS

June 30, 2009

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 760,874	\$ 760,874	\$ 176,694
Investment in State General Fund Investment Pool	2,089,700	91,081	2,180,781	-
Investment in Local Government Investment Pool	-	77,931	77,931	156,158
Deferred Charges and Other Assets	40,139	16,307	56,446	3,351
Internal Balances	8,383	(8,383)	-	-
Due From Primary Government	-	-	-	239
Due From External Parties	1,068,234	-	1,068,234	-
Due From Component Units	8,263	-	8,263	-
Receivables, Net	906,606	419,111	1,325,717	178,357
Loans Receivable, Current	-	28,357	28,357	1,121,367
Investments	123,452	399,393	522,845	-
Inventories	47,718	22,234	69,952	-
<b>Total Current Assets</b>	<b>4,292,495</b>	<b>1,806,905</b>	<b>6,099,400</b>	<b>1,636,166</b>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	604,893	66,536	671,429	374,198
Restricted Investments	3,675,724	-	3,675,724	1,263,280
Loans Receivable, Net	-	143,167	143,167	224,953
Investments	-	1,180,892	1,180,892	2,595
Other Noncurrent Assets	9,940	15,729	25,669	32,810
Nondepreciable Capital Assets	792,221	248,286	1,040,507	512
Capital Assets, Net	7,503,481	1,808,629	9,312,110	1,439
<b>Total Noncurrent Assets</b>	<b>12,586,259</b>	<b>3,463,239</b>	<b>16,049,498</b>	<b>1,899,787</b>
<b>Total Assets</b>	<b>16,878,754</b>	<b>5,270,144</b>	<b>22,148,898</b>	<b>3,535,953</b>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

## STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2009  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Cash Overdraft	\$ 95,769	\$ 12	\$ 95,781	\$ -
Accounts Payable	423,744	210,737	634,481	7,301
Accrued Liabilities	133,187	75,838	209,025	80,115
Claims Payable	175,591	21,815	197,406	-
Unearned Revenue	137,425	115,070	252,495	-
Due to Primary Government	-	-	-	8,263
Due to External Parties	292,114	-	292,114	-
Due to Component Unit	239	-	239	-
Securities Lending	283,754	-	283,754	-
Intergovernmental Payables	52,680	263	52,943	-
Other Obligations	50,495	2,795	53,290	-
Funds Held for Others	326	8,564	8,890	182,921
Bonds Payable	296,154	25,466	321,620	75,303
Other Liabilities	77,506	80,128	157,634	135,383
<b>Total Current Liabilities</b>	<b>2,018,984</b>	<b>540,688</b>	<b>2,559,672</b>	<b>489,286</b>
Noncurrent Liabilities:				
Bonds Payable	2,520,369	783,749	3,304,118	2,445,235
Other Liabilities	265,550	113,931	379,481	1,839
<b>Total Noncurrent Liabilities</b>	<b>2,785,919</b>	<b>897,680</b>	<b>3,683,599</b>	<b>2,447,074</b>
<b>Total Liabilities</b>	<b>4,804,903</b>	<b>1,438,368</b>	<b>6,243,271</b>	<b>2,936,360</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	6,995,306	1,381,260	8,376,566	(361)
Restricted for:				
Highway Construction and Maintenance	68,306	-	68,306	-
Education	42,332	-	42,332	-
Capital Projects	298,111	81,117	379,228	-
Construction Warranty New Mexico 44	39,260	-	39,260	-
Debt Service	247,906	28,806	276,712	9,753
Health and Human Services	38,629	-	38,629	-
Financial Aid	99,120	-	99,120	-
Unemployment and Insurance	-	406,930	406,930	-
Loan Programs	-	267,411	267,411	-
Program Funds	-	-	-	457,493
Other Purposes	-	116,185	116,185	18,111
Funds Held in Permanent Investments:				
Nonexpendable	3,716,181	952,853	4,669,034	-
Unrestricted Net Assets	528,700	597,214	1,125,914	114,597
<b>Total Net Assets</b>	<b>\$ 12,073,851</b>	<b>\$ 3,831,776</b>	<b>\$ 15,905,627</b>	<b>\$ 599,593</b>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

(In Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Control	\$ 1,301,405	\$ 224,768	\$ 173,094	\$ -
Culture, Recreation, and Natural Resources	219,952	162,092	29,591	-
Highway and Transportation	939,111	167,326	-	416,118
Judicial	248,206	191,311	33,392	-
Legislative	27,766	-	3,735	-
Public Safety	501,864	454,400	67,517	-
Regulation and Licensing	132,021	104,317	17,761	-
Health and Human Services	5,297,968	105,060	3,561,759	-
Education	3,277,536	2,134	410,368	-
Unemployment Benefits	1,986	-	1,986	-
Interest on Long-term Debt	117,338	-	-	-
<b>Total Governmental Activities</b>	<u>12,065,153</u>	<u>1,411,408</u>	<u>4,299,203</u>	<u>416,118</u>
Business-type Activities:				
Educational Institutions	2,668,110	1,104,240	689,342	23,200
Other Business-type Activities	863,152	501,434	3,491	6,482
<b>Total Business-type Activities</b>	<u>3,531,262</u>	<u>1,605,674</u>	<u>692,833</u>	<u>29,682</u>
<b>Total Primary Government</b>	<u>\$ 15,596,415</u>	<u>\$ 3,017,082</u>	<u>\$ 4,992,036</u>	<u>\$ 445,800</u>
<b>Discretely Presented Component Units</b>				
New Mexico Finance Authority	\$ 120,520	\$ 55,260	\$ 36,494	\$ -
New Mexico Mortgage Finance Authority	122,181	73,670	42,806	-
New Mexico Computing Application Center	3,706	-	3,057	-
<b>Total Component Unit Activities</b>	<u>\$ 246,407</u>	<u>\$ 128,930</u>	<u>\$ 82,357</u>	<u>\$ -</u>
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 (Loss)				
Miscellaneous				
Loss on Disposal of Capital Assets				
Transfers, Net				
Total Net General Revenues and Transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning, as Restated -</b>				
<b>See Note 2.H.</b>				
<b>Net Assets - Ending</b>				

The Notes to the Financial Statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (903,543)	\$ -	\$ (903,543)	\$ -
(28,269)	-	(28,269)	-
(355,667)	-	(355,667)	-
(23,503)	-	(23,503)	-
(24,031)	-	(24,031)	-
20,053	-	20,053	-
(9,943)	-	(9,943)	-
(1,631,149)	-	(1,631,149)	-
(2,865,034)	-	(2,865,034)	-
-	-	-	-
(117,338)	-	(117,338)	-
<u>(5,938,424)</u>	<u>-</u>	<u>(5,938,424)</u>	<u>-</u>
-	(851,328)	(851,328)	-
-	(351,745)	(351,745)	-
<u>-</u>	<u>(1,203,073)</u>	<u>(1,203,073)</u>	<u>-</u>
<u>(5,938,424)</u>	<u>(1,203,073)</u>	<u>(7,141,497)</u>	<u>-</u>
-	-	-	(28,766)
-	-	-	(5,705)
-	-	-	(649)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,120)</u>
918,090	-	918,090	-
192,487	-	192,487	-
1,831,946	-	1,831,946	-
1,341,753	-	1,341,753	-
523,085	193,380	716,465	-
-	-	-	54,556
-	-	-	(12,687)
(373,962)	(188,413)	(562,375)	56,864
126,558	93,204	219,762	-
(33,460)	-	(33,460)	-
(763,662)	763,662	-	-
<u>3,762,835</u>	<u>861,833</u>	<u>4,624,668</u>	<u>98,733</u>
(2,175,589)	(341,240)	(2,516,829)	63,613
14,249,440	4,173,016	18,422,456	535,980
<u>\$ 12,073,851</u>	<u>\$ 3,831,776</u>	<u>\$ 15,905,627</u>	<u>\$ 599,593</u>

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# STATE OF NEW MEXICO

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **General Fund**

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

### **Education Fund**

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

### **Health and Human Services Fund**

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

### **Highway and Transportation Fund**

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

### **Appropriated Bond Proceeds Capital Outlay Fund**

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

### **Severance Tax Permanent Fund**

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

### **Nonmajor Funds**

Nonmajor governmental funds are presented by fund type beginning on page 173.

# STATE OF NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2009  
(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 53,003	\$ -	\$ -	\$ 172,875
Investment in the State General Fund Investment Pool	-	201,937	146,951	92,314
Deferred Charges and Other Assets	578	-	148	39,260
Due From Other Funds	1,114,728	17,796	89,407	84,177
Receivables, Net	110,495	120,035	360,191	189,815
Investments	82,133	-	-	-
Inventories	6,869	-	5,024	35,435
<b>Total Assets</b>	<b>\$ 1,367,806</b>	<b>\$ 339,768</b>	<b>\$ 601,721</b>	<b>\$ 613,876</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Cash Overdraft	\$ -	\$ -	\$ 140	\$ -
Deficit Investment in the State General Fund Investment Pool	608,877	-	-	-
Accounts Payable	50,925	90,813	141,480	60,273
Accrued Liabilities	33,535	2,927	46,785	27,508
Due To Other Funds	135,752	58,549	192,386	77,639
Due to Brokers	12,983	-	-	-
Intergovernmental Payables	27,939	3,326	-	22
Funds Held For Others	118	-	123	-
Other Obligations	40,635	1,934	4,960	-
Deferred Revenue	66,620	40,767	13,444	87,433
<b>Total Liabilities</b>	<b>977,384</b>	<b>198,316</b>	<b>399,318</b>	<b>252,875</b>
Fund Balances:				
Reserved for:				
Capital Projects	30	-	48,558	-
Construction Warranty New Mexico 44	-	-	-	39,260
Environment	-	-	19,079	-
Financial Aid	-	99,120	-	-
Inventories	6,869	-	5,024	35,435
Multiple Year Appropriations and Encumbrances	6,579	-	88,098	65,244
Pool Participants	-	-	-	-
Social Services	-	-	19,550	-
Unreserved Designated, Reported in Nonmajor:				
Debt Service Funds	-	-	-	-
Unreserved Undesignated	376,944	42,332	22,094	221,062
Unreserved Undesignated, Reported in Nonmajor:				
Special Revenue Funds	-	-	-	-
<b>Total Fund Balances</b>	<b>390,422</b>	<b>141,452</b>	<b>202,403</b>	<b>361,001</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,367,806</b>	<b>\$ 339,768</b>	<b>\$ 601,721</b>	<b>\$ 613,876</b>

The Notes to the Financial Statements are an integral part of this statement

Special Revenue			
Appropriated		Nonmajor	Total
Bonds Proceeds	Severance	Governmental	Governmental
Capital Outlay	Tax Permanent	Funds	Funds
\$ -	\$ 224,884	\$ 58,502	\$ 509,264
1,382,960	18	692,884	2,517,064
-	-	153	40,139
-	30,771	228,046	1,564,925
-	17,431	107,525	905,492
-	3,127,772	589,271	3,799,176
-	-	28	47,356
<u>\$ 1,382,960</u>	<u>\$ 3,400,876</u>	<u>\$ 1,676,409</u>	<u>\$ 9,383,416</u>

\$ -	\$ -	\$ -	\$ 140
-	-	-	608,877
-	-	62,876	406,367
-	-	13,553	124,308
41,986	15,941	259,071	781,324
-	211,486	59,285	283,754
21,317	-	76	52,680
-	-	85	326
-	-	2,966	50,495
-	-	26,919	235,183
<u>63,303</u>	<u>227,427</u>	<u>424,831</u>	<u>2,543,454</u>

-	-	85,209	133,797
-	-	-	39,260
-	-	-	19,079
-	-	-	99,120
-	-	28	47,356
1,319,657	-	4,393	1,483,971
-	3,173,449	542,732	3,716,181
-	-	-	19,550
-	-	255,641	255,641
-	-	-	662,432
-	-	363,575	363,575
<u>1,319,657</u>	<u>3,173,449</u>	<u>1,251,578</u>	<u>6,839,962</u>
<u>\$ 1,382,960</u>	<u>\$ 3,400,876</u>	<u>\$ 1,676,409</u>	<u>\$ 9,383,416</u>

# STATE OF NEW MEXICO

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

June 30, 2009

(In Thousands)

**Total Fund Balances - Governmental Funds** \$ 6,839,962

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	\$ 79,776	
Infrastructure, Nondepreciable	463,753	
Construction-In-Progress	172,726	
Other, Nondepreciable Assets	75,894	
Buildings, Equipment, Infrastructure and Other Depreciable Assets	17,280,113	
Accumulated Depreciation	<u>(9,810,334)</u>	8,261,928

Assets (receivables) not available to provide current resources are offset with deferred revenues (liability) in the fund statements. The reduction of the liability and recognition of revenue increases net assets in the Statement of Net Assets. 97,758

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, telecommunications, building maintenance and management of capitol complex, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (Includes \$33,774 in capital assets and \$2,290 in other liabilities) 29,287

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. 9,940

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

General Obligation, Severance Tax and Revenues Bonds Payable	(2,816,523)	
Accrued Interest Payable	(7,735)	
Notes Payable	(43,781)	
Claims and Judgments	(217,426)	
Compensated Absences	(71,467)	
Pollution Remediation Obligation	(7,992)	
Other	<u>(100)</u>	<u>(3,165,024)</u>

**Total Net Assets - Governmental Activities** \$ 12,073,851

The Notes to the Financial Statements are an integral part of this statement

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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, 2009

(In Thousands)

	General Fund	Special Revenue		
		Education	Health and Human Services	Highway and Transportation
<b>REVENUES</b>				
Taxes:				
General and Selective Taxes	\$ 2,750,258	\$ -	\$ 22,151	\$ 301,319
Income Taxes	1,110,577	-	-	-
Total Taxes	<u>3,860,835</u>	<u>-</u>	<u>22,151</u>	<u>301,319</u>
Other Revenues:				
Federal Revenue	80,094	410,368	3,561,759	416,118
Investment Income (Loss)	675,725	909	2,641	9,534
Rentals and Royalties	558,584	-	2,188	63
Charges for Services	21,759	3	34,183	434
Licenses, Fees, and Permits	136,158	1,397	32,549	95,180
Assessments	67,301	-	2,592	-
Miscellaneous and Other	7,521	1,718	3,378	14,587
<b>Total Revenues</b>	<u>5,407,977</u>	<u>414,395</u>	<u>3,661,441</u>	<u>837,235</u>
<b>EXPENDITURES</b>				
Current:				
Culture, Recreation, and Natural Resources	146,311	-	-	-
Education	-	3,275,426	-	-
General Control	221,329	-	-	-
Health and Human Services	-	-	5,092,899	-
Highways and Transportation	-	-	-	362,841
Judicial	180,626	-	-	-
Legislative	26,401	-	-	-
Public Safety	464,177	-	-	-
Regulation and Licensing	82,603	-	-	-
Unemployment Benefits	-	-	-	-
Capital Outlay	65,881	206	3,153	674,203
Debt Service:				
Interest and Other Charges	-	-	-	77,948
Principal	-	-	-	81,112
Bond Costs	-	-	-	-
<b>Total Expenditures</b>	<u>1,187,328</u>	<u>3,275,632</u>	<u>5,096,052</u>	<u>1,196,104</u>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>4,220,649</u>	<u>(2,861,237)</u>	<u>(1,434,611)</u>	<u>(358,869)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	-	-	-	-
Bond Premium	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	1,482,045	3,101,838	1,718,497	71,294
Transfers Out	(6,150,038)	(235,562)	(344,482)	(12,898)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,667,993)</u>	<u>2,866,276</u>	<u>1,374,015</u>	<u>58,396</u>
<b>Net Change in Fund Balances</b>	(447,344)	5,039	(60,596)	(300,473)
<b>Fund Balances - Beginning, as Restated -</b>				
<b>See Note 2.H.</b>	837,766	136,413	262,999	661,474
<b>Fund Balances - Ending</b>	<u>\$ 390,422</u>	<u>\$ 141,452</u>	<u>\$ 202,403</u>	<u>\$ 361,001</u>

The Notes to the Financial Statements are an integral part of this statement

<u>Special Revenue</u>			
<u>Appropriated</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Bonds Proceeds</u>	<u>Severance</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Capital Outlay</u>	<u>Tax Permanent</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ -	\$ 585,557	\$ 3,659,285
-	-	-	1,110,577
-	-	585,557	4,769,862
-	-	246,982	4,715,321
-	(969,971)	(93,984)	(375,146)
-	-	6,427	567,262
-	-	13,555	69,934
-	-	23,413	288,697
-	-	11,887	81,780
-	-	12,398	39,602
-	(969,971)	806,235	10,157,312
-	-	58,060	204,371
-	-	1,149	3,276,575
-	-	208,866	430,195
-	-	198,106	5,291,005
-	-	9,565	372,406
-	-	61,802	242,428
-	-	-	26,401
-	-	18,025	482,202
-	-	46,901	129,504
-	-	1,986	1,986
-	-	121,233	864,676
-	-	35,336	113,284
-	-	149,392	230,504
-	-	984	984
-	-	911,405	11,666,521
-	(969,971)	(105,170)	(1,509,209)
-	-	196,330	196,330
-	-	28,082	28,082
-	-	(95,290)	(95,290)
652,938	27,539	1,065,837	8,119,988
(677,997)	(199,068)	(1,649,613)	(9,269,658)
(25,059)	(171,529)	(454,654)	(1,020,548)
(25,059)	(1,141,500)	(559,824)	(2,529,757)
1,344,716	4,314,949	1,811,402	9,369,719
\$ 1,319,657	\$ 3,173,449	\$ 1,251,578	\$ 6,839,962

# 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, 2009

(In Thousands)

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,529,757)

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	\$ 864,676	
Depreciation expense	(635,761)	
Deletions	<u>(33,460)</u>	
Excess of capital outlay over depreciation expense		195,455

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. 37,499

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, telecommunications, building maintenance, and management of capitol complex, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (Includes \$8,831 in depreciation expense) 47,420

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

Payment of Bond Principal	325,794	
Bond Proceeds, Net	<u>(224,412)</u>	101,382

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

Compensated Absences Expense	(3,909)	
Notes Payable	(40,838)	
Claims and Judgments	21,288	
Pollution Remediation Obligation	821	
Accrued Interest on Bonds Payable	(4,054)	
Change in Bond Issuance Costs	(1,047)	
Other	<u>151</u>	<u>(27,588)</u>

**Change in Net Assets of Governmental Activities** \$ (2,175,589)

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

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## 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 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 New Mexico School for the Deaf.

### **Nonmajor Enterprise Funds**

Nonmajor enterprise funds are presented beginning on page 197.

### **Internal Service Fund**

This fund accounts for the operation of services provided by state agencies to other state agencies on a cost-reimbursement basis. See page 213 for the budgetary comparison schedule.

# STATE OF NEW MEXICO

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2009  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 351,599	\$ 409,275	\$ 760,874	\$ -
Investment in the State General Fund Investment Pool	2,190	88,891	91,081	181,513
Investment in the Local Government Investment Pool	32,612	45,319	77,931	-
Deferred Charges and Other Assets	13,295	3,012	16,307	-
Due From Other Funds	1,771	3,012	4,783	20,045
Receivables, Net	308,856	110,255	419,111	1,114
Loans Receivable, Current	6,638	21,719	28,357	-
Investments	399,393	-	399,393	-
Inventories	19,639	2,595	22,234	362
<b>Total Current Assets</b>	<b>1,135,993</b>	<b>684,078</b>	<b>1,820,071</b>	<b>203,034</b>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	64,264	2,272	66,536	-
Loans Receivable, Net	32,824	110,343	143,167	-
Investments	1,153,656	27,236	1,180,892	-
Other Noncurrent Assets	14,310	1,419	15,729	-
Nondepreciable Capital Assets	242,469	5,817	248,286	72
Capital Assets, Net	1,730,328	78,301	1,808,629	33,702
<b>Total Noncurrent Assets</b>	<b>3,237,851</b>	<b>225,388</b>	<b>3,463,239</b>	<b>33,774</b>
<b>Total Assets</b>	<b>4,373,844</b>	<b>909,466</b>	<b>5,283,310</b>	<b>236,808</b>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

## STATEMENT OF NET ASSETS (CONTINUED) PROPRIETARY FUNDS

June 30, 2009  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Cash Overdraft	\$ -	\$ 12	\$ 12	\$ -
Accounts Payable	201,041	9,696	210,737	17,377
Accrued Liabilities	70,439	5,399	75,838	1,144
Claims Payable	21,815	-	21,815	175,591
Unearned Revenue	93,927	21,143	115,070	-
Due to Other Funds	-	13,166	13,166	11,119
Intergovernmental Payables	-	263	263	-
Other Obligations	866	1,929	2,795	-
Funds Held for Others	8,423	141	8,564	-
Bonds Payable	24,211	1,255	25,466	-
Other Liabilities	56,071	24,057	80,128	2,290
<b>Total Current Liabilities</b>	<u>476,793</u>	<u>77,061</u>	<u>553,854</u>	<u>207,521</u>
Noncurrent Liabilities:				
Bonds Payable	766,564	17,185	783,749	-
Other Liabilities	66,722	47,209	113,931	-
<b>Total Noncurrent Liabilities</b>	<u>833,286</u>	<u>64,394</u>	<u>897,680</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,310,079</u>	<u>141,455</u>	<u>1,451,534</u>	<u>207,521</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,315,579	65,681	1,381,260	33,774
Restricted for:				
Nonexpendable, Scholarships and Student Loans	101,726	-	101,726	-
Nonexpendable, Endowment	56,407	-	56,407	-
Nonexpendable, Land Grant				
Permanent Fund	794,720	-	794,720	-
Debt Service	27,580	1,226	28,806	-
Capital Projects	77,973	3,144	81,117	-
Federal Student Loans	21,247	-	21,247	-
Scholarships	9,444	-	9,444	-
General Activities	11,487	-	11,487	-
Unemployment and Insurance	-	406,930	406,930	-
Loans	-	246,164	246,164	-
Other Purposes	95,254	-	95,254	-
Unrestricted (Deficit)	552,348	44,866	597,214	(4,487)
<b>Total Net Assets</b>	<u>\$ 3,063,765</u>	<u>\$ 768,011</u>	<u>\$ 3,831,776</u>	<u>\$ 29,287</u>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 161,256	\$ 501,434	\$ 662,690	\$ 485,472
Unemployment Insurance	-	193,380	193,380	-
Federal Revenue	471,943	3,491	475,434	-
State, Local, and Private Grants and Contracts	176,199	-	176,199	-
Loan and Other Income	-	4,813	4,813	-
Licenses, Fees, and Permits	-	-	-	43
Student Tuition and Fees, Net	184,036	-	184,036	-
Patient Services/Clinical Operations	676,658	-	676,658	-
Other Operating Revenues	80,638	2,935	83,573	-
<b>Total Operating Revenues</b>	<u>1,750,730</u>	<u>706,053</u>	<u>2,456,783</u>	<u>485,515</u>
<b>OPERATING EXPENSES</b>				
Benefits, Claims, and Premiums	-	401,343	401,343	-
Game Expense	-	96,357	96,357	-
General and Administrative Expenses	2,069,208	35,468	2,104,676	75,129
Insurance Losses	-	280,430	280,430	-
Depreciation Expense	104,266	5,135	109,401	8,831
Other Operating Expenses	475,781	44,313	520,094	364,619
<b>Total Operating Expenses</b>	<u>2,649,255</u>	<u>863,046</u>	<u>3,512,301</u>	<u>448,579</u>
<b>Operating Income (Loss)</b>	<u>(898,525)</u>	<u>(156,993)</u>	<u>(1,055,518)</u>	<u>36,936</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Clinical Operations	82,290	-	82,290	-
Private Grants and Gifts	35,078	-	35,078	-
Government Grants and Contracts	6,122	-	6,122	-
Interest and Investment Income (Loss)	(149,730)	23,365	(126,365)	1,184
Interest and Other Expenses on Capital Asset-related Debt	(18,855)	(106)	(18,961)	-
Other Revenue (Expenses)	8,822	809	9,631	5,176
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(36,273)</u>	<u>24,068</u>	<u>(12,205)</u>	<u>6,360</u>
<b>Income (Loss) Before Transfers and Other Revenues (Expenses)</b>	<u>(934,798)</u>	<u>(132,925)</u>	<u>(1,067,723)</u>	<u>43,296</u>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>				
Capital Grants and Gifts	23,200	6,482	29,682	-
Permanent Fund Investment Loss	(66,861)	-	(66,861)	-
<b>Total Capital Contributions and Endowments</b>	<u>(43,661)</u>	<u>6,482</u>	<u>(37,179)</u>	<u>-</u>
<b>TRANSFERS</b>				
Transfers In	803,712	9,356	813,068	34,606
Transfers Out	(333)	(49,073)	(49,406)	(30,482)
<b>Total Transfers</b>	<u>803,379</u>	<u>(39,717)</u>	<u>763,662</u>	<u>4,124</u>
<b>Change in Net Assets</b>	<u>(175,080)</u>	<u>(166,160)</u>	<u>(341,240)</u>	<u>47,420</u>
<b>Net Assets - Beginning, as Restated - See Note 2.H.</b>	<u>3,238,845</u>	<u>934,171</u>	<u>4,173,016</u>	<u>(18,133)</u>
<b>Net Assets - Ending</b>	<u>\$ 3,063,765</u>	<u>\$ 768,011</u>	<u>\$ 3,831,776</u>	<u>\$ 29,287</u>

The Notes to the Financial Statements are an integral part of this statement

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# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2009  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from:				
Fees for Service	\$ 885,195	\$ 358,652	\$ 1,243,847	\$ 489,726
Sale of Products	154,225	244,023	398,248	-
Gifts, Grants, and Contracts	667,451	-	667,451	-
Loan and Note Repayments	2,958	11,322	14,280	-
Unemployment Insurance	-	173,522	173,522	-
Other Sources	40,842	2,112	42,954	752
Cash Payments to or for:				
Suppliers	(902,606)	(108,537)	(1,011,143)	(318,182)
Employees	(1,468,936)	(31,151)	(1,500,087)	(131,084)
Unemployment Benefits	-	(361,796)	(361,796)	-
Scholarships	(109,431)	-	(109,431)	-
Student Loans and Loan Losses	(6,883)	(315,893)	(322,776)	-
Lottery Prizes	-	(170,568)	(170,568)	-
Other Payments	(21,044)	-	(21,044)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(758,229)</b>	<b>(198,314)</b>	<b>(956,543)</b>	<b>41,212</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	724,375	1,275	725,650	34,606
Transfers Out	(333)	(41,008)	(41,341)	(30,482)
Gifts for Other Than Capital Purposes	39,996	-	39,996	-
Intergovernmental Receipts	96,844	8,476	105,320	-
Private Gifts for Endowment	2,010	2,600	4,610	-
Noncapital Nonoperating Income (Expenses)	(12,261)	-	(12,261)	4,207
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>850,631</b>	<b>(28,657)</b>	<b>821,974</b>	<b>8,331</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(269,174)	(6,051)	(275,225)	(6,366)
Capital Gifts, Grants, and Contracts	101,962	-	101,962	-
Capital Debt Service Payments	(67,354)	(1,306)	(68,660)	-
Capital Contributions and Debt Proceeds	673	6,481	7,154	-
Proceeds from Sale of Capital Assets	2,484	-	2,484	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(231,409)</b>	<b>(876)</b>	<b>(232,285)</b>	<b>(6,366)</b>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2009

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest, Dividends, Investment Gains and Losses	\$ 187,726	\$ 27,413	\$ 215,139	\$ 1,184
Purchase of Investments	(712,570)	-	(712,570)	-
Realized Gain (Loss) on Investments	(13,322)	-	(13,322)	-
Receipts of Rent	-	117	117	-
Proceeds from Sale and Maturity of Investments	714,104	2,994	717,098	-
<b>Net Cash Provided by Investing Activities</b>	<u>175,938</u>	<u>30,524</u>	<u>206,462</u>	<u>1,184</u>
<b>Net Increase (Decrease) in Cash</b>	36,931	(197,323)	(160,392)	44,361
<b>Cash and Cash Equivalents at Beginning of Year, as Restated</b>	413,734	743,080	1,156,814	137,152
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 450,665</u>	<u>\$ 545,757</u>	<u>\$ 996,422</u>	<u>\$ 181,513</u>
<b>Cash and Cash Equivalents</b>				
Unrestricted	\$ 351,599	\$ 409,275	\$ 760,874	\$ -
Restricted	64,264	2,272	66,536	-
Investment in the State General Fund Investment Pool	2,190	88,891	91,081	181,513
Investment in the Local Government Investment Pool	32,612	45,319	77,931	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 450,665</u>	<u>\$ 545,757</u>	<u>\$ 996,422</u>	<u>\$ 181,513</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (898,525)	\$ (156,993)	\$ (1,055,518)	\$ 36,936
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	104,266	5,135	109,401	8,831
Bad Debt Expense	128,888	4,026	132,914	3,208
Loss on Investment in Local Government Investment Pool	-	(274)	(274)	-
Reserve for Losses	-	5,385	5,385	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Increase (Decrease) in Operating Receivables	(124,686)	(30,512)	(155,198)	(6,642)
Increase (Decrease) in Notes/Loans	(26)	(36,338)	(36,364)	-
Increase (Decrease) in Inventories	1,417	279	1,696	47
Increase (Decrease) in Operating Assets	(1,347)	14	(1,333)	11
Increase (Decrease) in Accrued Liabilities	25,889	(2,590)	23,299	3,527
Increase (Decrease) in Unearned Revenue	5,895	13,554	19,449	(4,706)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (758,229)</u>	<u>\$ (198,314)</u>	<u>\$ (956,543)</u>	<u>\$ 41,212</u>

The Notes to the Financial Statements are an integral part of this statement

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# STATE OF NEW MEXICO

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## FIDUCIARY FUND FINANCIAL STATEMENTS

### **Pension Trust Fund**

This fund accounts for the resources accumulated and held for the payment of retirement and other benefits under plans operated by the Public Employees Retirement Association, the Educational Retirement Board, and the Retiree Health Care Authority. Pension trust funds are presented beginning on page 215.

### **External Investment Trust Fund**

This fund accounts for assets held by the State in a trustee capacity. The funds are held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds. External trust funds are presented beginning on page 229.

### **Private Purpose Trust Funds**

These funds account for resources held under trust arrangements and which benefit individuals, organizations, the State of New Mexico, and other governmental units. These funds include the Scholarship Fund, the Land Grant Permanent Fund, the Education Trust Fund, and Water Trust Fund. Private purpose trust funds are presented beginning on page 233.

### **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 237.

# STATE OF NEW MEXICO

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

June 30, 2009  
(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,305,844	\$ 170,780	\$ 646,612	\$ 437,602
Investment in State General Fund Investment Pool	47,347	-	20,902	822,439
Investment in Local Government Investment Pool	-	-	-	6,646
Investments	16,936,025	848,624	8,270,007	10,483
Due From Other Funds	279	-	5,426	286,409
Receivables, Net	613,802	5,331	49,241	787,038
Other Assets	2,583	-	-	-
Capital Assets	27,937	-	-	-
<b>Total Assets</b>	<u>18,933,817</u>	<u>1,024,735</u>	<u>8,992,188</u>	<u>2,350,617</u>
<b>LIABILITIES</b>				
Accounts Payable	24,178	-	1,804	-
Security Lending Liability	1,639,542	-	-	-
Accrued Liabilities	10,132	-	581	-
Due to Other Funds	305	26	14,516	1,053,387
Due to Beneficiaries	-	-	36,143	-
Due to Brokers	775,910	12,725	33,025	-
Intergovernmental Payables	-	-	-	498,819
Deposits Held in Trust	850	-	-	499,426
Other Liabilities	12,399	-	702,962	298,985
<b>Total Liabilities</b>	<u>2,463,316</u>	<u>12,751</u>	<u>789,031</u>	<u>2,350,617</u>
<b>NET ASSETS</b>				
Held in Trust for:				
Pension Benefits	16,030,750	-	-	-
Other Postemployment Benefits	295,735	-	-	-
Defined Contribution	144,016	-	-	-
External Investment Pool Participants	-	1,011,984	-	-
Other Purposes	-	-	8,203,157	-
<b>Net Assets</b>	<u>\$ 16,470,501</u>	<u>\$ 1,011,984</u>	<u>\$ 8,203,157</u>	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employee Contributions	\$ 546,519	\$ -	\$ -
Employer Contributions	726,547	-	-
Member Contributions	-	-	618,634
Transfers In	760	-	399,624
Total Contributions	<u>1,273,826</u>	<u>-</u>	<u>1,018,258</u>
Pool Participant Deposits	-	779	-
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(5,047,661)	50	(2,252,239)
Interest and Dividends	425,306	2,664	28,714
	<u>(4,622,355)</u>	<u>2,714</u>	<u>(2,223,525)</u>
Less Investment Expense	(66,064)	(289)	(11,542)
Net Investment Income (Loss)	<u>(4,688,419)</u>	<u>2,425</u>	<u>(2,235,067)</u>
Other Additions			
Other Operating Revenues	35,850	-	-
Total Other Additions	<u>35,850</u>	<u>-</u>	<u>-</u>
<b>Total Additions</b>	<u>(3,378,743)</u>	<u>3,204</u>	<u>(1,216,809)</u>
<b>DEDUCTIONS</b>			
Benefits and Claims	1,251,541	-	-
Retiree Healthcare Payments	189,157	-	-
Distributions	-	-	1,056,008
Pool Participant Withdrawals	-	655,861	-
Refunds	61,369	-	-
General and Administrative Expenses	23,477	104	-
Other Operating Expenses	155	-	36,360
Transfers Out	-	-	18,500
<b>Total Deductions</b>	<u>1,525,699</u>	<u>655,965</u>	<u>1,110,868</u>
<b>Change in Net Assets</b>	(4,904,442)	(652,761)	(2,327,677)
<b>Net Assets - Beginning, as Restated - See Note 2.H.</b>	21,374,943	1,664,745	10,530,834
<b>Net Assets - Ending</b>	<u>\$ 16,470,501</u>	<u>\$ 1,011,984</u>	<u>\$ 8,203,157</u>

The Notes to the Financial Statements are an integral part of this statement

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# STATE OF NEW MEXICO

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## COMPONENT UNIT FINANCIAL STATEMENTS

### **New Mexico Finance Authority**

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

### **New Mexico Mortgage Finance Authority**

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

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

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

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET ASSETS COMPONENT UNITS

June 30, 2009

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Computing Applications Center	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 130,058	\$ 46,551	\$ 85	\$ 176,694
Investment in Local Government				
Investment Pool	138,874	17,284	-	156,158
Deferred Charges and Other Assets	719	2,627	5	3,351
Due From Primary Government	-	-	239	239
Receivables, Net	171,467	6,890	-	178,357
Loans Receivable, Current	1,121,367	-	-	1,121,367
<b>Total Current Assets</b>	<u>1,562,485</u>	<u>73,352</u>	<u>329</u>	<u>1,636,166</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	216,844	157,354	-	374,198
Restricted Investments	-	1,263,280	-	1,263,280
Loans Receivable, Net	-	224,953	-	224,953
Investments	-	2,595	-	2,595
Other Noncurrent Assets	10,960	21,850	-	32,810
Nondepreciable Capital Assets	-	512	-	512
Capital Assets, Net	198	1,139	102	1,439
<b>Total Noncurrent Assets</b>	<u>228,002</u>	<u>1,671,683</u>	<u>102</u>	<u>1,899,787</u>
<b>Total Assets</b>	<u>1,790,487</u>	<u>1,745,035</u>	<u>431</u>	<u>3,535,953</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,589	5,558	154	7,301
Accrued Liabilities	62,632	17,483	-	80,115
Due to Primary Government	8,263	-	-	8,263
Funds Held for Others	182,921	-	-	182,921
Bonds Payable	57,878	17,425	-	75,303
Other Liabilities	7,985	127,398	-	135,383
<b>Total Current Liabilities</b>	<u>321,268</u>	<u>167,864</u>	<u>154</u>	<u>489,286</u>
Noncurrent Liabilities:				
Bonds Payable	1,075,076	1,370,159	-	2,445,235
Other Liabilities	-	1,839	-	1,839
<b>Total Noncurrent Liabilities</b>	<u>1,075,076</u>	<u>1,371,998</u>	<u>-</u>	<u>2,447,074</u>
<b>Total Liabilities</b>	<u>1,396,344</u>	<u>1,539,862</u>	<u>154</u>	<u>2,936,360</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	198	(661)	102	(361)
Restricted for:				
Debt Service	9,753	-	-	9,753
Program Funds	377,498	79,995	-	457,493
Other Purposes	-	18,111	-	18,111
Unrestricted Net Assets	6,694	107,728	175	114,597
<b>Total Net Assets</b>	<u>\$ 394,143</u>	<u>\$ 205,173</u>	<u>\$ 277</u>	<u>\$ 599,593</u>

The Notes to the Financial Statements are an integral part of this statement

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF ACTIVITIES

### COMPONENT UNITS

For the Year Ended June 30, 2009

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Computing Applications Center	Total
Expenses	\$ 120,520	\$ 122,181	\$ 3,706	\$ 246,407
Program Revenues:				
Charges for Services	55,260	73,670	-	128,930
Operating Grants and Contributions	36,494	42,806	3,057	82,357
Total Program Revenues	91,754	116,476	3,057	211,287
Net (Expenses) Revenues	(28,766)	(5,705)	(649)	(35,120)
General Revenues:				
Payment From State of New Mexico	52,380	1,250	926	54,556
Payment To State of New Mexico	(12,687)	-	-	(12,687)
Investment Income (Loss)	(5,314)	62,178	-	56,864
Total General Revenues	34,379	63,428	926	98,733
<b>Change in Net Assets</b>	5,613	57,723	277	63,613
<b>Net Assets - Beginning, as Restated - See Note 2.H.</b>	388,530	147,450	-	535,980
<b>Net Assets - Ending</b>	<u>\$ 394,143</u>	<u>\$ 205,173</u>	<u>\$ 277</u>	<u>\$ 599,593</u>

The Notes to the Financial Statements are an integral part of this statement

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The State's significant accounting policies are described below.

##### A. Reporting Entity

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

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

#### Blended Component Units

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

##### ▪ New Mexico Lottery Authority

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

#### Discrete Component Units

In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the State. These component units are entities that are legally separate from the State, but are financially accountable to the State.

##### ▪ New Mexico Finance Authority

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

▪ **New Mexico Mortgage Finance Authority**

The New Mexico Mortgage Finance Authority (NMMFA) is a governmental instrumentality of the State, created April 10, 1975 under the Mortgage Finance Authority Act (Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, NMFA is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State. NMMFA has a September 30 fiscal year-end, which differs from all other state entities, which have a fiscal June 30 year-end.

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

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

The New Mexico Computing Applications Center, Inc. (NMCAC) is a not-for-profit corporation formed on July 3, 2008 under the New Mexico Nonprofit Act (Chapters 53-8-1 through 53-8-99, New Mexico Statutes Annotated 1978) to promote, develop, and manage research parks or technological innovations for scientific, educational, and economic development opportunities in accordance with bylaws adopted by NMCAC.

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

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

**New Mexico Finance Authority**

207 Shelby Street  
Santa Fe, New Mexico 87505

**New Mexico Mortgage Finance Authority**

344 4<sup>th</sup> Street, SW  
Albuquerque, New Mexico 87102

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

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

### **B. Government-wide and Fund Financial Statements**

#### **Government-wide Financial Statements**

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

#### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary (enterprise) funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The internal service fund is reported in a separate column on the proprietary funds financial statements.

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

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

#### **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement

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

#### **Governmental Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. With the exception of the State General Fund, the State generally considers revenues available if they are collected within 60 days of the end of the current fiscal period. The State General Fund considers reversion revenues to be available if collected within 90 days of the end of the current fiscal period; and all other revenues to be available if collected prior to completion of the State General Fund's financial statements, which is usually December 15 following the end of the fiscal year. All other revenues are recognized when they are received if they are not susceptible to accrual.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

#### Major Governmental Funds

- **General Fund** – This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State’s primary operating fund.
- **Education Fund** – The Education Fund includes funds to operate education related programs.
- **Health and Human Services Fund** – The Health and Human Services Fund includes funds used to operate various health and family service related programs such as healthcare, elder affairs, and child support, etc.
- **Highway and Transportation Fund** – The Highway and Transportation Fund accounts for the maintenance and development of the State’s highway system and other transportation related projects.
- **Appropriated Bond Proceeds Capital Outlay Fund** – The Appropriated Bond Proceeds Capital Outlay Fund accounts for severance tax and general obligations 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 remains as non-expendable.

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

#### Proprietary Fund Financial Statements

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are student tuition and fees, net of scholarship discounts and allowances, patient services, sales and services, interest on loans, and most federal, state, and local contracts and grants. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### Major Enterprise Funds

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

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

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

#### Fiduciary Fund Financial Statements

These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The fiduciary fund financial statements are reported using the economic resources

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

measurement focus and the accrual basis of accounting.

**Pension and Other Employee Benefits Trust Funds** – used to report resources that are required to be held in trust for the members and beneficiaries of pension plans and other employee benefit plans. These funds account for the activities of the Public and Educational Employees Retirement Systems, the Retiree Health Care System, and the Deferred Compensation Plan.

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

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

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

#### **Component Unit Financial Statements**

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

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

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Cash and Cash Equivalents**

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

#### 2. Restricted Cash and Cash Equivalents and Investments

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

#### 3. Deferred Charges and Other Assets

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

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

The proprietary funds use the consumption method for prepaids.

Other assets consists of items specific to the state agency holding the asset as of June 30, 2009. The New Mexico Institute of Mining and Technology (reported under the Educational Institutions Fund) had \$2,245 of student loans outstanding under the federal Perkins loan program. The Lottery Authority had \$2,648 of reserves on deposits for the Lottery Authority's portion of the POWERBALL® and Hot Lotto® prize reserves held by the Multi-State Lottery Association. The Deferred Compensation Fund had \$2,140 in policyholder account value of life insurance.

#### 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.

The Education Trust Board calculates the net asset value of its units of its investment portfolios (Portfolios) 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

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 Bonds Proceeds Investment Pool. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

In addition to the SGFIP pooled cash account, there is the Local Government Investment Pool (LGIP) and the Reserve Contingency Fund for cities, counties, other non-state agencies, and state agencies to invest monies with the State Treasurer. 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. Participation in the LGIP is voluntary.

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

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

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.

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

The Council's pools are as follows:

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

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

The **Core Bonds Pool** is managed internally and invests in all major segments of the broad investment-grade debt obligation markets. The

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

primary objective of the Core Bonds Pool is to add significant value over the returns of the broad U.S. bond market and to produce relatively high total returns for the risk assumed. The Core Bonds Pool uses the BC Aggregate Index as its benchmark.

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

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

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

The **Non-U.S. Emerging Markets Pool** is an externally managed international equity fund based upon the MSCI Emerging Markets Free Index. As of June 30, 2009, the fund had one active external manager.

The **Absolute Return Pool** is managed by 14 external managers and consists of 16 actual funds of investments. The objective of the pool

is to increase the diversification, decrease the volatility of the Land Grant, Severance Tax, Tobacco, and Water Trust fund assets and to add incremental value. The Absolute Return pool uses 90-day treasury bills plus 200 basis points as its benchmark.

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

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

#### 5. Inventories

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

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

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

#### 6. Receivables and Loan Receivables

Receivables are stated net of estimated allowance for uncollectible amounts, which are determined, based

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

upon past collection experience and current economic conditions. Receivables in the governmental and business-type activities consist mainly of amounts due from the federal government, customers, and others. Receivables from the federal government are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

Loans receivable 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. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements. There are no material loans past due for more than 90 days at the end of the fiscal year, which would be placed on nonaccrual status.

Allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, considering various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. As of June 30, 2009, the allowance for loan loss was \$1,687. The State has not experienced any losses on its loan portfolio.

Mortgage loans receivable 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 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 and 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.

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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

### 8. 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

#### **9. Deferred Revenue – Unearned and Unavailable**

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

#### **10. 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.

#### **11. Long-term Obligations**

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

#### **12. Other Obligations**

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

#### **13. 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, approximately their external exchange value, and employee benefit contributions are accounted for as

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

revenues and expenditures/expenses in the funds involved.

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

#### 14. 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 that are required to be retained in perpetuity. Restricted net assets include the state's permanent endowment funds subject to externally imposed restrictions governing their use.

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

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

Fund balance reserve and designated fund balances for governmental funds are classified to reserved, unreserved/designated, or unreserved/undesignated. Reserved fund balances are a) funds legally segregated for a specific use or b) assets that, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes. Designated fund balances represent tentative plans for future use of available current financial resources.

Specific reservations and designations of fund balance accounts are summarized below:

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

*Reserved for Construction Warranty New Mexico 44.* This reserve was created to restrict the use of resources for the expenditures on the construction of New Mexico 44 (now highway U.S. 550). The New Mexico Department of Transportation filed a notice of deficiency regarding New Mexico 44 under the design and

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

construction warranty provided by the contractor. Payment was made to the contractor and is being treated as a prepaid. The corresponding amount is included under the Deferred Charges and Other Assets line.

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

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

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

*Reserved for Multiple Year Appropriations and Encumbrances.* Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund, special revenue funds, and capital projects funds. The cost of construction contract commitments generally is recorded as an encumbrance of capital projects funds and is presented as reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported in the combined balance sheets as reservation of fund balance. Current year payments on these encumbrances represent reconciling differences between the modified accrual basis of accounting and the budgetary basis for the current fiscal year. Due to the change in budgetary accounting as discussed in the General Appropriations Act of 2005 (laws of 2005, Chapter 114, Section 3.M), encumbrances will no longer remain past appropriation periods. Funds remaining will be reverted and no

differences between measurement focus should remain. Encumbrances will remain for those appropriation periods that span fiscal years.

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

*Reserved for Social Services.* This reserve was created to restrict the use of resources collected for expenditures on social welfare services, protection of the health of the citizens of the State, safety and well being of the State's children, youths, and families, and regulating, monitoring, and inspecting the State's public facilities.

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

### 15. 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

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

#### Grants

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

#### Investment Income

Investment income includes interest, dividends and other earnings, and the change in fair value of investments. 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 \$8 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, New Mexico Statutes Annotated (NMSA) 1978, except where a donor has specified otherwise. Distributions shall not exceed 6.0 percent nor be less than 4.0 percent of the average market value of the endowment. The universities use the total-return policy for authorizing and spending investment income. The universities review the investment earnings designed to support distributions from the pool and to protect the purchasing power of the endowment principal.

#### Retirement and Employee Benefit Costs

Most state employees participate in a defined benefit pension plan administered by the New Mexico Public Employees’ Retirement Association and the New Mexico Educational Employees’ Retirement Board. Contributions collected for the pension plans and the retirement benefits paid are accounted for in the Pension and Other Employees’ Benefit Trust Funds. All costs for pension, health, and federal social security contributions are reported as expenditures in

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

the appropriate function in governmental fund types or as expenses in applicable proprietary fund types. Pension and other benefits costs are recognized in the fiscal year in which the underlying payroll costs are incurred.

#### 16. 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.

#### 17. New Accounting Standards

The State has adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, for the fiscal year ended June 30, 2009. Details of the requirements of this statement and its implementation are found in Note 2.E., “Changes in Long-term Liabilities”. The effect of this adoption on net assets can be found in Note 2.H.4., “Net Assets/Fund Balance Restatements”.

The State has also adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, for the fiscal year ended June 30, 2009. The Permanent Funds of the State do not carry amounts of land as investments. The various state universities that have endowments were already carrying these investments at fair value; therefore, no restatement was necessary.

#### 18. Future Accounting Standards

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement

No. 53, *Accounting and Reporting for Derivative Instruments* are due to be adopted by the State for the fiscal year ending June 30, 2010. The State has not determined the effect on the financial statements, if any, that implementation of these standards will entail.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is due to be adopted by the State for the fiscal year ending June 30, 2011. The State has not determined the effect on the financial statements, if any, that implementation of this standard will entail.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

#### NOTE 2. DETAILED NOTES ON ALL FUNDS

##### A. Cash and Investments

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

	<b>Balance at June 30, 2009</b>
Cash and Cash Equivalents:	
State Investment Council	\$ 1,189,721
Public Employees Retirement Association and Educational Retirement Board	1,296,179
Cash in Bank	1,246,921
Investments:	
State Treasurer	4,206,862
State Investment Council	11,767,333
Public Employees Retirement Association and Educational Retirement Board	16,799,550
Higher Education Trust Board	1,488,679
Educational Institutions	681,460
<b>Total</b>	<b><u>\$ 38,676,705</u></b>
Financial Statement Amounts	
Primary Government:	
Cash and Cash Equivalents	\$ 760,874
Investment in State General Fund Investment Pool	2,180,781
Investment in Local Government Investment Pool	77,931
Investments	522,845
Restricted Cash and Cash Equivalents	671,429
Restricted Investments	3,675,724
Noncurrent Investments	1,180,892
Cash Overdraft	(95,781)
Fiduciary Funds:	
Cash and Cash Equivalents	2,560,838
Investment in State General Fund Investment Pool	890,688
Investment in Local Government Investment Pool	6,646
Investments	26,065,139
Component Units:	
Investment in Local Government Investment Pool	156,158
State Investment Council Investment Pools *	22,541
<b>Total</b>	<b><u>\$ 38,676,705</u></b>

\*\$1,567 is combined and reported with other amounts of cash and cash equivalents for the New Mexico Mortgage Finance Authority that are held in authorized banks. See the cash and cash equivalents note for the New Mexico Mortgage Finance Authority. \$20,974 is combined and reported with other investments. See the investment note for New Mexico Mortgage Finance Authority.

##### Primary Government

##### New Mexico State Treasurer

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

##### Cash

Cash on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased and disposed of during the fiscal year. The State Treasurer invests all public monies, with the exception of the university funds which are entirely under the control of the universities, held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by that State Board of Finance (BOF). Beginning in 2009, the Federal Depository Insurance Corporation (FDIC) instituted the "Transaction Account Guarantee Program", which, if a bank chooses to participate, insures all transaction deposit accounts paying no more than 0.5 percent interest. Bank of America, where the State Treasurer has its fiscal agency account, was participating in the program on June 30, 2009 and elected to have the account covered under the program. As a result, the entire fiscal agent account balance was covered by FDIC insurance at June 30, 2009. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

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

As of June 30, 2009, the State Treasurer's bank balances were exposed to custodial credit risk as follows:

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

	<b>Balance at June 30, 2009</b>
Cash in Bank	\$ 355,979
Less FDIC Insurance Coverage	146,253
Total Uninsured Public Funds	209,726
Collateral Pledged	(163,338)
<b>Subject to Custodial Credit Risk</b>	<b>\$ 46,388</b>

As of June 30, 2009, cash and cash equivalents not held by the State Treasurer and controlled by various State officials were exposed to custodial credit risk as follows:

**Custodial Credit Risk  
(Expressed in Thousands)**

	<b>Balance at June 30, 2009</b>
Cash in Bank	\$ 1,246,921
Less FDIC Insurance Coverage	6,493
Total Uninsured Public Funds	1,240,428
Collateral Pledged	(2,110,620)
<b>Subject to Custodial Credit Risk</b>	<b>\$ -</b>

### Investments

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

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

	<b>Balance at June 30, 2009</b>
Cash in Bank	\$ 151,879
Certificates of Deposits	204,100
Total Cash and Cash Equivalents	355,979
Securities	3,850,883
<b>Total Investments</b>	<b>\$ 4,206,862</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

	<b>Balance at June 30, 2009</b>
Financial Statement Amounts	
Primary Government:	
Investment in State General Fund Investment Pool	\$ 2,180,781
Investment in Local Government Investment Pool	77,931
Fiduciary Activities:	
Investment in State General Fund Investment Pool	890,688
Investment in Local Government Investment Pool	6,646
State Treasurer External Trust Fund	
Cash and Cash Equivalents	166,106
Investments	728,552
Component Units:	
Investment in Local Government Investment Pool	156,158
<b>Total Investments</b>	<b>\$ 4,206,862</b>

Cities, counties, and other non-state agencies invest monies in the State Treasurer external Local Government Investment Pool (LGIP). The LGIP is not SEC registered. Chapter 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and adhere to the same policies and procedures that apply to all other state investments. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

The Reserve Contingency Fund was created to hold what was formerly a LGIP investment in the Primary Fund, a money market mutual fund established and managed by the Reserve Fund. On September 16, 2008, the Primary Fund wrote down the value of its debt securities issued by Lehman Brothers Holdings, Inc., to zero, driving the net asset value of the fund below \$1.00 to \$0.97 (not in thousands). The loss recognized was \$11,451. At that date, the LGIP had \$382 million invested in the Primary Fund, roughly 23.0 percent of the LGIP's total assets. On September 29, 2008, the Primary Fund announced that it intended to liquidate its assets and distribute the proceeds on a pro rata basis to investors. As of June 30, 2009, slightly less than 90.0 percent of the Primary Fund's balances have been returned to investors, including the LGIP.

In order to preserve the "AAAm" rating assigned by Standard & Poor's to the LGIP, the State Treasurer effected an agreement on behalf of the LGIP and the General Fund CORE portfolio on September 22, 2008. The Agreement provided for the General Fund CORE to purchase all \$382 million shares of the Primary Fund held by the LGIP at the par value of \$1.00 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Based on analysis of the Reserve Primary Fund's schedule of investments as of June 30, 2009, it was determined that approximately 14.7 percent of the remaining value of the Primary Fund's component securities would expire worthless. This portion was entirely related to those debt securities held within the Primary Fund that were issued by Lehman Brothers Holdings, Inc. Since the investment in the Reserve Primary Fund was being carried at 100.0 percent of face value (\$1.00 per share, not in thousands), the fair market value has been adjusted downward by approximately 14.7 percent.

At June 30, 2009, investments in the Reserve Primary Fund were also held in the SGFIP and in both the Taxable and Tax-Exempt Bond Proceeds Investment Pools. Those investments' fair market values were also marked down by approximately 14.7 percent.

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the LGIP, bond proceeds, bond debt service funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

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

Preservation of Principal  
Maintenance of Liquidity

#### Maximum Return

The scope of investment authority of the State Treasurer is defined by law. The applicable investment statutes, principally Chapters 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44, and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the State Constitution, specify particular types of 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 Obligations
- Commercial Paper
- Corporate Bonds
- Asset-Backed Obligations
- Repurchase Agreements
- Bank, Savings and Loan Association, or Credit Union Deposits
- Variable Rate Notes
- Tax Exempt Securities
- Securities Issued by the State or a Political Subdivision of the State, or Any Agency, Institution or Instrumentality of the State or a Political Subdivision
- Money Market Mutual Funds

***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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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 6-10-10-(O), NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month, and all securities held for the State at month-end, including the book and market value of holdings. The fiscal agent and representatives of the custodian responsible for, or in any manner involved

with, the safekeeping, and custody process of the State shall be bonded in such a fashion as to protect from losses from malfeasance and misfeasance.

**Credit Risk.** The State Treasurer's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub-assets and/or as outlined in each portfolio manager contract.

The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2009, are as follows:

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

<u>Quality Rating</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA	U.S. Treasuries	\$ 868,099	20.6%
AAA	U.S. Government Agency	459,611	10.9%
AAA	Corporate Bonds	462,698	11.0%
AAA	Asset-backed Securities	10,100	0.2%
AA+	Corporate Bonds	10,294	0.2%
AA	Corporate Bonds	43,840	1.1%
AA1	Corporate Bonds	15,217	0.4%
AA-	Corporate Bonds	9,931	0.2%
A+	Corporate Bonds	15,290	0.4%
A	Municipal Bonds	7,926	0.2%
A	Corporate Bonds	94,228	2.2%
BBB+	Corporate Bonds	4,466	0.1%
BB+	Corporate Bonds	3,785	0.1%
<b>Not Rated and Other</b>			
	Overnight Repurchase Pool	849,000	20.2%
	Institutional Money Markets	97,812	2.3%
	Asset-backed Securities	375,993	8.9%
	Certificates of Deposit	204,100	4.9%
	Cash in Bank	151,879	3.6%
	Municipal Bonds	170,138	4.1%
	Corporate Bonds	152,485	3.6%
	Commercial Paper	199,970	4.8%
	<b>Total Investments</b>	<b>\$ 4,206,862</b>	<b>100.0%</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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.
3. The maximum level of certificate deposits for the entire portfolio shall be \$350 million with not more than \$30 million in any single financial institution. The State Board of Finance urges banks to loan this money out to their respective local communities to spur economic development.
4. Investments in commercial paper, corporate bonds, and asset-backed obligations shall not exceed 40.0 percent of assets of a fund. Commercial paper and corporate bonds shall be limited, per issuer, to 5.0 percent of each portfolio.
5. Investments in U.S. Agency securities issued by a single agency shall be limited to 35.0 percent of the combined portfolios.
6. Investment in repurchase agreements from any single provider shall be limited to 25.0 percent of the combined portfolios.
7. Investment in commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government, with a final maturity not to exceed the expiration date of any such guarantee, shall not exceed 40.0 percent of 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, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments greater than 5.0 percent with a single issuer include at June 30, 2009:

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

<u>Quality Rating</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA	U.S. Government Agency Obligations:		
	FHLB	\$ 277,164	6.6%
	Morgan Stanley	238,012	5.7%
Not Rated and Other	Asset-backed Securities		
	FHLMC	338,867	8.1%
	Overnight Repurchase Pool*	849,000	20.2%
	Securities comprising less than five percent of the total and exceptions to disclosure rule	<u>2,503,819</u>	
	<b>Total Investments</b>	<b><u>\$ 4,206,862</u></b>	

\*Individual issuers not available.

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

1. Relative Yield to Maturity: Comparison of return available from alternative investment media for comparable maturity dates.
2. Marketability: Analysis of relative marketability of alternative investments in case of forced sale and/or possibility of future trades.
3. Intermarket Yield Analysis: Analysis of the spread relationship between sectors of the market (e.g. Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.
4. Yield Curve Analysis: Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
5. General Economic and Interest Rate Outlook: Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Maturities on investment at June 30, 2009:

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

Quality Rating	Issuer	Fair Value	Total	
			Less Than 1 Year	1-5 Years
AAA	U.S. Treasuries	\$ 868,099	\$ 743,464	\$ 124,635
	U.S. Government Agency	459,610	124,533	335,077
	Corporate Bonds	462,698	-	462,698
	Asset-backed Securities	10,100	-	10,100
AA+	Corporate Bonds	10,294	-	10,294
AA1	Corporate Bonds	15,217	15,217	-
AA	Corporate Bonds	43,840	10,115	33,725
AA-	Corporate Bonds	9,931	9,931	-
A+	Corporate Bonds	15,290	-	15,290
A	Municipal Bonds	7,926	7,926	-
	Corporate Bonds	94,228	28,970	65,258
BBB+	Corporate Bonds	4,466	-	4,466
BB+	Corporate Bonds	3,785	-	3,785
Not Rated and Other	Overnight Repurchase Pool	849,000	849,000	-
	Institutional Money Markets	65,118	65,118	-
	Asset-backed Securities	375,993	136,951	239,042
	Certificates of Deposit	204,100	204,100	-
	Cash in Bank	151,879	151,879	-
	Municipal Bonds	170,138	170,138	-
	Corporate Bonds	152,485	-	152,485
	Commercial Paper	199,970	199,970	-
	Total	4,174,167	\$ 2,717,312	\$ 1,456,855
	Reserve Contingency Fund*	32,695		
<b>Total Investments</b>	<b>\$ 4,206,862</b>			

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

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The State Treasurer's investment policy does not have a specific policy on foreign currency risk.

However, the listing of permissible investments includes descriptions on the limitations related to each investment type.

All holdings at June 30, 2009, were denominated in United States dollars.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Securities Collateral

The State's Investment Policy states that no such contract shall be invested in 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 plus accrued interest. If the value of securities held as collateral slips below 102.0 percent of the value of the cash transferred, 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 and concentration of risk on collateral securities at June 30, 2009:

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

<u>Quality Rating</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Investments Subject to Credit Risk and Concentration Risk:			
<b>AAA</b>			
	U.S. Government Agency Obligations	\$ 849,000	100.0%
Investments Not Subject to Credit Risk and Concentration Risk:		3,357,862	
<b>Total Investments</b>		<b>\$ 4,206,862</b>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Maturities on collateral securities at June 30, 2009:

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

Quality Rating	Issuer	Fair Value	Total			
			Less Than 1 Year	1-5 Years	6-10 Years	Over Ten Years
Investments Subject to Interest Rate Risk:						
AAA	U.S. Government Mortgage-backed Securities	\$ 873,778	\$ 101,947	\$ 13,576	\$ 25,109	\$ 733,146
Investments Not Subject to Interest Rate Risk:		3,333,084				
<b>Total Investments</b>		<b>\$ 4,206,862</b>				

#### State Investment Council (Council)

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

#### **Cash**

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

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

Fund	Balance at June 30, 2009
Governmental Activities^	\$ 346,708
Business-type Activities^	161,429
Fiduciary Activities:	
Retiree Health Care Authority^	9,665
State Investment Council	
External Trust Fund	4,674
Scholarship Trust^	5,289
Land Grant Permanent Fund Private	
Purpose Trust Fund#	644,699
Water Trust Fund^	14,812
Other Agency^	878
Component Unit:	
New Mexico Mortgage Finance Authority^	1,567
<b>Total Reported by the State Investment Council</b>	<b>\$ 1,189,721</b>

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**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, 2009, 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:

<b>State Investment Council</b>	
<b>Reconciliation of Investment Amounts Reported</b>	
<i>(Expressed in Thousands)</i>	
<b>Fund</b>	<b>Balance at June 30, 2009</b>
Governmental Activities	
Current Investments	\$ 123,452
Noncurrent Investments	3,675,724
Business-type Activities:	
Educational Institutions*	871,589
Nonmajor Enterprise Funds	27,236
Fiduciary Activities:	
Retiree Health Care Authority	136,475
State Investment Council External Trust Fund	120,072
Land Grant Permanent Fund Private Purpose Trust Fund	6,670,001
Water Trust Fund	36,646
Scholarship Fund	74,681
Other Agency	10,483
Component Units**	20,974
<b>Total Reported by the State Investment Council</b>	<b>\$ 11,767,333</b>

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

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

**Custodial Credit Risk.** As of June 30, 2009, the Council's investments were not exposed to custodial credit risk.

**Concentration of Credit Risk.** As of June 30, 2009, the Council's investments were not exposed to concentration of credit risk as no single issuer represented 5.0 percent of total investments.

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The Council's investments and their exposure to credit risk at June 30, 2009 are as follows:

<b>State Investment Council</b>		
<b>Quality Rating of Investments</b>		
<i>(Expressed in Thousands)</i>		
<b>Investment</b>	<b>Rating</b>	<b>Fair Value</b>
<b>Investments Subject to Credit Risk - S&amp;P Ratings:</b>		
Asset-backed Securities	AAA	\$ 1,234
Commercial Mortgage-backed	AAA	27,483
Guaranteed Fixed Income	AAA	7,032
Nongovernment-backed C.M.O.s	AAA	44,095
Asset-backed Securities	A	5,557
Corporate Bonds	A	4,981
Corporate Bonds	BBB	10,942
Corporate Bonds	BB	2,188
Corporate Convertible Bonds	B	2,763
Nongovernment-backed C.M.O.s	B	25,804
Corporate Convertible Bonds	CCC	4,572
		<hr/>
Investments Subject to Credit Risk - S&P Ratings		136,651
<b>Investments Subject to Credit Risk - Moody Ratings:</b>		
Asset-backed Securities	Aaa	98,749
Commercial Mortgage-backed	Aaa	88,828
Corporate Bonds	Aaa	4,885
Government Agencies	Aaa	357,101
Government Bonds	Aaa	429,888
Guaranteed Fixed Income	Aaa	38,398
Nongovernment-backed C.M.O.s	Aaa	10,103
Asset-backed Securities	Aa	62,700
Commercial Mortgage-backed	Aa	10,143
Corporate Bonds	Aa	98,998
Asset-backed Securities	A	20,230
Corporate Bonds	A	237,605
Nongovernment-backed C.M.O.s	A	13,814
Other Fixed Income	A	4,996
Asset-backed Securities	Baa	42,561
Corporate Bonds	Baa	91,681
Nongovernment-backed C.M.O.s	Baa	8,375
Corporate Convertible Bonds	Ba	1,852
Asset-backed Securities	Ba	57,249
Corporate Bonds	Ba	8,711
Nongovernment-backed C.M.O.s	Ba	35,666
Asset-backed Securities	B	18,901
Nongovernment-backed C.M.O.s	B	12,253
Corporate Convertible Bonds	Caa	242
Asset-backed Securities	Caa	744
Nongovernment-backed C.M.O.s	Caa	8,222
Corporate Convertible Bonds	Ca	831
Asset-backed Securities	Ca	12,582
Corporate Bonds	Ca	71
Nongovernment-backed C.M.O.s	Ca	13,357
		<hr/>
Investments Subject to Credit Risk - Moody Ratings		1,789,736

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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 - Not Rated:		
Bank Deposits	Not Rated	\$ 44,820
Commercial Paper	Not Rated	56,921
Corporate Convertible Bonds	Not Rated	4,212
Asset-backed Securities	Not Rated	15,177
Corporate Bonds	Not Rated	24,215
Government Bonds	Not Rated	9,984
Guaranteed Fixed Income	Not Rated	20,079
Municipal/Provincial Bonds	Not Rated	2,750
Nongovernment-backed C.M.O.s	Not Rated	<u>2</u>
Investments Subject to Credit Risk - Not Rated		<u>178,160</u>
Investments Not Subject to Credit Risk:		
Private Equity, Equity Securities, and Real Estate	N/A	9,505,927
NM Film Investments	N/A	101,175
Government Agencies	N/A	55,675
Mortgage Loans	N/A	<u>9</u>
Investments Not Subject to Credit Risk		<u>9,662,786</u>
<b>Total Investments</b>		<b><u>\$ 11,767,333</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**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, 2009, exposure to interest rate risk is as follows:

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

Investment	Fair Value	Total			
		Less than 1 year	1-5 years	6-10 Years	Greater than 10 years
Investments Subject to Interest Rate Risk:					
Corporate Convertible Bonds	\$ 14,474	\$ -	\$ 9,662	\$ -	\$ 4,812
Asset-backed Securities	335,685	-	124,232	26,727	184,726
Commercial Mortgage-backed	123,101	-	-	33,609	89,492
Corporate Bonds	484,276	124,658	165,113	76,549	117,956
Government Agencies	358,541	255,197	47,787	50,207	5,350
Government Bonds	439,872	50,525	36,015	157,089	196,243
Government Mortgage-backed Securities	436,098	-	6,323	1,780	427,995
Guaranteed Fixed Income	65,509	20,080	45,429	-	-
Municipal/Provincial Bonds	2,750	-	-	-	2,750
Nongovernment-backed C.M.O.s	171,689	-	-	60,339	111,350
Other Fixed Income	4,996	4,996	-	-	-
	<u>2,436,991</u>	<u>\$ 455,456</u>	<u>\$ 434,561</u>	<u>\$ 406,300</u>	<u>\$ 1,140,674</u>
Investments Subject to Interest Rate Risk					
Investments Not Subject to Interest Rate Risk:					
Securities, Equity, Real Estate, and NM Film Investments	<u>9,330,342</u>				
<b>Total Investments</b>	<b><u>\$ 11,767,333</u></b>				

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

equity pools by limiting the size of the internationally invested funds.

A summary of the investments at June 30, 2009 and their exposure to foreign currency risk are as follows:

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

Investment	Foreign Currency	Amounts	% of Total Investments
Investments:			
Common Stock	Australian Dollar	\$ 32,255	0.2%
Common Stock	Brazilian Real	24,050	0.2%
Common Stock	British Pound Sterling	96,519	0.7%
Common Stock	Czech Koruna	4,477	0.0%
Common Stock	Danish Krone	4,076	0.0%
Common Stock	Egyptian Pound	7,068	0.1%
Common Stock	Euro	139,599	1.1%

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Investment	Foreign Currency	Amounts	% of Total Investments
Investments (Continued):			
Common Stock	Hong Kong Dollar	\$ 58,845	0.5%
Common Stock	Hungarian Forint	4,045	0.0%
Common Stock	Indian Rupee	30,429	0.2%
Common Stock	Indonesian Rupiah	7,912	0.1%
Common Stock	Japanese Yen	105,494	0.8%
Common Stock	Mexican Peso	5,956	0.0%
Common Stock	New Israeli Shekel	17,960	0.1%
Common Stock	New Taiwan Dollar	39,898	0.3%
Common Stock	New Zealand Dollar	468	0.0%
Common Stock	Norwegian Krone	2,909	0.0%
Common Stock	Philippine Peso	1,496	0.0%
Common Stock	Singapore Dollar	8,194	0.1%
Common Stock	South African Rand	42,446	0.3%
Common Stock	South Korean Won	57,060	0.4%
Common Stock	Swedish Krona	10,473	0.1%
Common Stock	Swiss Franc	32,662	0.3%
Common Stock	Thai Baht	20,178	0.2%
Common Stock	Turkish Lira	30,443	0.2%
Partnerships	Euro	131,336	1.0%
Preferred Stock	Brazilian Real	33,335	0.4%
Preferred Stock	Euro	1,440	0.0%
Preferred Stock	South Korean Won	8,927	0.1%
Rights/Warrants	Australian Dollar	89	0.0%
Rights/Warrants	Euro	9	0.0%
Rights/Warrants	Japanese Yen	-	0.0%
Rights/Warrants	Norwegian Krone	10	0.0%
Rights/Warrants	Singapore Dollar	7	0.0%
Nonforeign Currency		<u>10,807,268</u>	<u>83.5%</u>
Total Investments		<u>11,767,333</u>	<u>90.9%</u>
Cash and Cash Equivalents:			
Cash and Cash Equivalents	Argentine Peso	32	0.0%
Cash and Cash Equivalents	Australian Dollar	105	0.0%
Cash and Cash Equivalents	Brazilian Real	320	0.0%
Cash and Cash Equivalents	British Pound Sterling	1,042	0.0%
Cash and Cash Equivalents	Canadian Dollar	28	0.0%
Cash and Cash Equivalents	Czech Koruna	27	0.0%
Cash and Cash Equivalents	Danish Krone	14	0.0%
Cash and Cash Equivalents	Egyptian Pound	195	0.0%
Cash and Cash Equivalents	Euro	136	0.0%
Cash and Cash Equivalents	Hong Kong Dollar	978	0.0%
Cash and Cash Equivalents	Hungarian Forint	46	0.0%
Cash and Cash Equivalents	Indonesian Rupiah	291	0.0%
Cash and Cash Equivalents	Japanese Yen	321	0.0%
Cash and Cash Equivalents	Mexican Peso	504	0.0%
Cash and Cash Equivalents	New Israeli Shekel	69	0.0%
Cash and Cash Equivalents	New Taiwan Dollar	563	0.0%

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

<u>Investment</u>	<u>Foreign Currency</u>	<u>Amounts</u>	<u>% of Total Investments</u>
Cash and Cash Equivalents (Continued):			
Cash and Cash Equivalents	New Zealand Dollar	\$ 38	0.0%
Cash and Cash Equivalents	Norwegian Krone	33	0.0%
Cash and Cash Equivalents	Philippine Peso	114	0.0%
Cash and Cash Equivalents	Singapore Dollar	114	0.0%
Cash and Cash Equivalents	South African Rand	853	0.0%
Cash and Cash Equivalents	South Korean Won	683	0.0%
Cash and Cash Equivalents	Swedish Krona	28	0.0%
Cash and Cash Equivalents	Swiss Franc	40	0.0%
Nonforeign Currency		<u>1,183,147</u>	<u>9.1%</u>
Cash and Cash Equivalents		<u>1,189,721</u>	<u>9.1%</u>
<b>Total Investments and Cash and Cash Equivalents</b>		<b><u>\$ 12,957,054</u></b>	<b><u>100.0%</u></b>

#### 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  
(Expressed in Thousands)**

<u>Fund</u>	<u>Balance at June 30, 2009</u>
Investments:	
Current	\$ 399,393
Noncurrent	<u>1,153,656</u>
Total Investments	<u>1,553,049</u>
Less:	
Investments Held by State Investment Council:	
Land Grant	802,364
State Investment Council Investment Pools	<u>69,225</u>
<b>Total - Separately Held Investments</b>	<b><u>\$ 681,460</u></b>

**Custodial Credit Risk.** As of June 30, 2009, the Educational Institutions' investments were not exposed to custodial credit risk.

**Concentration of Credit Risk.** As of June 30, 2009, the Educational Institutions had the following investment greater than 5.0 percent:

Vanguard Group	7.0%
----------------	------

**Foreign Currency Risk.** As of June 30, 2009, the Educational Institutions' investments were not exposed to foreign currency risk, as all holdings were denominated in United States dollars.

**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 (NRSROs) 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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, 2009 is as follows:

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

<u>Investment</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk:		
U.S. Government Agencies:		
Moody's	Aaa	\$ 136,220
Fitch	AAA	7,590
Not Rated		22,457
Corporate Stocks & Bonds:		
Moody's	Aa2	14,835
	Aa3	3,190
	A1	6,498
	A2	38,528
	A3	2,027
	BBB/BBA1	10
	CAA1	7
Morning Star	3	4
Not Rated		223
Municipal Bonds:		
Moody's	Aa2	8,288
	Aa3	7,103
	A1	8,707
	A2	2,408
Standard & Poors	AA+	334
Repurchase Agreements:		
Moody's	Aa3	13,444
Not Rated:		
Commercial Paper		9,278
Money Market		25,278
Certificates of Deposit		22,324
Alternative Investments		54,795
Pooled Cash and Investments:		
Held by Others		<u>33,339</u>
Total Investments Subject to Credit Risk		<u>416,887</u>
Investments Not Subject to Credit Risk		<u>264,573</u>
<b>Total Investments</b>		<b><u>\$ 681,460</u></b>

**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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments and their maturities at June 30, 2009 and their exposure to interest rate risk are as follows:

Investment	Educational Institutions Maturities on Investments (Expressed in Thousands)		
	Fair Value	Total	
		Less than 1 year	1-5 years
Investments Subject to Interest Rate Risk:			
Money Market	\$ 29,197	\$ 18,919	\$ 10,278
Commercial Paper	9,278	9,278	-
U.S. Treasuries	149,416	49,315	100,101
U.S. Government Agencies	166,267	49,490	116,777
Corporate Stocks, Bonds, and Notes	65,323	33,433	31,890
Municipal Bonds (City and State)	26,840	21,324	5,516
Certificates of Deposit	22,324	22,211	113
Pooled Cash and Investments			
Held by Others	31,085	-	31,085
Repurchase Agreements	13,443	13,443	-
Investments Subject to Interest Rate Risk	513,173	\$ 217,413	\$ 295,760
Investments Not Subject to Interest Rate Risk	168,287		
<b>Total Investments</b>	<b>\$ 681,460</b>		

#### Pension Benefits Fiduciary Funds

As stated in Note 1, Public Employees Retirement Association's (PERA) and Educational Retirement Board's (ERB) cash and cash equivalents as of June 30, 2009 consists of \$1,296,179 that is held by the investment custodian, Northern Trust.

#### Cash

**Custodial Credit Risk.** PERA and ERB do not have a deposit policy for custodial credit risk. As of June 30, 2009, 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.

#### Investments

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

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

Fund	Balance at June 30, 2009
Magistrate Retirement Fund	\$ 26,157
Public Employees Retirement Fund	8,868,115
Judicial Retirement Fund	60,423
Volunteer Firefighters Retirement Fund	34,405
Deferred Comp	287,249
Educational Employees' Retirement System	7,523,201
<b>Total Investments</b>	<b>\$ 16,799,550</b>

**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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

no risk that PERA and ERB will not be able to recover the value of its investments or collateral securities held by a counterparty.

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

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

Investments exposed to custodial credit risk at June 30, 2009 are as follows:

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

<u>Asset Type</u>	<u>Held in the Name of the Fund by the Fund's Custodial Bank</u>	<u>Held by Brokers Dealers Under Securities Loaned With Cash Collateral</u>	<u>Total</u>
Fixed Income Investments:			
U.S. Government Bonds and Agency Securities	\$ 852,149	\$ 261,341	\$ 1,113,490
International Government Bonds and Agency Securities	31,451	-	31,451
U.S. Municipal Bonds	261	-	261
International Municipal Bonds	16,187	-	16,187
Corporate Bonds	1,974,350	8,901	1,983,251
International Corporate Bonds	8,688	-	8,688
U.S. Government Mortgage-backed Securities	979,263	-	979,263
Commercial Mortgage-backed Securities	133,352	-	133,352
Asset-backed Securities	447,174	-	447,174
Nongovernment C.M.O.s	54,573	-	54,573
Domestic Corporate Convertible Bonds	5,566	-	5,566
Index-Linked Government Bonds (International)	7,213	-	7,213
Index-Linked Government Bonds	17,233	-	17,233
Total Fixed Income Investments	4,527,460	270,242	4,797,702
Equities:			
International Common Stock	2,702,042	1,874	2,703,916
Domestic Common Stock	4,687,495	377,811	5,065,306
U.S. Venture Capital & Partnerships	883,299	-	883,299
International Venture Capital and Partnership	7,362	-	7,362
Alternative Investments	273,530	-	273,530
Other Equity Assets	768	-	768
International Preferred Stock	9,225	-	9,225
Domestic Preferred Stock	13,860	-	13,860
Domestic Convertible Equity	836	-	836
Domestic Unit Trust	1,419	-	1,419
International Unit Trust	10,305	-	10,305
Domestic Rights/Warrants	11,026	-	11,026
International Rights/Warrants	1,793	-	1,793
Private Equity	138,358	-	138,358
Total Equities	8,741,318	379,685	9,121,003

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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	Held by Brokers Dealers Under Securities Loaned With Cash Collateral	Total
Other:			
Hedge Funds	\$ 537,791	\$ -	\$ 537,791
Private Real Estate	77,903	-	77,903
Other Investments	545,164	-	545,164
Securities Lending Collateral Investments	-	1,432,738	1,432,738
Total Other	1,160,858	1,432,738	2,593,596
IRC 457 Fund Investments Directed by Participants	N/A	N/A	287,249
<b>Total Investments</b>	<b>\$ 14,429,636</b>	<b>\$ 2,082,665</b>	<b>\$ 16,799,550</b>

**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, 2009 are as follows:

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

Investment	S&P Rating	Fair Value
Government Bonds	AAA	\$ 223,907
	A	13,141
	BBB+	3,807
	BBB	11,488
	Not Rated	381
	U.S. Government Guaranteed	66,505
Total Government Bonds		319,229
Government Agencies	AAA	237,002
	A	7,462
	BBB+	3,677
	BBB	2,874
	Not Rated	5,541
	U.S. Government Guaranteed	37,913
Total Government Agencies		294,469

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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>S&amp;P Rating</u>	<u>Fair Value</u>
Municipal Agencies	AAA	\$ 1,190
	AA	15,719
	A	2,544
Total Municipal Agencies		<u>19,453</u>
Corporate Bonds	AAA	16,116
	AA+	15,942
	AA	59,270
	AA-	16,485
	A+	35,254
	A	457,253
	A-	66,108
	BBB+	86,532
	BBB	453,607
	BBB-	61,814
	BB+	28,290
	BB	106,293
	BB-	35,888
	Baa1	1,161
	Baa2	639
	Ba3	1,580
	B+	35,550
	B	96,488
	B1	2,095
	B-	25,808
	CCC+	18,465
	CCC	15,411
	CCC-	41,961
CC	3,924	
C	5,032	
D	15,590	
	Not Rated	27,365
Total Corporate Bonds		<u>1,729,921</u>
Government Mortgage Backed Securities	AAA	461,457
	Not Rated	16,699
	U.S. Government Guaranteed	958,070
Total Government Mortgage Backed Securities		<u>1,436,226</u>
Commercial Mortgage Backed Securities	AAA	216,593
	AA	7,191
	AA-	2,985
	A+	908
	A	81
	A-	1,526
	A3	1,316

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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>S&amp;P Rating</u>	<u>Fair Value</u>
Commercial Mortgage Backed Securities (Continued)	BBB+	\$ 1,854
	BBB-	393
	BB+	1,015
	BB-	301
	Not Rated	16,921
Total Commercial Mortgage Backed Securities		<u>251,084</u>
Asset-Backed Securities	AAA	84,085
	AA	6,544
	A	3,604
	BBB+	1,104
	BBB	9,801
	BBB-	1,196
	BB	1,101
	B+	105
	B	1,772
	B-	2,436
	B2	219
	B3	483
	CCC	5,514
	Not Rated	5,127
Total Asset Backed Securities		<u>123,091</u>
Index Linked Government Bonds	AAA	88,407
	A	7,213
Total Index Linked Government Bonds		<u>95,620</u>
Corporate Convertible Bonds	A	29
	BBB	701
	BB	1,290
	B	3,447
	B-	5,024
	CCC	519
	CCC-	668
	Not Rated	263
Total Corporate Convertible Bonds		<u>11,941</u>
Nongovernment Backed C.M.O.s	AAA	52,196
	AA	4,847
	AA-	118
	A+	352
	A	3,160
	A-	396
	BBB	4,154
	BB	2,431
	B+	54
	B	1,079
	B-	743
	B1	381

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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>S&amp;P Rating</u>	<u>Market Value</u>
Nongovernment Backed C.M.O.s (Continued)		
	CCC	\$ 19,147
	Caa1	1,289
	Caa2	522
	Not Rated	<u>4,292</u>
Total Nongovernment Backed C.M.O.s		<u>95,161</u>
Bank Loans		
	BB	8,822
	BB-	23,140
	B+	28,586
	B	13,964
	B-	23,031
	CCC+	26,277
	CCC+	1,245
	CCC+	5,270
	D	21,971
	Not Rated	<u>13,558</u>
Total Bank Loans		<u>165,864</u>
Other		
Guaranteed Fixed Income	AAA	8,866
Common Stock	B+	2,317
Preferred Stock	C	536
Other Fixed Income	Not Rated	<u>243,924</u>
Total Other		<u>255,643</u>
Total Investments Subject to Credit Risk		4,797,702
Other Investments not Subject to Credit Risk		11,714,599
IRC 457 Fund investments Directed by Participants		<u>287,249</u>
<b>Total Investments</b>		<b><u>\$ 16,799,550</u></b>

**Interest Rate Risk.** PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income manager. Duration is loosely defined as the dollar weighted average time to recover all of principal and fixed-income investment. PERA's fixed-income managers are typically limited to duration of plus or

minus one year or 20.0 percent of the duration of the applicable portfolio benchmark.

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments and their maturities at June 30, 2009 and their exposure to interest rate risk are as follows:

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

<u>Investment</u>	<u>WAM in Years *</u>	<u>Fair Value</u>
Corporate Bonds	11.8	\$ 947,568
Government Mortgage-backed Securities	25.1	800,176
Asset-backed Securities	22.6	96,618
Government Bonds	11.8	160,375
Commercial Mortgage-backed Securities	29.5	133,352
Nongovernment-backed C.M.O.s	30.1	54,573
Government Agencies	8.1	140,370
Index Linked Government Bonds	10.1	24,446
Corporate Convertible Bonds	15.6	5,567
Municipal Bonds	7.8	16,448
Government Mortgage-backed Securities Included as Interest Rate Swaps	N/A	179,087
U.S. Treasury Securities	5.7	230,028
U.S. Government and Agency Obligations	3.7	611,162
Corporate Bonds	4.8	788,728
Asset and Mortgage-backed Securities	3.2	187,691
Guaranteed Fixed Income	2.5	8,866
Short-term Investments	0.5	289,480
		<hr/>
Total Fixed Income Investments Subject to Interest Rate Risk		4,674,535
Investments Not Subject to Interest Rate Risk		<hr/>
		12,125,015
		<hr/>
<b>Total Investments</b>		<b><u><u>\$ 16,799,550</u></u></b>

\*Weighted Average Maturity

**Concentration of Credit Risk.** PERA's policy over concentration of credit risk is contained in each investment manager's Investment Guidelines.

At June 30, 2009, PERA had the following investments greater than 5.0 percent:

Federal National Mortgage Association 6.7%

ERB's investment policies stipulate that investments in the securities of any one corporation may not exceed 2.0 percent of the market value of the total fund. As of June 30, 2009, ERB was not exposed to any concentration risk greater than 2.0 percent.

**Foreign Currency Risk.** PERA's investment managers responsible for investing in non-U.S. equities are benchmarked to an index that is half-hedged. The benchmark is contained in each investment manager's Investment Guidelines.

Foreign currency risk is present in ERB's investment in foreign equity securities. Managers of these assets are given discretion to hedge this risk. The maximum exposure to foreign currency risk as of June 30, 2009 was approximately \$1,463 million.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments exposed to foreign currency risk by currency and their respective values at June 30, 2009:

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

Foreign Currency	Fair Value of Investments - By Type			Cash and Cash Equivalents
	Equity	Fixed Income	Total	
Australian Dollar	\$ 117,865	\$ 20,230	\$ 138,095	\$ 2,856
Botswana Pula	884	-	884	-
Brazilian Real	80,885	4,760	85,645	(716)
British Pound Sterling	384,516	-	384,516	7,023
Canadian Dollar	23,548	4,470	28,018	185
Chilean Peso	3,785	-	3,785	77
Colombian Peso	876	-	876	-
Croatian Kuna	1,084	-	1,084	2
Czech Koruna	7,191	-	7,191	61
Danish Krone	19,891	-	19,891	68
Estonian Kroon	42	-	42	-
Egyptian Pound	6,090	-	6,090	-
Euro	670,913	2,578	673,491	(17,325)
Ghanian Cedi	453	-	453	-
Hong Kong Dollar	177,995	-	177,995	5,809
Hungarian Forint	5,679	-	5,679	30
Iceland Krona	-	76	76	91
Indonesian Rupiah	12,479	-	12,479	134
Japanese Yen	418,116	-	418,116	4,163
Kenyan Shilling	1,075	-	1,075	12
Latvian Lat	281	-	281	-
Lithuanian Lita	561	-	561	-
Malaysian Ringgit	11,639	-	11,639	3
Mauritanian Rupee	1,226	-	1,226	-
Mexican Peso	14,926	8,269	23,195	261
Moroccan Dirham	2,072	-	2,072	1
New Israeli Shekel	18,767	-	18,767	101
New Taiwan Dollar	8,052	-	8,052	16
New Zealand Dollar	908	1,991	2,899	59
Norwegian Krone	20,344	6,950	27,294	371
Pakistan Rupee	955	-	955	-
Peruvian Nuevo Sol	1,089	-	1,089	-
Philippine Peso	2,988	-	2,988	30
Polish Zloty	3,584	-	3,584	-
Russian Ruble	2	-	2	-
Singapore Dollar	24,376	493	24,869	1,203
South African Rand	67,823	-	67,823	454
South Korean Won	114,807	6,535	121,342	(73)
Swedish Krona	38,483	7,186	45,669	383
Swiss Franc	134,414	-	134,414	355
Thai Baht	16,471	-	16,471	(62)
Turkish Lira	33,813	-	33,813	(249)
<b>Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk</b>	<b>\$ 2,450,948</b>	<b>\$ 63,538</b>	2,514,486	<b>\$ 5,323</b>
Investments Not Subject to Foreign Currency Risk			14,285,064	
<b>Total Investments</b>			<b>\$ 16,799,550</b>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Securities Lending

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

At June 30, 2009, none of the State entities had credit risk exposure because the amounts the entities owed the borrowers exceeded the amounts the borrowers owed the entities. Each of the entities may invest the cash collateral in eligible securities or other investments as defined in the governing securities lending agreement. The duration of investments so made does not generally match the maturities of securities loaned. Securities received as collateral may not be pledged or sold without borrower default.

Total securities on loan at June 30, 2009 had a carrying amount and fair value of \$2,419 million. Under the agreements, the lending agents are required to indemnify the entity if the borrower fails to return the securities, if collateral is inadequate to replace the securities lent, or if the counterparty fails to pay the entity for income distributions by the securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2009 due to borrower default.

#### Derivatives

Derivatives are generally defined as contracts whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. The following provides information about derivatives held in the investment portfolio:

***Government Agency and Commercial Mortgage-backed Securities.*** As of June 30, 2009, the fair value of the investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of \$979 million, commercial mortgage-backed securities of \$117 million, and collateralized mortgage-backed obligations (CMOs) of \$66 million. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the State will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to the change in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

***Corporate Asset-backed Securities.*** As of June 30, 2009, the investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of \$123 million. These securities represent interests in various trusts consisting of pooled financial assets conveyed by the issuing parties. The ability to recover the amount of principal invested in these

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

securities depends on the performance and quality of the trust assets.

**Forward Currency Contracts.** The State may enter into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. 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. The State uses forward currency contracts 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.

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

During 2009, 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. FNMA Discount Notes owned and included in the investments of the

State, with a value of approximately \$1.4 million at June 30, 2009, were held by the State's brokers as performance security on futures contracts.

#### Summary of Outstanding Futures Contracts

	<u>No. of Contracts</u>	<u>Notional Amount (In Thousands)</u>
Futures Contracts - Long	1115	\$ 762,414
		<u>Fair Value (In Thousands)</u>
Margin Deposit		\$ 1,339

**Options.** An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from ("call option"), or sell to ("put option"), the writer a designated instrument at a specified price within a specified period of time. Both written and purchased options were used by the State during 2009. 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, 2009, the value of open written and purchased options was approximately \$136 and \$133, respectively.

**Swap Contracts.** Swap contracts are executed on a number of different bases. The two types employed by the State on June 30, 2009 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

contract is similar to an insurance policy; with the credit risk of an individual issuer or a basket of issuers (the "reference asset") the insured factor. Under such a contract, two parties enter into an agreement whereby the first party pays the second party a fixed periodic payment for the specified life of the contract (analogous to an insurance premium). The other party makes no payment unless a credit event related to the reference asset occurs. If such an event takes place, the second party is obligated to make a payment to the first party. The size of the payment is linked to the decline in the reference asset's market value following determination of the occurrence of a credit event.

**Hedge Fund.** In addition, the use of other derivatives is allowed under the State's investment policy

#### **Education Trust Board (ETB)**

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

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

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

**Credit Risk.** ETB invests directly in pooled vehicles of various investment companies. The respective Underlying Fund's prospectus provides greater detail about the investment strategies and practices of the Underlying Funds, in compliance with federal regulations and specifically, the Form N-IA of the

Investment Company Act of 1940, which focuses on disclosure to the investing public of information and policies about the Underlying Funds and its investment objectives, as well as on investment company structure and operations.

Credit ratings for the underlying fixed income funds at June 30, 2009 are as follows:

	<u>Weighted Credit Rating</u>
Oppenheimer Strategic Income	BBB
Oppenheimer Core Bond Fund	AA
Oppenheimer Limited Term Government Fund	AAA
Oppenheimer International Bond Fund	A

**Interest Rate Risk.** The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect ETB's net asset values. As of June 30, 2009, the Portfolios held investments in bond fixed income mutual funds totaling \$530 million.

Duration of years for the underlying fixed income funds at June 30, 2009 are as follows:

<u>Holding</u>	<u>Duration</u>
Oppenheimer Strategic Income	5.4
Oppenheimer Core Bond Fund	4.3
Oppenheimer Limited Term Government Fund	1.7
Oppenheimer International Bond Fund	6.4

**Foreign Currency Risk.** ETB does invest in various foreign currencies in pooled vehicles. However, the respective Underlying Fund's prospectus provides greater detail about the investment policies and practices of the Underlying Fund, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940, which focuses on disclosure to the investing public of

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

information about the Underlying Fund and its investment objectives, as well as on investment company structure and operations.

#### Discrete Component Units

**New Mexico Finance Authority (NMFA).** Funds held for others and short-term investments are held at the trustees in the names of the applicable government entity and NMFA. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

<b>New Mexico Finance Authority Cash and Cash Equivalents (Expressed in Thousands)</b>	
	<b>Carrying Balance</b>
Cash with State Treasurer	\$ 138,874
Bank Accounts	346,902
<b>Total</b>	<b>\$ 485,776</b>

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

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

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

#### **New Mexico Mortgage Finance Authority (NMMFA).**

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

<b>New Mexico Mortgage Finance Authority Reconciliation of Cash and Cash Equivalents and Investments Amounts Reported (Expressed in Thousands)</b>	
	<b>Carrying Balance</b>
Cash and Cash Equivalents	\$ 46,551
Restricted Cash and Cash Equivalents	157,354
Investment in Local Governmental Investment Pool	17,284
Restricted Investments	1,263,280
Investments	2,595
<b>Total</b>	<b>\$ 1,487,064</b>

#### **Cash and Cash Equivalents**

As of September 30, 2009, the carrying value of cash and cash equivalents include the following:

<b>New Mexico Mortgage Finance Authority Cash and Cash Equivalents (Expressed in Thousands)</b>	
	<b>Carrying Balance</b>
Cash	\$ 20,704
Cash Equivalents not Considered Deposits	181,634
Cash Held by State Investment Council	1,567
<b>Total</b>	<b>\$ 203,905</b>

**Custodial Credit Risk.** At September 30, 2009, NMMFA's bank balance was \$3,752. Of this amount, \$3,661 was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk as of September 30, 2009 are \$91, which consists of \$0 collateralized by collateral held by the bank but not in NMMFA's name, and \$91 was uninsured and uncollateralized.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, NMMFA obtains from each bank that is a depository for public funds of which are in repurchase agreements, pledged collateral in an aggregate amount at least equal to 102.0 percent of the public money in each account. No security is required for deposit of public money that is insured by the FDIC. As of September 30, 2009, NMMFA had \$1,736 of public funds on deposit, which are fully collateralized by collateral held by the bank in NMMFA's name.

#### **Investments**

**Interest Risk.** The NMMFA investment policy requires 1) staggered maturities to avoid undue

concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations, and 4) diversification to avoid overweighing in any one type of security.

NMMFA has securitized mortgage loans that are primarily mortgage loans originated under various bond resolutions, which have been pooled and securitized by a servicer under contract to NMMFA. Upon securitization, these primarily Governmental National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities are then purchased by the bonds issue trustee utilizing the proceeds of the respective bonds proceeds. The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of the underlying mortgages.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

NMMFA has the following investments subject to interest rate risk at September 30, 2009:

**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	1-5	6-10	More than 10	
Money Market Funds	\$ 30,067	\$ 30,067	\$ -	\$ -	\$ -	\$ -
Money Market Accounts	12	12	-	-	-	-
Repurchase Agreements	7,152	7,152	-	-	-	-
Guaranteed Investment Contracts	144,403	140,904	860	-	2,639	-
Internal State Investment Pools:						
State Treasurer	17,284	17,284	-	-	-	-
State Investment Council	20,974	-	-	-	-	20,974
U.S. Agencies	130,286	129,249	1,037	-	-	-
Securitized Mortgage Loans	1,128,739	-	2,245	3,756	1,122,738	-
Investments Subject to Interest Rate Risk	1,478,917	<u>\$ 324,668</u>	<u>\$ 4,142</u>	<u>\$ 3,756</u>	<u>\$ 1,125,377</u>	<u>\$ 20,974</u>
Investments Not Subject to Interest Rate Risk:						
Demand Deposits	6,580					
State Investment Council - Cash and Cash Equivalents	1,567					
Total Investments Not Subject to Interest Rate Risk	8,147					
<b>Total Investments</b>	<b>\$ 1,487,064</b>					

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**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, 2009.

NMMFA has the following investments and ratings at September 30, 2009:

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

Investment Type	Fair Value	AAA	AA	A	U.S. Government		Not Available
					Guaranteed	Note Rated	
Money Market Funds	\$ 30,067	\$ -	\$ -	\$ -	\$ -	\$ 30,067	\$ -
Money Market Accounts	12	-	-	-	-	12	-
Repurchase Agreements	7,152	-	-	-	-	7,152	-
Guaranteed Investment Contracts	144,403	2,134	126,116	15,318	-	835	-
Internal State Investment Pools:							
State Treasurer	17,284	17,284	-	-	-	-	-
State Investment Council	20,974	-	-	-	-	-	20,974
U.S. Agencies	130,286	130,286	-	-	-	-	-
Securitized Mortgage Loans	1,128,739	396,968	-	-	731,771	-	-
Investments Subject to Credit Risk	<u>1,478,917</u>	<u>\$ 546,672</u>	<u>\$ 126,116</u>	<u>\$ 15,318</u>	<u>\$ 731,771</u>	<u>\$ 38,066</u>	<u>\$ 20,974</u>
Investments Not Subject to Credit Risk:							
Demand Deposits	6,580						
State Investment Council - Cash and Cash Equivalents	<u>1,567</u>						
Total Investments Not Subject to Credit Risk	<u>8,147</u>						
<b>Total Investments</b>	<b><u>\$ 1,487,064</u></b>						

**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, 2009: GNMA 57.0 percent, FNMA 31.0 percent, and Federal Home Loan Bank 10.0 percent.

### New Mexico Computing Applications Center, Inc. (NMCAC)

#### Cash

**Custodial Credit Risk.** At June 30, 2009, NMCAC's bank balance was \$85. Of this amount, \$85 was insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2009, NMCAC's cash and cash equivalent deposits were not exposed to custodial credit risk.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### B. Receivables

Receivables at June 30, 2009, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	<u>Federal</u>	<u>Accounts</u>	<u>Interest</u>	<u>Taxes</u>	<u>Loans</u>	<u>Allowance</u>	<u>Total</u>
Governmental Activities	\$ 603,355	\$ 347,694	\$ 7,535	\$ 65,120	\$ 30,987	\$ (148,085)	\$ 906,606
Business-Type Activities	137,614	437,141	3,742	-	236,922	(224,784)	590,635
<b>Governmental Activities:</b>							
General	15,973	91,886	359	2,224	70	(17)	110,495
Education	7,997	92,746	-	-	21,796	(2,504)	120,035
Health and Human Services	389,784	106,086	-	-	-	(135,679)	360,191
Highway and Transportation	102,318	29,647	1,748	62,896	-	(6,794)	189,815
Severance Tax Permanent	-	13,385	4,046	-	-	-	17,431
Nonmajor Governmental	87,283	10,167	1,356	-	9,121	(402)	107,525
Internal Service	-	3,777	26	-	-	(2,689)	1,114
<b>Business-type Activities:</b>							
Educational Institutions	137,161	390,148	-	-	39,462	(218,453)	348,318
Nonmajor Enterprise	453	46,993	3,742	-	197,460	(6,331)	242,317
<b>Fiduciary Funds:</b>							
Pension Trust	-	574,675	39,127	-	-	-	613,802
External Trust	-	192	5,139	-	-	-	5,331
Private Purpose Trust	-	32,238	17,003	-	-	-	49,241
Agency	-	18,341	72,779	1,431,367	152	(735,601)	787,038

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, and receivables because of overpayments to individuals receiving state assistance.

#### Discrete Component Units

Aggregated receivables for component units at June 30, 2009 and September 30, 2009, were \$1,292,834 and \$231,843, net of an allowance for doubtful accounts of \$1,687 and \$1,823 for NMFA and NMMFA, respectively.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009 is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities:</b>				
General	\$ 1,114,728	\$ 135,752	\$ 1,482,045	\$ 6,150,038
Education	17,796	58,549	3,101,838	235,562
Health and Human Services	89,407	192,386	1,718,497	344,482
Highway and Transportation	84,177	77,639	71,294	12,898
Appropriated Bond Proceeds Capital Outlay	-	41,986	652,938	677,997
Severance Tax Permanent	30,771	15,941	27,539	199,068
Nonmajor Governmental:				
Special Revenue:				
American Recovery and Reinvestment Act	2,001	59,888	-	700
Bond Proceeds	-	4,369	429,510	652,938
Culture, Recreation, and Natural Resources	6,228	8,627	21,075	22,699
General Control	149,447	149,499	295,783	298,526
Judicial	7,222	354	61,551	2,360
Public Safety	1,713	1,766	9,666	6,056
Regulation and Licensing	2,404	43	7,876	12,986
Debt Service:				
Culture, Recreation, and Natural Resources	1	1	3,125	-
General Control	-	29	-	-
General Obligation Bonds	-	676	14,490	13,570
Severance Tax Bonds	48,086	30,121	100,151	557,548
Capital Projects:				
Culture, Recreation, and Natural Resources	4,319	580	19,372	13,769
General Control	957	92	67,206	29,362
Judicial	427	44	287	-
Public Safety	4,669	13	1,227	8
Regulation and Licensing	50	-	1,688	2,272
Permanent Funds:				
Land Grant	522	2,969	32,830	36,819
Internal Service	20,045	11,119	34,606	30,482
Total Governmental Activities	<u>1,584,970</u>	<u>792,443</u>	<u>8,154,594</u>	<u>9,300,140</u>
<b>Business-type Activities:</b>				
Educational Institutions	1,771	-	803,712	333
Nonmajor Enterprise:				
Industries for the Blind	-	198	112	-
Corrections Industries Revolving Fund	1,048	-	1,134	-
Environment Department	13	-	-	-
New Mexico Magazine	291	9	29	-
New Mexico Lottery Authority	-	2,759	-	40,815
State Infrastructure Bank	629	435	-	-
Miners' Colfax Medical Center	515	1	8,081	8,081
Unemployment Insurance Fund	516	9,764	-	177
Total Business-type Activities	<u>4,783</u>	<u>13,166</u>	<u>813,068</u>	<u>49,406</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Fiduciary Funds:</b>				
Pension Trust:				
Magistrate Retirement	\$ -	\$ 63	\$ -	\$ -
Public Employees Retirement	272	7	-	-
Judicial Retirement	7	141	-	-
Volunteer Firefighters Retirement	-	68	750	-
New Mexico Retiree Health Care Authority	-	26	10	-
External Trust:				
State Investment Council	-	26	-	-
Private Purpose Trust:				
Scholarship	1	14,500	-	14,500
Land Grant	5,425	-	399,624	-
Water Trust	-	16	-	4,000
Agency:				
Culture, Recreation, and Natural Resources	-	97	-	-
Other Agency	16,597	231,643	-	-
Receipts Pending Distribution	422	13,718	-	-
Suspense Related	269,390	807,929	-	-
Total Fiduciary Funds	<u>292,114</u>	<u>1,068,234</u>	<u>400,384</u>	<u>18,500</u>
<b>Component Units:</b>				
New Mexico Finance Authority	-	8,263	-	-
New Mexico Mortgage Finance Authority	-	-	-	-
New Mexico Computing Applications Center	239	-	-	-
Total Component Units	<u>239</u>	<u>8,263</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 1,882,106</u></b>	<b><u>\$ 1,882,106</u></b>	<b><u>\$ 9,368,046</u></b>	<b><u>\$ 9,368,046</u></b>

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### D. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows (in thousands):

	Beginning Balance, As Restated	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 78,018	\$ 2,285	\$ (455)	\$ 79,848
Construction in Progress	138,615	49,342	(15,231)	172,726
Infrastructure	449,683	14,070	-	463,753
Mineral Rights	72,589	2,249	-	74,838
Art and Other	1,053	10	(7)	1,056
Total Capital Assets not being Depreciated	<u>739,958</u>	<u>67,956</u>	<u>(15,693)</u>	<u>792,221</u>
Capital Assets being Depreciated:				
Land Improvements	28,446	1,218	(380)	29,284
Equipment and Machinery	236,863	9,680	(18,847)	227,696
Building and Improvements	1,170,944	93,306	(20,634)	1,243,616
Furniture and Fixtures	18,980	1,767	(1,645)	19,102
Data Processing Equipment and Software	150,236	22,772	(19,696)	153,312
Vehicles	292,650	13,107	(19,997)	285,760
Library Books and Other	1,390	3,100	(25)	4,465
Infrastructure	15,141,515	657,942	(448,877)	15,350,580
Total Capital Assets being Depreciated	<u>17,041,024</u>	<u>802,892</u>	<u>(530,101)</u>	<u>17,313,815</u>
Less Accumulated Depreciation for:				
Land Improvements	(15,784)	(1,040)	2	(16,822)
Equipment and Machinery	(176,818)	(21,829)	20,686	(177,961)
Building and Improvements	(603,276)	(38,623)	8,703	(633,196)
Furniture and Fixtures	(12,405)	(2,707)	1,430	(13,682)
Data Processing Equipment and Software	(82,620)	(14,328)	16,203	(80,745)
Vehicles	(196,957)	(14,339)	11,309	(199,987)
Library Books and Other	(1,195)	(663)	24	(1,834)
Infrastructure	(8,583,925)	(551,063)	448,881	(8,686,107)
Total Accumulated Depreciation	<u>(9,672,980)</u>	<u>(644,592)</u>	<u>507,238</u>	<u>(9,810,334)</u>
Total Capital Assets being Depreciated, Net	<u>7,368,044</u>	<u>158,300</u>	<u>(22,863)</u>	<u>7,503,481</u>
<b>Capital Assets, Net</b>	<b><u>\$ 8,108,002</u></b>	<b><u>\$ 226,256</u></b>	<b><u>\$ (38,556)</u></b>	<b><u>\$ 8,295,702</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the year ended June 30, 2009, was as follows (in thousands):

	<b>Beginning Balance, As Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 70,972	\$ 3,839	\$ (939)	\$ 73,872
Construction in Progress	159,116	115,618	(102,999)	171,735
Art and Other	2,237	442	-	2,679
Total Capital Assets not being Depreciated	<u>232,325</u>	<u>119,899</u>	<u>(103,938)</u>	<u>248,286</u>
Capital Assets being Depreciated:				
Land Improvements	55,656	6,270	-	61,926
Equipment and Machinery	408,149	27,863	(19,593)	416,419
Building and Improvements	1,834,580	156,750	(800)	1,990,530
Furniture and Fixtures	605,150	7,474	(3,225)	609,399
Data Processing Equipment and Software	23,199	2,640	(85)	25,754
Vehicles	4,419	304	(204)	4,519
Library Books and Other	226,786	13,890	(217)	240,459
Infrastructure	204,535	4,885	-	209,420
Total Capital Assets being Depreciated	<u>3,362,474</u>	<u>220,076</u>	<u>(24,124)</u>	<u>3,558,426</u>
Less Accumulated Depreciation for:				
Land Improvements	(36,114)	(1,857)	-	(37,971)
Equipment and Machinery	(299,490)	(28,712)	18,189	(310,013)
Building and Improvements	(758,562)	(52,341)	563	(810,340)
Furniture and Fixtures	(282,833)	(4,847)	3,133	(284,547)
Data Processing Equipment and Software	(14,278)	(1,466)	92	(15,652)
Vehicles	(3,010)	(388)	204	(3,194)
Library Books and Other	(188,428)	(10,694)	217	(198,905)
Infrastructure	(80,079)	(9,096)	-	(89,175)
Total Accumulated Depreciation	<u>(1,662,794)</u>	<u>(109,401)</u>	<u>22,398</u>	<u>(1,749,797)</u>
Total Capital Assets being Depreciated, Net	<u>1,699,680</u>	<u>110,675</u>	<u>(1,726)</u>	<u>1,808,629</u>
<b>Capital Assets, Net</b>	<b><u>\$ 1,932,005</u></b>	<b><u>\$ 230,574</u></b>	<b><u>\$ (105,664)</u></b>	<b><u>\$ 2,056,915</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the year ended June 30, 2009, was as follows (in thousands):

	Beginning Balance, As Restated	Additions	Deletions	Ending Balance
<b>Fiduciary Funds:</b>				
Capital Assets being Depreciated:				
Land and Land Improvements	\$ 1,727	\$ -	\$ -	\$ 1,727
Construction in Progress	1,176	-	(1,176)	-
Art and Other	-	31	-	31
Land Improvements	19	-	-	19
Equipment and Machinery	498	-	(370)	128
Building and Improvements	2,151	13,311	-	15,462
Furniture and Fixtures	1,750	89	(59)	1,780
Data Processing Equipment and Software	23,945	508	(358)	24,095
Total Capital Assets being Depreciated	<u>31,266</u>	<u>13,939</u>	<u>(1,963)</u>	<u>43,242</u>
Less Accumulated Depreciation for:				
Land Improvements	(2)	(1)	-	(3)
Building and Improvements	(1,370)	(129)	245	(1,254)
Furniture and Fixtures	(1,368)	(115)	58	(1,425)
Data Processing Equipment and Software	(8,978)	(3,908)	263	(12,623)
Total Accumulated Depreciation	<u>(11,718)</u>	<u>(4,153)</u>	<u>566</u>	<u>(15,305)</u>
<b>Capital Assets, Net</b>	<b><u>\$ 19,548</u></b>	<b><u>\$ 9,786</u></b>	<b><u>\$ (1,397)</u></b>	<b><u>\$ 27,937</u></b>

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

General Control	\$ 37,813
Education	816
Health and Human Services	5,616
Highways and Transportation	558,604
Culture, Recreation, and Natural Resources	14,803
Judicial	5,348
Legislative	1,317
Public Safety	19,147
Regulation and Licensing	1,128
<b>Total</b>	<b><u>\$ 644,592</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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, 2009, was as follows (in thousands):

	<b>Beginning Balance, As Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital Assets being Depreciated:				
Land Improvements	\$ 48	\$ -	\$ -	\$ 48
Equipment and Machinery	49	-	-	49
Furniture and Fixtures	199	-	-	199
Data Processing Equipment and Software	534	33	-	567
Total Capital Assets being Depreciated	<u>830</u>	<u>33</u>	<u>-</u>	<u>863</u>
Less Accumulated Depreciation for:				
Land Improvements	(26)	(13)	-	(39)
Equipment and Machinery	(27)	(13)	-	(40)
Furniture and Fixtures	(108)	(51)	-	(159)
Data Processing Equipment and Software	(290)	(137)	-	(427)
Total Accumulated Depreciation	<u>(451)</u>	<u>(214)</u>	<u>-</u>	<u>(665)</u>
<b>Capital Assets, Net</b>	<b><u>\$ 379</u></b>	<b><u>\$ (181)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 198</u></b>

Capital asset activity for the New Mexico Mortgage Finance Authority for the year ended September 30, 2009, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
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	1,390	52	(3)	1,439
Total Capital Assets being Depreciated	<u>4,431</u>	<u>52</u>	<u>(3)</u>	<u>4,480</u>
Less Accumulated Depreciation for:				
Building and Improvements	(1,981)	(116)	-	(2,097)
Furniture and Fixtures	(1,145)	(102)	3	(1,244)
Total Accumulated Depreciation	<u>(3,126)</u>	<u>(218)</u>	<u>3</u>	<u>(3,341)</u>
Total Capital Assets being Depreciation, Net	<u>1,305</u>	<u>(166)</u>	<u>-</u>	<u>1,139</u>
<b>Capital Assets, Net</b>	<b><u>\$ 1,817</u></b>	<b><u>\$ (166)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,651</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the New Mexico Computing Applications Center, Inc. for the year ended June 30, 2009, was as follows (in thousands):

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

#### Construction Commitments

The State has active construction projects as of June 30, 2009. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction were \$547,226.

#### 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 2009 were \$73,294 and \$9,884 for governmental activities and business-type activities, respectively.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

<b>Governmental</b>	<u>Amount</u>
2010	\$ 58,947
2011	55,845
2012	50,949
2013	49,108
2014	44,002
2015 - 2019	90,660
2020 - 2024	38,479
2025 - 2029	679
	<u><b>\$ 388,669</b></u>

<b>Business-type</b>	<u>Amount</u>
2010	\$ 8,222
2011	4,383
2012	3,154
2013	1,887
2014	661
2015 - 2019	2,433
2020 - 2024	2,058
2025 - 2029	2,007
2030 - 2034	2,007
2035 - 2039	1,881
	<u><b>\$ 28,693</b></u>

<b>Fiduciary</b>	<u>Amount</u>
2010	\$ 217
2011	140
2012	82
2013	1
	<u><b>\$ 440</b></u>

#### Capital Leases

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

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

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

<b>Business-type</b>	<u>Amount</u>
2010	\$ 1,227
2011	500
2012	131
2013	92
2014	92
2015 - 2019	272
Total Lease Payments	<u>2,314</u>
Less Amounts Representing Interest	<u>239</u>
<b>Present Value of Future Minimum Lease Payments</b>	<u><b>\$ 2,075</b></u>

As of June 30, 2009, the historical cost of the primary government's assets acquired through capital leases was \$4,992, which was equipment, with accumulated depreciation of \$4,155.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### E. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<b>Long-term Liabilities</b> <i>(Expressed in Thousands)</i>				
	<b>Beginning Balance, As Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable					
General Obligation Bonds, Net	\$ 388,318	\$ 224,412	\$ (130,918)	\$ 481,812	\$ 61,153
Severance Tax Bonds	738,687	-	(111,972)	626,715	154,858
Revenue Bonds	1,790,900	-	(82,904)	1,707,996	80,143
Total Bonds Payable	<u>2,917,905</u>	<u>224,412</u>	<u>(325,794)</u>	<u>2,816,523</u>	<u>296,154</u>
Other Liabilities					
Notes Payable	2,943	40,858	(20)	43,781	559
Claims and Judgments	238,714	330,198	(351,486)	217,426	11,602
Compensated Absences	68,898	64,099	(59,240)	73,757	65,245
Pollution Remediation Obligation	8,813	13,472	(14,293)	7,992	-
Other	251	-	(151)	100	100
Total Other Payables	<u>319,619</u>	<u>448,627</u>	<u>(425,190)</u>	<u>343,056</u>	<u>77,506</u>
<b>Total Governmental Long-term Liabilities</b>	<b><u>\$ 3,237,524</u></b>	<b><u>\$ 673,039</u></b>	<b><u>\$ (750,984)</u></b>	<b><u>\$ 3,159,579</u></b>	<b><u>\$ 373,660</u></b>
<b>Business-type Activities:</b>					
Bonds Payable					
Revenue Bonds, Net	\$ 833,836	\$ 1,065	\$ (25,686)	\$ 809,215	\$ 25,466
Total Bonds Payable	<u>833,836</u>	<u>1,065</u>	<u>(25,686)</u>	<u>809,215</u>	<u>25,466</u>
Other Liabilities					
Compensated Absences	67,466	83,549	(63,268)	87,747	51,857
Reserved for Losses	63,090	267,738	(260,542)	70,286	23,184
Other	31,416	6,205	(1,595)	36,026	5,087
Total Other Payables	<u>161,972</u>	<u>357,492</u>	<u>(325,405)</u>	<u>194,059</u>	<u>80,128</u>
<b>Total Business-type Long-term Liabilities</b>	<b><u>\$ 995,808</u></b>	<b><u>\$ 358,557</u></b>	<b><u>\$ (351,091)</u></b>	<b><u>\$ 1,003,274</u></b>	<b><u>\$ 105,594</u></b>
<b>Fiduciary:</b>					
Pension Trust Funds:					
Other Liabilities					
Reserved for Losses	\$ 16,012	\$ 60	\$ (4,359)	\$ 11,713	\$ 11,713
Compensated Absences	578	1,258	(1,150)	686	680
<b>Total Fiduciary Long-term Liabilities</b>	<b><u>\$ 16,590</u></b>	<b><u>\$ 1,318</u></b>	<b><u>\$ (5,509)</u></b>	<b><u>\$ 12,399</u></b>	<b><u>\$ 12,393</u></b>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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#### **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.

The State has recognized a liability regarding hazardous cleanup in compliance with implementation of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, based on expected outlays related to the pollution remediation on active sites and expects no recoveries from other related responsible parties.

The Department as obligated by various federal and state laws is responsible for the cleanup of leaking petroleum storage tanks, hazardous waste contamination sites, and ground water contamination sites. During fiscal year 2009, the State completed approximately \$14 million of pollution remediation obligations (including contamination). These obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

The State calculated the liability based on the expected cash flow technique using expected outlays from work plans on active sites the State is responsible for as of June 30, 2009. The estimate is subject to change due to price changes, technology changes, or other changes. The State does not expect any recoveries from other responsible parties that would reduce this liability.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Discrete Component Units

Long-term liability activity for the New Mexico Finance Authority for the year ended June 30, 2009 and the New Mexico Mortgage Finance Authority for the year ended September 30 was as follows:

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

	<b>Beginning Balance, As Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>New Mexico Finance Authority</b>					
Bonds Payable, Net	\$ 1,084,937	\$ 115,464	\$ (67,447)	\$ 1,132,954	\$ 57,878
Other Liabilities					
Notes Payable	1,704	6,611	(557)	7,758	7,758
Compensated Absences	200	220	(193)	227	227
Total Other Payables	1,904	6,831	(750)	7,985	7,985
<b>Total Long-term Liabilities</b>	<b>\$ 1,086,841</b>	<b>\$ 122,295</b>	<b>\$ (68,197)</b>	<b>\$ 1,140,939</b>	<b>\$ 65,863</b>
<b>New Mexico Mortgage Finance Authority</b>					
Bonds Payable, Net	\$ 1,441,952	\$ 212,380	\$ (266,748)	\$ 1,387,584	\$ 17,425
Other Liabilities					
Notes Payable	3,698	251,300	(127,169)	127,829	127,179
Accrued Arbitrage Rebate	811	255	(91)	975	-
Other Noncurrent Liabilities	202	12	(3)	211	-
Compensated Absences	185	230	(193)	222	219
Total Other Payables	4,896	251,797	(127,456)	129,237	127,398
<b>Total Long-term Liabilities</b>	<b>\$ 1,446,848</b>	<b>\$ 464,177</b>	<b>\$ (394,204)</b>	<b>\$ 1,516,821</b>	<b>\$ 144,823</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### F. Bonds Payable

##### Primary Government

##### General Obligation Bonds

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

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

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

In fiscal year 2009, the State Board of Finance issued bonds with a principal payment of \$196,330. Interest rates are 3.0 percent to 5.0 percent with principal payments due through 2019.

On June 25, 2008, the State issued General Obligation Series A 2008 Refunding Bonds for \$74,625. During fiscal year 2009, the bond proceeds were paid to the refunded bond escrow agent to refund the General Obligation Series 1001 and 2003 Bonds.

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

#### General Obligation Bonds Payable (Expressed in Thousands)

<u>Bond Issue</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2009</u>
Series 2005	3/1/2005	2015	4.0 - 5.0	\$ 111,850	\$ 73,780
Series 2007	3/1/2007	2017	5.0	134,870	112,885
Series A 2008 Refunding	6/25/2008	2013	5.0	71,270	70,735
Series 2009	5/28/2009	2019	3.0 - 5.0	196,330	196,330
Total General Obligation Bonds Outstanding					453,730
Unaccreted Bond Premium					28,082
<b>Total General Obligation Bonds Payable</b>					<b>\$ 481,812</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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)**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 61,153	\$ 14,124	\$ 75,277
2011	66,334	15,320	81,654
2012	59,859	13,824	73,683
2013	59,918	13,838	73,756
2014	47,003	10,855	57,858
2015 - 2019	159,463	36,828	196,291
	453,730	104,789	558,519
Net Unaccreted Premium	28,082	-	28,082
<b>Total</b>	<b>\$ 481,812</b>	<b>\$ 104,789</b>	<b>\$ 586,601</b>

#### Severance Tax Bonds

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

Funding for the payment of the debt service of the severance tax bonds is provided through the

collection of severance taxes levied on the mining and production of various natural resources. The severance tax bonds are secured by the levied taxes. This is a permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2009, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$438 million. The total principal and interest requirements were \$133 million for all severance tax and supplemental severance tax bonds.

In fiscal year 2009, no Severance Tax Bonds were issued.

On June 25, 2008, the State issued Severance Tax Series A-2 2008 Refunding Bonds for \$20,665. During fiscal year 2009, the bond proceeds were paid to the refunded bond escrow agent to refund the Severance Tax Series B 2002 Bonds.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

<b>Severance Tax Bonds Payable</b> <i>(Expressed in Thousands)</i>					
<u>Bond Issue</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2009</u>
Series A 2003	06/01/03	2013	2.5 - 5.0	\$ 89,660	\$ 41,440
Series B 2003 Supplemental	11/01/03	2013	2.0 - 3.7	10,000	5,650
Series A 2004	06/15/04	2014	5.0	76,430	45,440
Series B 2004 Supplemental	11/17/04	2014	2.0 - 5.0	10,000	6,360
Series A 2005	06/15/05	2015	4.0 - 5.5	97,000	64,465
Series B-1 2005 Refunding	06/28/05	2012	3.0 - 5.0	37,040	31,130
Series B-2 2005 Supplemental	06/28/05	2011	3.2 - 5.0	21,095	21,095
Series A 2006	06/20/06	2016	4.0 - 5.0	135,000	112,950
Series A 2007	06/20/07	2018	4.0 - 5.0	162,840	128,635
Series A 2008	06/25/08	2019	4.0 - 5.0	149,000	149,000
Series A-2 2008 Supplemental	06/25/08	2013	3.0	20,550	20,550
<b>Total Severance Tax Bonds Payable</b>					<b><u>\$ 626,715</u></b>

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

<b>Severance Tax Bonds Issues</b> <b>Debt Service Requirements to Maturity</b> <b>For Fiscal Years End June 30</b> <i>(Expressed in Thousands)</i>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 154,858	\$ 23,357	\$ 178,215
2011	74,034	11,166	85,200
2012	74,086	11,174	85,260
2013	67,826	10,230	78,056
2014	56,110	8,463	64,573
2015 - 2018	199,801	30,136	229,937
<b>Total</b>	<b><u>\$ 626,715</u></b>	<b><u>\$ 94,526</u></b>	<b><u>\$ 721,241</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Revenue Bonds

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

Revenue bonds outstanding at year-end are as follows:

#### Revenue Bonds Payable - Primary Government (Expressed in Thousands)

##### Governmental Activities

<u>Bond Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2009</u>
Series 1995 A and B Energy and Minerals	2015	3.0 - 6.0	\$ 333	\$ 121
Series 1995 A and 1996 B Energy and Minerals	2016	4.5	390	3,007
Series 1996 A and B Energy and Minerals	2016	3.0 - 6.0	4,717	163
Series 1997 A and B Energy and Minerals	2017	3.0 - 6.0	5,033	2,443
Series 1998 A and B Energy and Minerals	2018	6.0 - 8.0	4,907	2,818
Series 2001 Energy and Minerals	2020	4.7	6,840	3,129
Series 2003 Energy and Minerals	2023	3.8	7,339	5,692
Series 1998 Senior Subordinate Lien Tax Highway	2010	4.5 - 5.1	105,000	9,555
Series 1998 B Subordinate Lien Tax Highway	2011	3.7 - 5.1	100,000	23,890
Series 2000 Senior Subordinate Lien Tax Highway	2015	5.0 - 6.0	201,000	14,605
Series 2001 Senior Subordinate Lien Tax Highway	2013	4.0 - 5.2	198,800	74,770
Series 2002 Senior Subordinate Lien Tax Highway	2014	4.5 - 5.5	95,000	29,225
Series 2000 Subordinate Lien Tax Highway	2011	3.2 - 5.0	100,000	9,445
Series 2002 C Highway Infrastructure Highway	2017	3.2 - 5.3	67,750	29,945
Series 2002 Senior Subordinate Lien Tax Highway	2014	2.2 - 5.0	79,920	4,570
Series 2004 A Senior Lien Transportation	2024	3.8 - 5.2	700,000	700,000
Series 2004 B Subordinate Lien Transportation Refunding	2014	2.0 - 5.0	237,950	138,425
Series 2006 A Highway	2026	4.0	150,000	150,000
Series 2006 B Highway	2026	4.0	39,005	32,345
Series 2008 A Adjustable Rate State Transportation Refunding	2024	Variable	115,200	115,200
Series 2008 B Adjustable Rate State Transportation Refunding	2026	Variable	220,000	220,000
Series 2008 C Adjustable Rate State Transportation Refunding	2024	Variable	84,800	84,800
Series 2008 D Adjustable Rate State Transportation Refunding	2026	Variable	50,400	50,400
State Museum Tax	2023	0.6 - 4.1	5,760	3,448
<b>Total Revenue Bonds Payable</b>				<b>\$ 1,707,996</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Revenue Bonds Payable - Primary Government (Expressed in Thousands)

##### Business-type Activities

Bond Issue	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2009
Series 2004 Miners Colfax Hospital	2024	1.5 - 4.8	\$ 10,823	\$ 8,889
Series 2006 Miners Colfax Hospital	2026	1.1 - 4.8	6,488	5,829
Series 2004 Capital Improvement (EXPO)	2014	1.3 - 3.7	5,556	3,720
Series 1992 A System Revenue Refunding (UNM)	2021	5.6 - 6.2	36,790	23,810
Series 2000 System Revenue (UNM)	2029	4.6 - 6.3	53,232	4,960
Series 2001 Subordinate Lien System Improvement (UNM)	2026	Variable	52,625	42,780
Series 2002 A Subordinate Lien System Refunding (UNM)	2032	2.5 - 5.2	58,860	49,325
Series 2002 B Subordinate Lien System Refunding (UNM)	2026	3.8	25,475	25,275
Series 2002 C Subordinate Lien System Refunding (UNM)	2030	3.9	37,840	36,840
Series 2003 A Subordinate Lien System Refunding (UNM)	2018	2.0 - 5.2	21,660	14,655
Series 2003 B Subordinate Lien System Taxable (UNM)	2024	1.3 - 5.6	5,585	5,585
Series 2003 C Subordinate Lien System Taxable (UNM)	2033	4.5 - 4.6	6,220	4,940
Series 2004 FHA Insured Hospital Mortgage (UNM)	2031	2.0 - 5.0	192,250	183,395
Series 2005 Subordinate Lien System Improvement (UNM)	2035	3.0 - 4.5	125,575	123,910
Series A & B 2007 Subordinated Lien System Improvement (UNM)	2036	4.1 - 5.3	136,710	136,710
Series 1998 Revenue and Improvement (NMSU)	2020	3.9 - 5.0	21,010	7,395
Series 2001 Revenue and Improvement (NMSU)	2021	3.9 - 5.0	9,210	6,085
Series 2002 Revenue and Improvement (NMSU)	2022	2.0 - 5.0	15,495	8,730
Series 2003 Refunding and Improvement (NMSU)	2023	2.0 - 5.0	28,495	20,950
Series 2004 B Improvement (NMSU)	2025	2.0 - 5.0	42,275	36,630
Series 2006 Improvement (NMSU)	2026	4.0 - 5.0	10,245	9,140
Series 1998 System (ENMU)	2013	3.5 - 4.4	3,535	1,830
Series 2005 A General Obligation Building (ENMU)	2010	2.3 - 3.5	850	200
Series 2005 B General Obligation Building (ENMU)	2015	3.1 - 4.2	7,500	4,250
Series 2005 System (ENMU)	2026	3.2 - 4.2	9,325	8,350
Series 2005 System Refunding and Improvement (WNMU)	2019	3.2 - 5.0	5,800	4,335
Series 2001 System (NM Military)	2013	3.2 - 5.0	9,550	4,665
Series 2008 System Refunding (NMHU)	2034	3.1 - 4.8	19,741	19,741
Total Revenue Bonds Outstanding				802,924
Unaccreted Bond Premium/Discount, Net				6,291
<b>Total Revenue Bonds Payable</b>				<b>\$ 809,215</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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)**

<b>Revenue Bonds Issues - Primary Government Debt Service Requirements to Maturity For Fiscal Years End June 30 (Expressed in Thousands)</b>			
<b>Governmental Activities</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 80,143	82,464	\$ 162,607
2011	73,359	78,331	151,690
2012	63,911	74,997	138,908
2013	67,116	71,450	138,566
2014	70,513	68,096	138,609
2015 - 2019	408,911	282,167	691,078
2020 - 2024	565,191	166,162	731,353
2025 - 2029	378,852	29,351	408,203
<b>Total</b>	<b>\$ 1,707,996</b>	<b>\$ 853,018</b>	<b>\$ 2,561,014</b>

**Business-type Activities**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 25,466	\$ 37,612	\$ 63,078
2011	28,160	36,593	64,753
2012	29,096	35,420	64,516
2013	29,895	34,237	64,132
2014	28,223	33,010	61,233
2015-2019	153,736	145,707	299,443
2020-2024	178,582	102,840	281,422
2025-2029	162,965	60,949	223,914
2030-2034	141,550	25,193	166,743
2035-2039	25,251	1,693	26,944
	802,924	513,254	1,316,178
Net Unaccrued Premium	6,291	-	6,291
<b>Total</b>	<b>\$ 809,215</b>	<b>\$ 513,254</b>	<b>\$ 1,322,469</b>

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  
\$30 million  
Department's share of governmental gross receipts tax revenue  
Through June 30, 2023  
\$22 million  
\$7 million  
\$2 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  
\$3 billion  
Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues  
Through June 30, 2029  
\$3 billion  
\$620 million  
\$160 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Governmental Activities (Continued)

<b>Agency:</b>	<b>Department of Cultural Affairs</b>
Purpose of Bonds:	Renovate existing museum structures, develop permanent exhibits
Total Amount of Bonds Issued:	\$6 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Term of Commitment:	Through June 30, 2024
Total Debt Service Remaining:	\$5 million
Revenue Stream for Current Year:	Approximately \$2 million
Debt Service for Current Year:	\$619 thousand

#### Business-type Activities

<b>Agency:</b>	<b>Miners' Colfax Medical Center</b>
Purpose of Bonds:	Improvement and expansion of medical facilities
Total Amount of Bonds Issued:	\$17 million
Type of Revenues Pledged:	Center's share of distributions from the State Land Grant and the Charitable, Penal and Reform Permanent Funds
Term of Commitment:	Through June 30, 2024
Total Debt Service Remaining:	\$20 million
Revenue Stream for Current Year:	\$1 million
Debt Service for Current Year:	\$1 million

<b>Agency:</b>	<b>State Fair Commission</b>
Purpose of Bonds:	Improvement of capital facilities
Total Amount of Bonds Issued:	\$6 million
Type of Revenues Pledged:	State Fair Commission's share of parimutuel tax collected
Term of Commitment:	Through June 30, 2019
Total Debt Service Remaining:	\$4 million
Revenue Stream for Current Year:	\$1 million
Debt Service for Current Year:	\$684 thousand

<b>Agency:</b>	<b>Educational Institutions (UNM, NMSU, ENMU, WNMU, NMMI, NMHU)</b>
Purpose of Bonds:	Construction and improvement of various capital facilities
Total Amount of Bonds Issued:	\$936 million
Type of Revenues Pledged:	Substantially all unrestricted revenues, including Permanent Fund distributions, student fees, and income from revenue-producing facilities, but excluding state appropriations and income from clinical operations.
Term of Commitment:	Through June 30, 2039
Total Debt Service Remaining:	\$1 billion
Revenue Stream for Current Year:	\$412 million
Debt Service for Current Year:	\$62 million

#### Governmental Activities' Bonds Issued by New Mexico Finance Authority

##### ▪ Bonds Issues

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

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

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

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

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

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### ▪ GRIP Administrative Fee

For services provided by NMFA in the issuance and administration of the Bonds, NMDOT pays an annual fee to NMFA of 12.5 basis points of the outstanding principal balance of the Bonds. For the year ended June 30, 2009, NMDOT paid \$676 in administrative fees related to the Bonds.

#### ▪ Refunding of Variable Rate Bonds

The Series 2004 C and Series 2006 C and D Bonds (Series) were issued as Auction Rate Securities (ARS). ARS is one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of the above bond Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late 2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions to the bonds to “fail”, meaning that insufficient bids were received to permit resale of all

of the bonds. In the event of a failed auction, no bonds are resold, even though some bids were received. In a failed ARS auction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the Series 2004 C Bonds, the default rate was one-month LIBOR plus 175 basis points. The default rate for the Series 2006 C and D Bonds was 12.0 percent.

In April and May 2008, NMFA refunded all of the ARS Series 2004 C, 2006 C, and 2006 D Bonds, reissuing the bonds as Variable Rate Demand Notes (VRDN). The interest rates for these bonds reset in weekly auctions, as was the case for the ARS. The principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit.

The following bonds were issued (in thousands):

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

All of the refunding bonds were issued at par. NMDOT provided additional funds totaling \$2,642 to pay for the cost of issuance of the bonds.

#### ▪ Derivative Instruments

At the time of the 2004 GRIP bond issuance, NMFA entered into interest rate exchange agreements ("swaps") with respect to both the adjustable rate

bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

As in the case of the GRIP bonds, NMFA has entered into the swaps as an agent for NMDOT, and no

amounts with respect to the swap transactions appear in NMFA's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the Series 2008 A through D).

▪ **Objectives of the Swaps** (dollars in thousands)

**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% for more than 180 days	"Knockout" option - Counterparty may cancel if the index remains above 7% 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

\*\*For the period May 20, 2004 to June 15, 2006, the rate was the GMA Municipal Swap Index.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

#### ▪ Fair Value

The estimated fair value of the swaps at June 30, 2009 was as follows (in thousands):

	<u>Notional Value</u>	<u>Fair Value*</u>
Goldman Sachs	\$ 50,000	\$ (6,906)
Deutsche	50,000	(6,906)
Royal Bank of Canada	100,000	(13,811)
JPMorgan Chase Bank	110,000	(20,656)
UBS AG	110,000	(20,655)
	<u>\$ 420,000</u>	<u>\$ (68,934)</u>

\*The Fair Value is the estimated amount that would have been received by or paid to NMFA if the agreements had been terminated at June 30, 2009 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2009. Negative amounts indicate payments that would have been made by the NMFA to the counterparties.

#### ▪ Associated Debt (in thousands)

<u>Variable Rate Debt*</u>	<u>2009 Debt Service</u>		<u>Net Swap Payments Made</u>	<u>Total</u>	<u>Actual Synthetic Fixed Rate</u>
	<u>Principal</u>	<u>Interest</u>			
Series 2008 A and C	\$ 200,000	\$ -	\$ 4,708	\$ 7,412	3.7%
Series 2008 B	220,000	-	7,116	10,163	4.6%

\*The interest and swap payments for these bonds include the payments for the Series 2004 and 2006 Bonds that the Series 2008 Bonds replaced.

#### ▪ Replacement of Counterparty

The terms of NMFA's agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. NMFA evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The amount paid was calculated pursuant to the agreement to be \$4,840. This was approximately \$300 greater than the amount due Lehman Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were

deposited in a debt service account and will be used to make debt service payments on the bonds.

#### ▪ 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, 2009, were:

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Presently, NMFA 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 NMFA if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between NMFA 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. NMFA believes it has an adequate degree of diversification with regard to counterparties.

#### **Interest Rate Risk**

The knockout option in the 2006 swaps leaves NMFA 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 NMFA 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. NMFA 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. NMFA 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 NMFA's variable rate debt.

#### **Termination Risk**

The unplanned termination of one or more of the swaps exposes NMFA 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, NMFA, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, NMFA was successful in replacing the counterparty with another on the same terms, resulting in no loss to NMFA. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

#### **University of New Mexico**

##### ▪ **Defeased Bonds**

On November 13, 2002, the University of New Mexico (UNM) defeased \$30,030 of the Series 2000 A Bonds. Sinking fund monies in the amount of \$35,060 from the Series 2002 C Refunding Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments. Total cash flow

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

savings to the UNM from this defeasance are \$3,215. Remaining principal outstanding at June 30, 2009 is \$30,030.

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

#### ▪ Interest Rate Swap Agreement

UNM has entered into interest rate swap agreements for portions of its variable-rate bonds payable. UNM continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreements, UNM effectively pays a fixed rate on the debt. In return, the counterparty to the swap agreement owes UNM interest based on a variable rate that matches the rate required by the bonds; only the net difference in interest payments is actually exchanged with the counterparty. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

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.

The notional amounts of the swap agreements match the percentage of bonds payable principal amounts that are protected by the swap agreements. Because interest rates have declined, all swaps had a negative fair value as of June 30, 2009. As a result, UNM is not exposed to credit risk as of June 30, 2009. However, should interest rates change and the fair values of the swaps become positive, UNM would be exposed to credit rate risk in the amount of the interest swaps' fair value.

The swap agreements are summarized as follows:

	<b>Fixed Interest Rate Per Swap Agreement</b>	<b>Portion of Outstanding Bond Issue Protected by Swap Agreement</b>	<b>Swap Agreement Expiration Date</b>	<b>Counterparty Standard &amp; Poor's Rating</b>
Subordinate Lien System Refunding Revenue Bonds Series 2002 B	3.8%	100.0%	Expires in 2026 May be terminated by either party after 2006 if specified conditions are met.	AA-
Subordinate Lien System Refunding Revenue Bonds Series 2002 C	3.9%	100.0%	Expires in 2030. May be terminated by either party after 2010 if specified conditions are met.	AA-
Subordinate Lien System Improvement Revenue Bonds	4.2%	25.0%	Expires in 2026.	AA-
	4.2%	25.0%	Expires in 2026.	AA-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

▪ **2006 Constant Maturity Basis Swaps (the "Five-Year LIBOR Swaps")**

In addition to existing interest rate swap agreements on the Series 2001 and 2002 C Bonds, UNM entered into two Constant Maturity Basis Overlay Swap agreements (through the competitive bid process) with JPMorgan Chase, N.A. for notional amounts of \$22,235 and \$36,840 respectively. (Notional principal amount - in a constant maturity basis swap is predetermined DOLLAR amount on which the

exchanged interest payments are based.) The effective date for these agreements is September 15, 2006 and terminates on June 1, 2026 subject to adjustment in accordance with the Modified Following Business Day Convention.

#### Discrete Component Units

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

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

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2009
Public Project Revolving Fund			
Series 1999 A - D	6/1/2018	3.1 - 6.8	\$ 8,580
Series 2002 A	6/18/2026	2.0 - 5.0	16,345
Series 2003 A - B	6/1/2025	2.0 - 5.0	37,471
Series 2004 A - C	6/1/2033	1.1 - 5.9	203,080
Series 2005 A - B	6/15/2025	3.0 - 5.0	25,650
Series 2005 C, E - F Subordinate Lien	6/15/2025	3.0 - 5.0	92,755
Series 2006 A & C Subordinate Lien	6/15/2035	4.0 - 5.0	83,940
Series 2006 B & D	6/1/2036	4.0 - 5.0	85,935
Series 2007 A - C Subordinate Lien	6/15/2034	4.0 - 5.3	189,660
Series 2007 E	6/15/2034	4.0 - 5.2	56,395
Series 2008 A - C	6/1/2038	3.5 - 5.0	216,875
Series 2009 A - B	6/1/2039	2.0 - 5.5	48,660
Total Public Project Revolving Fund			<u>1,065,346</u>
Series 1995 A Pooled Equipment Certificates of Participation	10/1/2015	6.3	172
Series 1996 A - B Pooled Equipment Certificates of Participation	4/1/2016	5.8 - 5.9	177
Series 1996 Workers' Compensation Administration Building	9/1/2016	5.5 - 5.6	2,315
Series 1999 State Capitol Improvement	3/15/2015	7.0	4,775
Series 2004 A Cigarette Tax University of New Mexico	4/1/2019	3.0 - 5.0	19,855
Series 2006 Cigarette Tax Behavioral Health Projects	5/1/2026	5.5	2,125
Total Other Bond Payable			<u>29,419</u>
Unaccreted Bond Premium/Discount, Net			<u>38,189</u>
<b>Total Bonds Payable</b>			<b><u>\$ 1,132,954</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Annual debt service requirements to maturity are as follows:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 57,878	\$ 4,779	\$ 62,657
2011	57,458	4,587	62,045
2012	62,635	4,335	66,970
2013	64,997	4,169	69,166
2014	63,944	3,851	67,795
2015 - 2019	<u>787,853</u>	<u>12,114</u>	<u>799,967</u>
	1,094,765	33,835	1,128,600
Net Unaccreted Premium	<u>38,189</u>	<u>-</u>	<u>38,189</u>
<b>Total</b>	<b><u>\$ 1,132,954</u></b>	<b><u>\$ 33,835</u></b>	<b><u>\$ 1,166,789</u></b>

New Mexico Mortgage Finance Authority bonds outstanding at September 30, 2009 consist of:

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

<u>Bond Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance September 30, 2009</u>
Single Family Mortgage Programs			
Series 1994 A - E	2025	6.5 - 7.0	\$ 3,585
Series 1998 A - E	2029 - 2030	4.7 - 6.2	12,845
Series 1999 A - F	2029 - 2031	4.6 - 6.8	10,158
Series 2000 A - E	2031 - 2032	5.4 - 8.3	15,820
Series 2000 Second Mortgage	2018	6.5	106
Series 2001 A - D	2032 - 2033	4.6 - 6.2	24,190
Series 2002 A - F	2033 - 2034	3.3 - 6.4	41,310
Series 2003 A - E	2034	2.7 - 6.1	52,200
Series 2004 A - E	2034 - 2035	2.6 - 6.1	70,545
Series 2005 A - D	2036 - 2037	3.0 - 6.1	76,570
Series 2006 A - F	2037 - 2038	3.6 - 6.1	233,900
Series 2007 A - E	2038 - 2039	3.5 - 6.3	306,060
Series 2008 A - D	2039	2.4 - 6.9	200,315
Series 2009 A - C	2039 - 2040	1.0 - 6.0	<u>137,825</u>
Total Single Family Mortgage Programs			1,185,429
Unaccreted Bond Premium/Discount, Net			<u>24,887</u>
Total Single Family Mortgage Programs Payable			<u>1,210,316</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### Bonds Payable - New Mexico Mortgage Finance Authority (Continued)

(Expressed in Thousands)

<u>Bond Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance September 30, 2009</u>
Rental Housing Mortgage Programs			
Series 1987 A - B	2011	7.2	9,900
Series 1997	2018	5.1 - 5.6	3,535
Series 1998	2031	5.2 - 6.0	8,155
Series 2001 A - D Refunding	2031	5.0	19,015
Series 2001 E - F	2034	5.5 - 7.0	9,445
Series 2002 A - B	2038	5.4 - 6.7	9,495
Series 2003 A - B	2038	5.1 - 5.3	9,010
Series 2004 A - G	2039 - 2040	4.6 - 6.5	39,619
Series 2005 A - F	2040	4.2 - 5.7	28,505
Series 2006 A	2045	4.2 - 4.7	9,230
Series 2007 A - D	2042 - 2043	5.0 - 10.0	19,850
Series 2008 A - B	2043	0.1 - 3.3	8,900
Total Rental Housing Mortgage Programs			174,659
Unaccreted Bond Premium/Discount, Net			298
Total Rental Housing Mortgage Programs Payable			<u>174,957</u>
Series 2005 General Revenue Office			
Building Refunding	2026	3.5 - 4.4	2,440
Total General Obligation Bonds Outstanding			2,440
Unaccreted Bond Premium/Discount, Net			(129)
Total General Revenue Office Building Refunding			<u>2,311</u>
<b>Total Bonds Payable</b>			<b><u>\$ 1,387,584</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Annual debt service requirements to maturity are as follows:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 17,425	\$ 73,027	\$ 90,452
2011	29,303	70,712	100,015
2012	20,480	69,098	89,578
2013	21,562	68,111	89,673
2014	22,759	67,054	89,813
2015 - 2019	136,864	316,322	453,186
2020 - 2024	180,359	275,570	455,929
2025 - 2029	320,612	210,988	531,600
2030 - 2034	334,891	123,269	458,160
2035 - 2039	256,806	39,317	296,123
2040 - 2044	20,892	1,575	22,467
2045 - 2047	575	20	595
	<u>1,362,528</u>	<u>1,315,063</u>	<u>2,677,591</u>
Net Unaccrued Premium	25,056	-	25,056
<b>Total</b>	<b><u>\$ 1,387,584</u></b>	<b><u>\$ 1,315,063</u></b>	<b><u>\$ 2,702,647</u></b>

In November 2005, NMMFA began issuing bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bonds are secure, 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.

In October 2008, NMMFA authorized \$300,000 Single Family Mortgage Program Bonds, Short-Term Issue 2008. These bonds were issued as Short-Term Issue 2009-1 on January 12, 2009 in the aggregate principal amount of \$124,691 with a mandatory tender date of February 12, 2010. The bonds carry an interest rate of 1.0 percent per annum. The bonds are secured solely by funds on deposit in the bond escrow fund established under the indenture and invested in a note issued by the Federal Home Loan Bank bearing interest of 0.8 percent, together with the reinvestment of the semi-annual interest payments thereon in government obligations.

The Single Family Mortgage Program Class I Series 2009 A Bonds were issued to fully refund the Single Family Mortgage Program Series 1999 D Bonds. The NMMFA realized a \$1,021 positive cash flow from this refunding and an economic gain of \$477.

The Single Family Mortgage Program Class I Series 2009 A Bonds were issued to fully refund the Single Family Mortgage Program Series 1998 D and 1998 E Bonds. From the Series 1998 D refunding, the NMMFA realized a \$1,341 positive cash flow and an economic gain of \$731. From the Series 1998 E refunding, the NMMFA realized a \$1,007 positive cash flow and an economic gain of \$574.

The Single Family Mortgage Program Class I Series 2009 C Bonds were issued to fully refund the Single Family Mortgage Program Series 1999 A and 1999 B Bonds. From the Series 1999 A refunding, the NMMFA realized a \$2,105 positive cash flow and an economic gain of \$1,065. From the Series 1999 B refunding, the NMMFA realized a \$2,900 positive cash flow and an economic gain of \$1,352.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Certain Mortgage Purchase Program bonds were legally defeased in 2005 and 1992; therefore, are not reflected in the accompanying balance sheets. The outstanding balance of these bonds totaled approximately \$35,785 at September 30, 2008. 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.

#### G. Short-term Debt

The State of New Mexico did not issue tax and revenue anticipation notes during fiscal year 2009.

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

The State of New Mexico did not issue any tax and revenue anticipation notes subsequent to June 30, 2009.

The State of New Mexico issues one to three day sponge bonds. The following sponge bonds were issued by the State of New Mexico during fiscal year 2009 and matured by June 30, 2009 (in thousands):

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
<b>Sponge Bonds</b>					
Sponge Bond - Senior Note	12/30/2008	12/31/2008	\$ 169,376	\$ 8	\$ 169,384
Sponge Bond - Supplemental Note	12/30/2008	12/31/2008	105,497	5	105,502
Sponge Bond - Senior Note	6/29/2009	6/30/2009	19,299	-	19,299
Sponge Bond - Supplemental Note	6/29/2009	6/30/2009	135,337	2	135,339
<b>Total Sponge Bonds</b>			<u>\$ 429,509</u>	<u>\$ 15</u>	<u>\$ 429,524</u>

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

accompanying financial statements as expenses/expenditures.

Short-term debt activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Ending Balance</u>
<b>Sponge Bonds</b>	<u>\$ -</u>	<u>\$ 429,524</u>	<u>\$ (429,524)</u>	<u>\$ -</u>	<u>\$ -</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

#### H. Net Assets and Fund Equity

##### 1. Governmental Fund Balances

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

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

Governmental fund balances, reserved for, and unreserved, designated, reported in nonmajor funds at June 30, 2009, are explained as follows (in thousands):

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Land Grant Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
Fund balances:					
Reserved for:					
Capital Projects	\$ -	\$ -	\$ 85,209	\$ -	\$ 85,209
Inventories	28	-	-	-	28
Multiple Year Appropriations and Encumbrances	4,393	-	-	-	4,393
Unreserved Designated, Reported in Nonmajor:					
Debt Service Funds	-	255,641	-	-	255,641
Pool Participants	-	-	-	542,732	542,732
<b>Total Fund Balance</b>	<u>\$ 4,421</u>	<u>\$ 255,641</u>	<u>\$ 85,209</u>	<u>\$ 542,732</u>	<u>\$ 888,003</u>

##### 2. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$6,403 million of restricted net assets for the primary government of which \$4,469 is restricted by enabling legislation.

##### 3. Deficit Fund Balance

###### Proprietary Activities

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

##### Discretely Presented Component Units

New Mexico Mortgage Finance Authority.

The invested in capital assets, net of related debt of the New Mexico Mortgage Finance Authority had a deficit as a result of outstanding capital debt exceeding net capital assets as of June 30, 2009.

##### 4. Net Assets/Fund Balance Restatements

**Fund Classification.** During fiscal year 2009, it was determined that a certain special revenue fund was incorrectly being reported as an Other Agency fund. To correct this, beginning fund balances were restated to effect its proper fund classification as a Special Revenue General Control Fund.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

During fiscal year 2009, it was determined that certain Suspense Related agency funds and Receipts Pending Distribution agency funds were incorrectly being reported as Other Agency funds. To correct this, the beginning account balances were restated to effect the proper fund classifications as Suspense Related agency funds and Receipts Pending Distribution agency funds. The change is presented in the Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds.

***Implementation of New Accounting Standard.***

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was implemented for the fiscal year ended June 30, 2009. This statement requires governments to estimate the components of expected pollution remediation outlays and determine whether those outlays should be accrued as a liability. As a result of implementing this Statement, the State was required to recognize remediation liabilities for fiscal year ending June 30, 2008 in the entity-wide Statement of Net Assets. Disclosures related to pollution remediation liabilities were included in Note 2.E. Changes in Long-term Liabilities. The correction is presented as “Remediation Obligations” in the following schedule.

***Corrections of Errors.*** To comply with GASB Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the State has changed its accounting treatment of capital project appropriations financed with bond proceeds.

Prior to the change, the State recognized—in the year the capital project appropriations were authorized by the Legislature—the entire amount of bond proceeds related to capital project appropriations. It also recognized a corresponding liability, due to project recipients, and the expenditure related to that. It did not take into account the impact of eligibility requirements. Under the modified accrual basis of

accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. Since not all of the eligibility requirements established by the State Board of Finance had been met by the end of last fiscal year, the State’s recognition of project expenditures and the related liability to recipients was premature. The correction to the applicable fund balance/net assets is presented as “Appropriated Bond Proceeds” in the following schedule.

To comply with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State determined that the presentation of the State Investment Council External Trust Fund and the State Treasurer’s External Trust Fund were incorrect. The State is a participant of both of these investment pools managed by the two external trust funds. In fiscal year 2008, the State presented its ownership in the investment pools in the respective funds within the financial statements. In addition, the external trust funds presented the entire financial information for their respective investment pools. The correction to external trust funds’ net assets resulted in the removal of the balance representing the State’s participation on the investment pools. Beginning net assets for the external trust funds now represents only the portion of the investment pools owned by local governments. The State will continue to present its respective balances in the two investment pools within the appropriate funds within the financial statements. The corrections to the applicable fund balance/net assets are presented as “Correction in Presentation of External Trust Fund” in the following schedule.

During fiscal year 2009, the State recorded adjustments to various funds to correct fiscal year 2008 year-end accruals for revenue and expenditures/expenses. The adjustment corrected accruals for federal grants, interest, loans, taxes, compensated absences, health care contributions,

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

unemployment benefits, and payables. The State also corrected year-end balances on inventory, investments, depreciation, capital outlay, and capital assets. In addition, the State corrected the investments for the Educational Institutions to include the investment in the Land Grant for the New Mexico School for the Visually Handicapped and the New Mexico School for the Deaf. The corrections to the applicable fund balance/net assets are presented as “Other Corrections of Errors” in the schedule on page 135.

#### Discretely Presented Component Units

New Mexico Finance Authority.

**Fund Classification.** Prior to the fiscal year ended June 30, 2009, NMFA classified its various funds as either governmental or enterprise funds. During fiscal year 2009, management determined that none of the funds previously classified as governmental were consistent with the GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management Discussion and Analysis—for State and Local Governments* definition of governmental funds, but were, in fact, enterprise funds. The primary factors considered in reaching this judgment were:

- None of the funds account for any tax revenues, as NMFA has no taxing authority. The power to levy and collect taxes is the primary distinguishing characteristic of “governmental” funds.

- All of NMFA’s funds charge fees to other parties for services rendered by the respective programs, the primary distinguishing characteristic of “enterprise” funds.

Based on this determination, the accompanying financial statements have been prepared to reflect all of NMFA’s funds as enterprise funds.

In reclassifying the funds, management discovered that the accounting treatment of a series of bond issuance transactions in certain governmental funds that began in 1996 and continued until 2006 was acceptable for governmental funds, but inappropriate for enterprise funds (as the funds are now classified). The transactions in question were the issuances of certain NMFA bonds known as “stand alone” bonds (now called “Special Program” Bonds). These bonds were issued outside of the Public Project Revolving Fund (PPRF) program pursuant to the direction and statutory authorization of the New Mexico Legislature. Each of the bond series was the subject of a separate authorizing statute that appropriated various tax revenues to NMFA to pay the debt service on the bonds.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following is a summary of those transactions:

<u>Bond Issue</u>	<u>Par Value</u> <u>(In Thousands)</u>
1996 NMFA Workers' Compensation Administration Building Revenue	\$ 4,310
1999 NMFA Capitol Building Improvement Revenue Taxable	9,315
2001 A NMFA Court Facilities Fee Revenue *	21,600
2002 NMFA Court Facilities Fee Revenue *	24,750
2002 A NMFA State Office Building Tax Revenue *	28,250
2004 A NMFA Cigarette Revenue Tax University of New Mexico Health Sciences Center	39,035
2004 B NMFA Cigarette Tax Revenue University of New Mexico Health Sciences Center	10,000
2005 NMFA Subordinate Lien Cigarette Tax	23,630
2006 A NMFA State Office Building Tax Revenue	23,190
2006 B NMFA State Office Building Tax Revenue	29,175
	<u>\$ 213,255</u>

\*Refunded as PPRF bonds in 2005 & 2007

The proceeds of each of these bonds were made available to other state agencies, per the authorizing statutes, for the construction of buildings. The issuance of the bonds was recorded by NMFA as an increase in the liability for bonds payable and an offsetting increase in a cash account where the bond proceeds were deposited. As cash was requisitioned by the various state agencies to pay for construction costs, the cash account balance was reduced and a transfer (treated as an expense) was recorded. Bond proceeds were typically expended in little more than a year, leaving NMFA's various funds (a separate fund was created to administer each bond issue) with a liability for the par value of the bonds and no offsetting asset. As these transactions occurred, the impact of this accounting treatment was to depress the combined net assets of NMFA's funds, initially, by the full amount of the bonds issued. Over the life of each bond, the distortion caused by this treatment would diminish and eventually disappear as the bonds matured and were paid off.

This accounting treatment was acceptable for governmental funds as the focus of governmental fund reporting is the measurement of solvency and liquidity as indicated by assets and liabilities maturing in the next year. In reporting the assets and

liabilities of governmental funds, long-term assets and liabilities are excluded. Enterprise funds, however, report long-term as well as current assets and liabilities. For NMFA's funds, now classified as enterprise funds, this accounting treatment is incorrect in that it fails to recognize that the authorizing statutes created for NMFA the right to receive future tax and fee revenues in amounts sufficient to pay all of the principal and interest on the bonds. A complete accounting for the transactions would have included the recording of an account receivable for those tax revenues. This treatment would have resulted in no negative impact on the net assets of NMFA, and would be consistent with the economic facts of these transactions.

Prior to this restatement, NMFA reported the tax and fee amounts received each year to pay debt service on the bonds as appropriation revenues. Beginning in 2008, these payments are treated as collections of receivables.

**Correction of Bond Defeasance Accounting.** In 2005 and 2007, PPRF bonds were issued to refund the two series of NMFA Court Facilities Fee Revenue Bonds issued in 2001 and 2002 and the NMFA State Office Building Tax Revenue Series

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

2002 A Bonds. The purpose of the refunding was to reduce interest paid on the bonds. These bonds had 10-year call features, and were not yet callable in 2005 or 2007. The refund was accomplished, resulting in a “defeasance” of debt. That is, a refunding escrow account was created with the proceeds of the new issue, which would be used to pay the interest on the 2001 and 2002 bonds and retire the bonds as they became callable.

Generally Accepted Accounting Principles (GAAP) require that neither the refunded bonds nor the related escrows be reported as liabilities and assets, as, from an economic point of view, the refunding transaction extinguished the old bond issues. In the 2005 and 2007 transactions, however, the refunded bonds were not removed from the accounts of the governmental funds in which the bonds had been recorded at issuance, and the new bonds and the refunding escrow were recorded as liabilities and assets of the PPRF. To correct this, the bonds were removed from the financial statements.

#### Restatement of 2008 Net Financial Statements

The accompanying statements present restated net assets amounts for NMFA’s funds as of fiscal 2008

that recognize the tax revenues receivable pledged to the various bond issues as “pledged revenues receivable” and correct the recording of the 2005 & 2007 bond defeasance.

A summary of the restatement is as follows (in thousands):

Net Assets at June 30, 2008, as	
Previously Reported	\$ 226,156
Remove Refunding Escrow Balances	
From Assets	(82,337)
Record Pledged Revenues Receivable	
as Assets	168,165
Remove Defeased Bonds Payable and	
Accrued Interest From Liabilities	84,345
Write Off Unamortized Deferred Issuance	
Costs Related to Refunded Bonds	(1,265)
Remove Pledged Revenue Inappropriately	
Recognized as Revenue	<u>(6,534)</u>
Net Assets at June 30, 2008, as Restated	<u>\$ 388,530</u>

Revenues for fiscal year 2008 were restated to treat \$6,534 million previously reported as appropriation revenues as collections of pledged revenues receivable, reducing the results of operations by this amount.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following schedule reconciles June 30, 2008 net assets/fund balance previously reported to beginning net assets/fund balance, as restated (in thousands):

	Net Assets/ Fund Balance at June 30, 2008, as Previously Reported	Fund Reclassification	Pollution Remediation Obligations	Appropriated Bonds Proceeds	Correction of Presentation for External Trust Funds	Other Corrections of Errors	Net Assets/ Fund Balance at June 30, 2008, as Restated	Impact on Change in Net Assets/Fund Balance for the Year Ended June 30, 2008
Governmental Activities	\$ 14,369,646	\$ 8,091	\$ (8,813)	\$ (365,513)	\$ -	\$ 246,029	\$ 14,249,440	\$ (297,450)
Business-type Activities	3,722,850	-	-	-	-	450,166	4,173,016	27,230
<b>Governmental Activities:</b>								
General	887,559	-	-	(59,921)	-	10,128	837,766	10,128
Education	340,330	-	-	(203,917)	-	-	136,413	(49,161)
Health and Human Services	445,998	-	-	(155,596)	-	(27,403)	262,999	(29,912)
Highway and Transportation	789,936	-	-	-	-	(128,462)	661,474	(128,462)
Appropriated Bond Proceeds Capital Outlay	1,044,964	-	-	299,752	-	-	1,344,716	-
Nonmajor Governmental:								
Special Revenue:								
General Control	443,840	8,091	-	(143,171)	-	-	308,760	-
Judicial	30,100	-	-	(13,626)	-	-	16,474	(6,000)
Public Safety	17,268	-	-	-	-	1,721	18,989	1,721
Debt Service:								
Severance Tax Bonds	339,984	-	-	-	-	(39,568)	300,416	(39,568)
Capital Projects:								
Culture, Recreation, and Natural Resources	92,609	-	-	(27,328)	-	1,473	66,754	(27,653)
General Control	127,961	-	-	(60,083)	-	-	67,878	(29,919)
Judicial	2,927	-	-	(623)	-	-	2,304	1,376
Public Safety	9,341	-	-	(1,000)	-	-	8,341	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

	Fund Equity at June 30, 2008, as Previously Reported	Fund Reclassification	Pollution Remediation Obligations	Appropriated Bonds Proceeds	Correction of Presentation for External Trust Funds	Other Corrections of Errors	Fund Equity at June 30, 2008, as Restated	Impact on Change in Net Assets/Fund Balance for the Year Ended June 30, 2008
<b>Business-type Activities:</b>								
Educational Institutions	\$ 2,815,909	\$ -	\$ -	\$ -	\$ -	\$ 422,936	\$ 3,238,845	\$ -
Nonmajor Enterprise:								
Industries for the Blind	40	-	-	-	-	38	78	38
Environment Department	254,310	-	-	-	-	520	254,830	520
New Mexico Magazine	163	-	-	-	-	58	221	58
State Infrastructure Bank	15,023	-	-	-	-	5,289	20,312	5,289
Miners' Colfax Medical Center	30,934	-	-	-	-	1,806	32,740	1,806
Unemployment Insurance Fund	536,370	-	-	-	-	19,519	555,889	19,519
<b>Fiduciary Funds:</b>								
Pension Trust:								
Public Employees Retirement	11,974,404	-	-	-	-	(23,500)	11,950,904	(23,500)
New Mexico Retiree Health Care Authority	161,980	-	-	-	-	4,645	166,625	4,956
External Trust:								
State Investment Council	539,085	-	-	-	(413,342)	-	125,743	57,948
State Treasurer	5,540,238	-	-	-	(4,001,236)	-	1,539,002	497,436
Private Purpose Trust:								
Scholarship	100,426	-	-	-	-	(3,957)	96,469	(3,957)
Water Trust	56,000	-	-	-	-	(3,999)	52,001	(3,999)
<b>Component Units:</b>								
New Mexico Finance Authority	226,156	-	-	-	-	162,374	388,530	(5,792)

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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, 2009 were \$175,591. The amounts of the liabilities are determined by an independent actuarial consultant 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, 2009 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 selling 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, 2009

### 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):

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

	<b>Balance June 30, 2007, As Restated</b>	<b>Incurred (Net of Actuarial Provision), as Restated</b>	<b>Payments</b>	<b>Balance June 30, 2008</b>
Surety Bond	\$ 143	\$ (112)	\$ -	\$ 31
Public Property Reserve	2,111	2,559	(2,804)	1,866
Workers Compensation	27,269	16,382	(12,956)	30,695
Public Liability	107,861	24,920	(17,935)	114,846
State Unemployment	4,416	4,837	(4,752)	4,501
Local Public Body	950	1,075	(994)	1,031
Group Insurance Premium	37,766	288,830	(282,330)	44,266
<b>Total</b>	<b>\$ 180,516</b>	<b>\$ 338,491</b>	<b>\$ (321,771)</b>	<b>\$ 197,236</b>

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

### B. Employee Retirement Systems and Pension Plans

#### Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). PERA is the administrator of four pension plan funds, including the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighter

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

members. Ten of the Board members are elected by PERA active and retired members under state and municipal coverage plans. Two Board members, the Secretary of State and the State Treasurer, are ex-officio members.

The number of participating government employers, and the number of members for each system for the year ended June 30, 2009 were (not in thousands):

	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>PERS</u>	<u>EERS</u>
Number of Employers					
State Agencies	-	-	-	126	11
Cities	-	-	-	86	-
Counties	-	-	-	33	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	67
Other	16	9	363	62	-
Totals	<u>16</u>	<u>9</u>	<u>363</u>	<u>307</u>	<u>186</u>
Retirees and Beneficiaries					
Receiving Benefits	109	61	470	25,950	32,497
Terminated Plan Members not yet Receiving Benefits	8	12	N/A	3,018	30,576
Active Plan Members	125	54	4,283	53,866	63,822

#### 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 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.

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

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. Depending on the division, except the State Division Legislative, 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. 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 divisions, 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. Employer's contributions, also a percentage of salaries paid, range from 7.0 percent to 25.7 percent. Contribution rates are established by State statute for all members. Members of the State

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Legislative Division contribute \$500 (not in thousands) for each year of credited service; employer contributions for members of the State Legislative Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2009 was determined by the actuary to be \$755.

*Judicial Retirement System (JRS)* – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in Chapter 10-12B-4, NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

For individuals that became a member prior to July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 2005, is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 2005, the annual pension amount is determined as 75.0 percent of the 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. JRS also provides for survivors' allowances and disability benefits.

Members contribute 7.5 percent of their salaries and the members' court contributes 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. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service not exceeding 15 years plus five years.

Members' contributions are based on 7.5 percent of their salaries and the State of New Mexico, through the Administrative Office of the Courts, contributed at a rate of 11.0 percent of the member's salary. Additionally, the magistrate or metropolitan court contributed \$25 (not in thousands) for each civil case docket fee paid and \$10 (not in thousands) for each civil jury fee paid. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978, the “Volunteer Firefighters Retirement Fund”. 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 state 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 firefighter for not less than 10 years. Benefits are \$100 (not in thousands) per month with at least 10 years but less than 25 years of service or \$200 (not in thousands) per month with 25 or more years of service. Benefits for post retirement surviving spouse annuities are also available.

Members of the Volunteer Firefighters Retirement Fund do not make contributions. State statutes require that the State Treasurer transfer \$750 during the 2009 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

The New Mexico Educational Retirement Board was created by the Educational Retirement Act, Chapters 22-1-1 to 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees’ Retirement Plan. ERB is an agency of the State. The plan administered by ERB is considered part of the State financial reporting entity and is a pension trust fund of the state.

*The Educational Employees’ Retirement System (EERS)* – is a cost-sharing, multiple-employer plan established and administered by ERB to provide retirement, disability, and death benefits for all certified teachers and other employees of the State’s educational institutions, junior colleges, and technical-vocational institutions.

The retirement benefit is determined by a formula. The formula includes three component parts: the member’s final average salary, the number of years of service credit, and the 0.02 constant factor. The final average salary (FAS) is the average of the member’s salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of the coverage plan provisions is as follows:

- The member’s age and earned service credit add up to the sum of 75 or more; or
- The member is age 65 or more with at least five years of earned service credit; or
- The member has earned service credit and allowed service credit totaling 25 or more years

1) A further requirement to be eligible to retire is that one must be a “member” having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3.0 percent compounded interest from July 1, 1957 to the date of payment.

2) *Forms of Payment* – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member’s accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member’s surviving beneficiary.

3) *Normal Benefit* – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

4) *Optional Forms of Payment* – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The 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 day to the election of Option C.

5) *Cost of Living Adjustment* – Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment ("COLA") in their benefit each July 1, beginning in the year the member attains or would have attained age 65. The adjustment is equal to one-

half the change in 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. 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 COLA beginning July 1 in the third full year of retirement.

6) *Disability Retirement:*

Eligibility – A member is eligible for a disability benefit provided a) he or she has credit for at least ten years of service, and b) the disability is approved by the ERB.

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 FAS or b) 2.0 percent of FAS times years in service projected to age 60.

Form of Payment – The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survived to age 60, the regular option forms of payment are available.

7) *Deferred Retirement* – A member of five or more years of earned service credit on deferred

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

8) The Educational Retirement Act, Chapters 22-11-1 to 22-11-53, NMSA 1978, assigns the authority to establish and amend benefit provisions to ERB.

*Refund of Contributions* – Members may withdraw their contributions only when they terminate covered employment in New Mexico 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 a rate set by ERB. Interest is not earned on contributions credited to accounts prior to July 1, 1971, and contributions on deposit for less than one year.

*Alternative Retirement Plan* – The New Mexico Legislature established the Alternative Retirement Plan (ARP) through the enactment of Chapters 22-11-47 to 22-11-52, NMSA 1978. In contrast to the regular defined plan administered by ERB, the ARP is a defined contribution plan. Beginning on July 1, 1991, at the State's six educational institutions, 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 ARP become members of the regular defined plan.

Pursuant to statute, ARP retirement benefits may be only in the form of a lifetime annuity, except in the case of death, when single sum cash payments are allowed. Two carriers have been approved to offer annuities to the participants: Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC or AIG VALIC, now known as AIG Retirement). Employees are allowed to transfer between carriers once each year.

For the year ended June 30, 2009, employees under the ARP contributed 7.8 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 fund the unfunded accrued actuarial liability. The 3.0 percent fee remitted to ERB for the year ended June 30, 2009 was \$4,727.

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; 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### Funded Status and Funding Progress

The funded status of each plan as of June 30, 2009, 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
<b>MRS</b>	June 30, 2009	\$ 31,524	\$ 47,568	\$ 16,043	66.3 %	\$ 4,129	389.6 %
<b>PERS</b>	June 30, 2009	12,575,142	14,932,624	2,357,482	84.2 %	2,081,259	113.3 %
<b>EERS</b>	June 30, 2009	9,366,300	13,883,300	4,517,000	67.5 %	2,585,700	174.7 %
<b>JRS</b>	June 30, 2009	73,161	120,841	47,679	60.5 %	13,011	366.4 %
<b>VFRS</b>	June 30, 2009	40,844	19,029	(21,815)	214.6 %	N/A+	N/A

The schedule 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:

	<b>MRS</b>	<b>PERS</b>	<b>EERS</b>	<b>JRS</b>	<b>VFRS</b>
Valuation date	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial cost method	Entry Age	Entry Age	Entry Age Normal	Entry Age	Unit Credit
Amortization method	Level Percent, Open	Level Percent, Open	Level Payment, Open	Level Percent, Open	Level Dollar, Open
Amortization period	30 Years#	13 years	30 years	30 years^^	30 Years#
	4 Year Smoothed	4 Years Smoothed	5-year Smoothed	4 Years Smoothed	4 Year Smoothed
Asset valuation method	Market	Market	Market	Market	Market
Rate of return on investment of present and future assets*	8.0%	8.0%	8.0%	8.0%	8.0%
*Includes inflation at	4.0%	4.0%	3.0%	4.5%	4.0%
Post retirement benefit increases	3.0%	3.0%	-	3.0%	N/A+
Projected salary increases*	4.8%	4.5% - 19.0%	5.0% to 13.5%	5.3%	N/A+
Cost of Living Adjustments	-	-	2.0%	-	-

# Assets currently exceed 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, 2009

### 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, 2009**  
**and Two Preceding Years**  
*(in Thousands)*

System	2009	2008	2007
PERS	\$ 311,082	\$ 292,569	\$ 269,571
JRS	4,123	3,832	3,622
MRS	1,000	981	920
VFRS *	750	750	750
EERS	323,685	290,846	255,853

\* The contributions are by State statute and transfer was from the State Treasurer.

#### **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. 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 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 purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

The legislation establishing RHCA specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and RHCA administering the Act. However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan, and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for a participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. RHCA received a legal opinion that the manner of legal organization of RHCA is substantially equivalent to a trust. As such, RHCA was required to apply GASB Statement No. 43 (GASB 43), *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, as a multi-employer cost-sharing plan for the fiscal year ending June 30, 2007.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### 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 (per 2005 amendment). Employees of RHCA are allowed to participate in the Plan.

Rates are established by State statute. Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an amount equal to 0.7 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (not in thousands) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. In addition, former legislators and governing authority members are required to pay 100.0 percent of the claims and

administrative costs of the plan. Participants may also enroll in optional plans of coverage.

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 (As Restated)

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers and Employees	Percentage Contributed
2008	\$ 286,538	\$ 96,817	33.8 %
2007	275,518	94,060	34.1 %
2006	392,591	82,703	21.1 %

The following table shows the components of the annual Other Postemployment Benefits (OPEB) cost for the year, amount actually contributed to the Plan, and changes in the net OPEB obligation for the Plan for fiscal year 2009 (dollar amount in thousands):

Annual Required Contribution	\$ 286,538
Interest on Net OPEB Obligation	24,837
Adjustment to Annual Required Contribution	(19,905)
Annual OPEB Cost (Expense)	291,470
Contributions Made	(96,817)
Increase in New OPEB Obligation	194,653
Net OPEB Obligation (Asset) - Beginning of Year	494,258
Net OPEB Obligation (Asset) - End of Year	\$ 688,911

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for fiscal year 2009 and the

preceding years for the Plan were as follows (dollar amount in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/2006	\$ -	21.1 %	\$ 309,888
6/30/2007	\$ 278,594	34.2 %	\$ 494,258
6/30/2008	\$ 291,470	33.8 %	\$ 688,911

The funded status as of June 30, 2008, was as follows (dollar amount in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ 170,626	\$ 3,116,916	\$ 2,946,289	5.5 %	\$ 4,020,509	76.0 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and

plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Currently, the Schedule of Funding Progress and employer contributions are based on two years of actuarial valuations rather than three years as specified in GASB 43. In the transition year and until three actuarial valuations have been performed in accordance with the parameters, the required schedules of funding progress and employer contributions should include information for as many valuations as are available. Accordingly, two evaluations are included as of June 30, 2009.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The actuarial methods and assumptions for the Plan June 30, 2008 were as follows:

Valuation date	June 30, 2008
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, 2016, decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0%

The number of participating government employers, and the number of members in the Plan for the year ended June 30, 2008 were (not in thousands):

<b>Plan Membership:</b>	
Current Retirees and Surviving Spouses	27,928
Inactive and Eligible for Deferred Benefit	7,853
Current Active Members	94,600
<b>Total</b>	<b>130,381</b>
<b>Active Membership:</b>	
State General	19,772
State Police and Corrections	1,765
Municipal General	20,348
Municipal Police	3,214
Municipal FTRE	1,814
ERB	47,687
<b>Total</b>	<b>94,600</b>

#### 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.

The Deferred Plan uses a third party administrator, and all costs of administration and funding are borne by the Deferred Plan participants. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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:

	<b>First Computation Date</b>	<b>First Payment Due to IRS</b>	<b>First Computation of Arbitrage Completed</b>
Series 1999 General Obligation Capital Projects	9/1/2004	10/1/2004	X
Series 2001 General Obligation	3/21/2006	5/20/2006	X
Series 2001 A General Obligation Refunding	9/1/2004	10/31/2004	X
Series 2001 B General Obligation Refunding	9/1/2006	10/31/2006	X
Series 2003 General Obligation	3/18/2008	5/17/2008	X
Series 2003 B General Obligation Refunding	4/16/2008	6/15/2008	X
Series 2005 General Obligation	3/1/2010	4/30/2010	X
Series 1993 B Severance Tax	7/1/1998	8/31/1998	X
Series 1994 B Severance Tax	7/1/1999	8/31/1999	X
Series 1995 A Severance Tax	7/1/2000	8/31/2000	X
Series 1995 B Severance Tax	7/1/2000	8/31/2000	X
Series 1996 A Severance Tax	12/20/2001	2/20/2002	X
Series 1997 A Severance Tax Refunding	7/1/2001	8/31/2002	X
Series 1998 A Severance Tax Refunding	7/1/2003	8/31/2003	X
Series 1999 B Severance Tax	7/1/2004	8/31/2004	X
Series 1999 A Supplemental Severance Tax	11/17/2004	1/17/2005	X
Series 2000 Severance Tax	7/1/2005	8/31/2005	X
Series 2000 C Supplemental Severance Tax	11/16/2005	1/16/2006	X
Series 2001 A Severance Tax Refunding	12/20/2006	2/20/2007	X
Series 2002 A Supplemental Severance Tax	1/16/2007	3/16/2007	X
Series 2002 A Severance Tax	6/19/2007	8/18/2007	X
Series 2002 B Supplemental Severance Tax	11/14/2007	1/13/2008	X
Series 2003 A Severance Tax	6/27/2008	8/26/2008	X
Series 2003 B Supplemental Severance Tax	10/14/2008	12/13/2008	X
Series 2004 A Severance Tax	6/15/2009	8/14/2009	X
Series 2004 B Supplemental Severance Tax	11/17/2009	1/16/2010	X
Series 2005 A Severance Tax	6/15/2010	8/14/2010	X
Series 2005 B-1 Severance Tax Refunding	6/15/2010	8/14/2010	
Series 2005 B-2 Supplemental Severance Tax	6/15/2010	8/14/2010	
Series 2006 A Severance Tax	6/20/2011	8/16/2011	
Series 2007 A Severance Tax	6/28/2012	8/27/2012	
Series 2008 A-1 Supplemental Severance Tax	7/1/2012	8/30/2012	
Series 2009 A Severance Tax	7/30/2014	9/28/2014	
Series 2000 Enhanced 911 Revenue	9/12/2005	11/11/2005	X

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Interest earnings on invested bond proceeds through June 30, 2009 did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service, which are known and measurable, are recorded as an accrued liability in the accompanying financial statements.

#### F. Commitments and Contingencies

##### Federal Funds

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

##### Litigation

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

#### G. Subsequent Events

Subsequent to June 30, 2009, the State issued Severance Tax Series 2009 A Bonds for \$233,900. Principal on the bonds is due annually commencing on July 1, 2010, through July 1, 2014. Interest rates on the bonds range from 3.0 percent to 5.0 percent. Proceeds from the bonds will be used for projects as authorized by the Legislature.

Subsequent to June 30, 2009, the State issued Sponge Bond Senior Note for \$59,589 on December 30, 2009 and redeemed the note on December 31, 2009.

Subsequent to June 20, 2009, NMFA closed on 101 loans for a total of \$213,353 for state and local public projects.

Subsequent to June 30, 2009, NMFA issued \$55,810 of Series 2008 C Senior Lien PPRF, \$52,415 of Series 2009 D Senior Lien PPRF, and \$35,155 of Series 2009 E Senior Lien PPRF Revenue Bonds. The bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, and 2) pay costs incurred with the issuance of the bonds.

Subsequent to June 30, 2009, NMMFA issued \$50,834 of Single Family Mortgage Program Series 2009 D Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the bonds was sold at a premium of \$834 to fund assistance to borrowers on this bond issue.

Subsequent to June 30, 2009, NMMFA issued \$50,802 of Single Family Mortgage Program Series 2009 E Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the bonds was sold at a premium of \$802 to fund assistance to borrowers on this bond issue.

Subsequent to June 30, 2009, NMMFA issued \$155,000 of Single Family Mortgage Program Series 2009 Bonds under the GSE Escrow Bond Purchase Program. This program was established as part of the Housing and Economic Recovery Act of 2008 (HERA) to assist Housing Finance Authorities in providing low mortgage rates and also expanded resources for low income first-time home buyers.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

These escrow bonds will be rolled out into three subsequent bond issues during calendar year 2010. The bonds are to be used to redeem or pay at maturity certain of NMMFA's outstanding single-family mortgage revenue bonds or loans and to finance qualifying mortgage loans under the Single Family Mortgage Program.

Subsequent to June 30, 2009, NMMFA issued \$6,895 of Multifamily Housing Revenue Series 2009 A Bonds. The bonds are to be used to finance the costs of the acquisition, rehabilitation, and equipping of multifamily residential rental housing facilities.

#### **H. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Beneficiary	Balance June 30, 2008, As Restated	Earnings From State Land Office	Other Decreases in Capital Accounts, Net	Balance June 30, 2009	Participation Percentage June 30, 2009
Benefiting the State, Included in Governmental Funds:					
Charitable, Penal and Reform	\$ 93,233	\$ 3,935	\$ (24,678)	\$ 72,490	0.9%
Miners' Colfax Medical Center	108,972	3,144	(28,613)	83,503	1.1%
New Mexico Boys School	673	56	(179)	550	0.0%
New Mexico State Hospital	24,705	1,015	(6,540)	19,180	0.2%
Improvements to the Rio Grande	29,302	547	(7,668)	22,181	0.3%
Water Reservoirs	116,395	6,268	(30,905)	91,758	1.2%
Penitentiary of New Mexico	202,550	10,605	(53,534)	159,621	2.0%
Public Buildings - Capitol	118,460	6,335	(31,346)	93,449	1.1%
	<u>694,290</u>	<u>31,905</u>	<u>(183,463)</u>	<u>542,732</u>	<u>6.8%</u>
Benefiting the State, Included in Enterprise Funds:					
Eastern New Mexico University	8,982	131	(2,347)	6,766	0.1%
New Mexico Highlands University	2,948	181	(786)	2,343	0.0%
New Mexico Institute of Mining and Technology	20,422	1,239	(5,399)	16,262	0.2%
New Mexico Military Institute	348,473	12,568	(91,766)	269,275	3.4%
New Mexico School for the Deaf	209,999	9,496	(55,530)	163,965	2.1%
New Mexico School for the Blind and Visually Impaired	209,417	9,498	(55,378)	163,537	2.1%
New Mexico State University	49,930	2,770	(13,195)	39,505	0.5%
Northern New Mexico College	2,256	182	(606)	1,832	0.0%
University of New Mexico	165,505	6,449	(43,556)	128,398	1.6%
University of New Mexico Saline Lands	649	-	(169)	480	0.0%
Western New Mexico University	2,965	182	(790)	2,357	0.0%
	<u>1,021,546</u>	<u>42,696</u>	<u>(269,522)</u>	<u>794,720</u>	<u>10.0%</u>
Not Considered to Benefit the State, Included in Fiduciary Funds:					
Public Schools	8,429,007	405,924	(2,228,474)	6,606,457	83.2%
<b>Total Net Assets Held in Trust for Pool Participants</b>	<b><u>\$ 10,144,843</u></b>	<b><u>\$ 480,525</u></b>	<b><u>\$ (2,681,459)</u></b>	<b><u>\$ 7,943,909</u></b>	<b><u>100.0%</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### I. 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
<b>Condensed Statement of Net Assets</b>									
Current Assets	\$ 1,611	\$ 8,275	\$ 114,510	\$ 30,950	\$ 34,825	\$ 63,142	\$ 16,643	\$ 15,935	\$ 759,899
Other Assets	2,373	1,318	177,460	30,110	4,164	60,432	283,984	4,608	357,999
Capital Assets, Net	48,049	34,934	378,653	108,161	63,214	136,615	59,115	23,402	1,143,143
<b>Total Assets</b>	<b>52,033</b>	<b>44,527</b>	<b>670,623</b>	<b>169,221</b>	<b>102,203</b>	<b>260,189</b>	<b>359,742</b>	<b>43,945</b>	<b>2,261,041</b>
Current Liabilities	3,278	2,423	81,092	16,545	8,930	26,044	4,274	4,449	247,075
Long-term Liabilities	3,150	14,075	111,729	20,811	19,676	10,932	3,657	4,633	662,492
<b>Total Liabilities</b>	<b>6,428</b>	<b>16,498</b>	<b>192,821</b>	<b>37,356</b>	<b>28,606</b>	<b>36,976</b>	<b>7,931</b>	<b>9,082</b>	<b>909,567</b>
Invested in Capital Assets, Restricted	44,330	20,215	267,896	92,310	43,473	136,615	54,424	18,963	641,406
Unrestricted	2,892	1,478	98,074	16,572	23,311	68,883	283,460	12,202	267,574
	(1,617)	6,336	111,832	22,983	6,813	17,715	13,927	3,698	442,494
<b>Total Net Assets</b>	<b>\$ 45,605</b>	<b>\$ 28,029</b>	<b>\$ 477,802</b>	<b>\$ 131,865</b>	<b>\$ 73,597</b>	<b>\$ 223,213</b>	<b>\$ 351,811</b>	<b>\$ 34,863</b>	<b>\$ 1,351,474</b>
<b>Condensed Statement of Activities</b>									
Operating Revenues:									
Charges for Services	\$ 14,489	\$ 15,650	\$ 34,583	\$ 8,374	\$ 3,848	\$ 3,923	\$ 4,710	\$ 2,383	\$ 102,332
Net Student Tuition and Fees	-	-	54,987	12,061	8,678	6,071	2,179	3,734	93,911
State, Local, and Private Grants and Contracts	-	-	47,276	9,686	5,174	27,987	3,159	2,286	76,019
Patient Income	-	-	-	-	-	-	-	-	676,658
Federal Funds	-	254	157,258	18,804	11,891	59,143	580	5,198	211,141
Other Operating Revenues	629	-	31,285	3,138	(94)	9,237	277	1,101	34,621
<b>Total Operating Revenue</b>	<b>15,118</b>	<b>15,904</b>	<b>325,389</b>	<b>52,063</b>	<b>29,497</b>	<b>106,361</b>	<b>10,905</b>	<b>14,702</b>	<b>1,194,682</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### 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
<b>Condensed Statement of Activities</b>									
<b>(Continued)</b>									
Operating Expenses:									
Operating Expenses	\$ 9,780	\$ 24,638	\$ 64,556	\$ 74,334	\$ 29,858	\$ 73,400	\$ 7,422	\$ 10,818	\$ 259,344
Depreciation Expense	2,546	2,270	27,492	6,855	5,234	7,294	2,964	2,090	49,357
General and Administrative	7,699	-	453,647	24,799	34,602	69,079	17,261	23,939	1,346,219
<b>Total Operating Expenses</b>	<b>20,025</b>	<b>26,908</b>	<b>545,695</b>	<b>105,988</b>	<b>69,694</b>	<b>149,773</b>	<b>27,647</b>	<b>36,847</b>	<b>1,654,920</b>
Operating Income (Loss)	(4,907)	(11,004)	(220,306)	(53,925)	(40,197)	(43,412)	(16,742)	(22,145)	(460,238)
Nonoperating Revenue (Expense)									
Clinical Operations	-	-	-	-	-	-	-	-	82,290
Government Grants and Contracts	-	-	8,954	-	-	-	-	-	6,121
Net Investment Income (Loss)	-	5,727	5,910	(3,939)	(671)	(4,272)	(87,555)	269	(58,056)
Other Revenue	115	566	4,689	3,248	-	2,274	232	-	50,198
Interest Expense	(106)	-	(3,420)	(868)	(1,221)	-	(277)	-	(20,922)
Other Expense	-	-	(24,384)	-	-	(1,576)	(29)	(1)	(41)
<b>Total Nonoperating Income (Expense)</b>	<b>9</b>	<b>6,293</b>	<b>(8,251)</b>	<b>(1,559)</b>	<b>(1,892)</b>	<b>(3,574)</b>	<b>(87,629)</b>	<b>268</b>	<b>59,590</b>
Capital Contributions	6,482	-	10,853	-	-	-	-	-	9,152
Permanent Fund Income (Loss)	-	-	(17,785)	-	296	1,282	18,813	395	-
Net Transfers	-	-	220,948	56,493	39,197	52,057	3,194	21,415	386,536
Change in Net Assets	1,584	(4,711)	(14,541)	1,009	(2,596)	6,353	(82,364)	(67)	(4,960)
Net Assets, Beginning, As Restated	44,021	32,740	492,343	130,856	76,193	216,860	434,175	34,930	1,356,434
<b>Net Assets, Ending</b>	<b>\$ 45,605</b>	<b>\$ 28,029</b>	<b>\$ 477,802</b>	<b>\$ 131,865</b>	<b>\$ 73,597</b>	<b>\$ 223,213</b>	<b>\$ 351,811</b>	<b>\$ 34,863</b>	<b>\$ 1,351,474</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

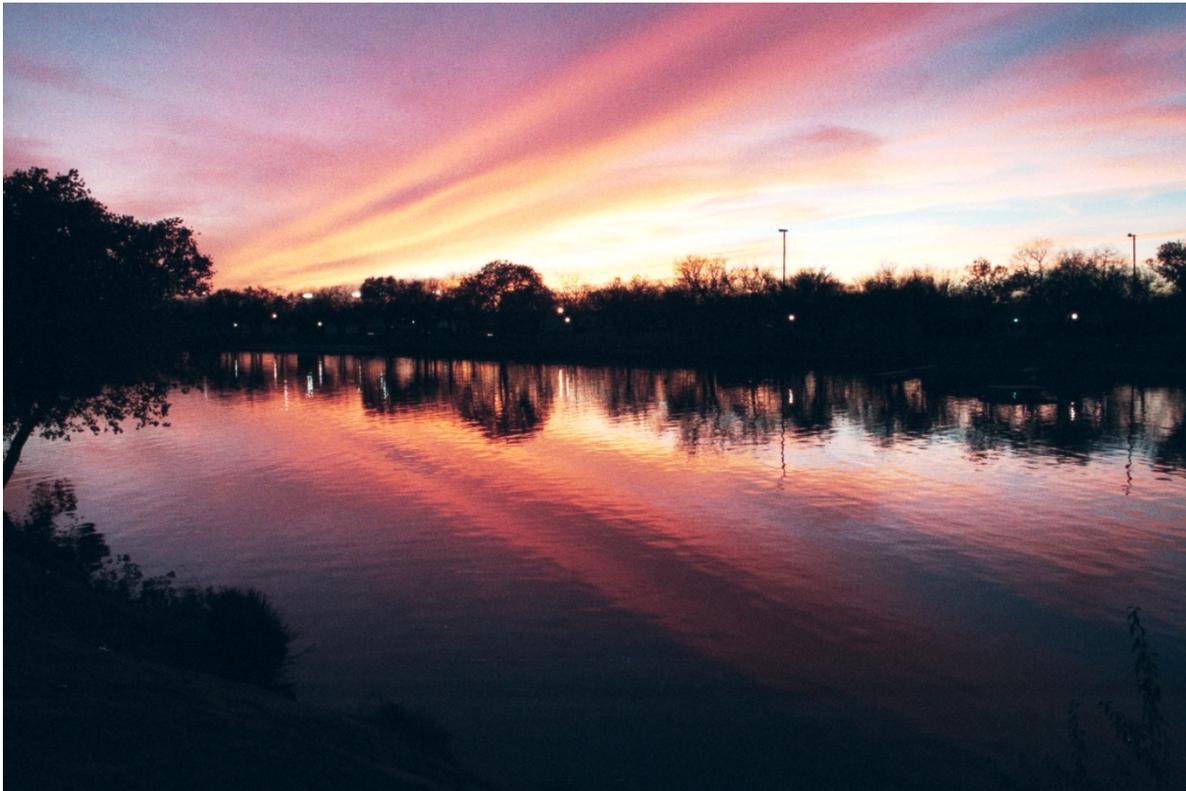
### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	State Fair Commission	Miners' Colfax Medical Center	Educational Institutions						University of New Mexico
			New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	
<b>Condensed Statement of Cash Flows</b>									
Net Cash Provided (Used) by:									
Operating Activities	\$ (2,270)	\$ (6,167)	\$ (184,827)	\$ (44,608)	\$ (32,241)	\$ (20,795)	\$ (13,685)	\$ (20,986)	\$ (346,073)
Noncapital Financing Activities	-	-	202,105	53,232	38,159	42,877	(18)	20,734	465,019
Capital and Related Financing Activities	474	(1,168)	(13,858)	(9,600)	(21,343)	(7,532)	(3,915)	(1,152)	(164,619)
Investing Activities	24	2,501	(10,915)	(8,056)	(973)	(11,205)	18,856	(4,342)	3,384
Cash and Cash Equivalents at Beginning of Year	4,699	8,568	58,038	28,803	43,675	40,968	5,479	8,778	220,037
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,927</b>	<b>\$ 3,734</b>	<b>\$ 50,543</b>	<b>\$ 19,771</b>	<b>\$ 27,277</b>	<b>\$ 44,313</b>	<b>\$ 6,717</b>	<b>\$ 3,032</b>	<b>\$ 177,748</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION

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Source: New Mexico Tourism Department, Dan Monaghan

**Pecos Sunset:** Another gorgeous New Mexico sunset, this one reflected on the Pecos River in Carlsbad.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2009

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,917	\$ 2,928	\$ 4,795	\$ 1,867
Federal Revenue	106,820	122,720	69,401	(53,319)
Investment Income	14,279	14,279	12,467	(1,812)
Rentals and Royalties	10,570	10,674	14,913	4,239
Charges for Services	15,064	14,809	18,758	3,949
Licenses, Fees, and Permits	37,882	38,101	33,226	(4,875)
Assessments	854	1,424	1,948	524
Miscellaneous and Other	7,400	9,131	7,368	(1,763)
<b>Total Revenues</b>	<u>195,786</u>	<u>214,066</u>	<u>162,876</u>	<u>(51,190)</u>
<b>EXPENDITURES</b>				
General Control	231,555	237,211	200,909	36,302
Culture, Recreation, and Natural Resources	163,709	176,072	142,586	33,486
Judicial	183,929	187,111	180,848	6,263
Legislative	4,319	4,319	4,890	(571)
Public Safety	496,111	500,488	458,415	42,073
Regulation and Licensing	78,369	79,391	75,251	4,140
<b>Total Expenditures</b>	<u>1,157,992</u>	<u>1,184,592</u>	<u>1,062,899</u>	<u>121,693</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(962,206)</u>	<u>(970,526)</u>	<u>(900,023)</u>	<u>70,503</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	962,137	965,218	947,914	(17,304)
Transfers Out	(4,673)	(9,454)	(14,368)	(4,914)
<b>Total Other Financing Sources (Uses)</b>	<u>957,464</u>	<u>955,764</u>	<u>933,546</u>	<u>(22,218)</u>
<b>Net Change Budgetary Basis</b>	<u>\$ (4,742)</u>	<u>\$ (14,762)</u>	<u>\$ 33,523</u>	<u>\$ 48,285</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 162,876
Differences Budget to GAAP:	
Revenue Not Budgeted, State General Fund	5,245,101
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ 5,407,977</b>

#### Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 1,062,899
Differences Budget to GAAP:	
Multiple Year Expenditures	124,429
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ 1,187,328</b>

#### Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 933,546
Differences Budget to GAAP:	
Transfers In Not Budgeted, State General Fund	331,995
Transfers Out Not Budgeted, State General Fund	(6,079,629)
Multiple Year Activity	146,095
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ (4,667,993)</b>

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, 2009 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Revenue	\$ 90,015	\$ 95,142	\$ 65,169	\$ (29,973)
Investment Income	-	-	777	777
Licenses, Fees, and Permits	1,101	1,101	961	(140)
Miscellaneous and Other	-	377	593	216
<b>Total Revenues</b>	<u>91,116</u>	<u>96,620</u>	<u>67,500</u>	<u>(29,120)</u>
<b>EXPENDITURES</b>				
Education	189,175	143,502	113,020	30,482
<b>Total Expenditures</b>	<u>189,175</u>	<u>143,502</u>	<u>113,020</u>	<u>30,482</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(98,059)</u>	<u>(46,882)</u>	<u>(45,520)</u>	<u>1,362</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	113,800	114,316	111,542	(2,774)
Transfers Out	(17,175)	(71,000)	(73,470)	(2,470)
<b>Total Other Financing Sources (Uses)</b>	<u>96,625</u>	<u>43,316</u>	<u>38,072</u>	<u>(5,244)</u>
<b>Net Change Budgetary Basis</b>	<u>\$ (1,434)</u>	<u>\$ (3,566)</u>	<u>\$ (7,448)</u>	<u>\$ (3,882)</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 67,500
Differences Budget to GAAP:	
Multiple Year Revenue	346,895
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 414,395</b></u>

#### Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 113,020
Differences Budget to GAAP:	
Multiple Year Expenditures	3,162,612
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 3,275,632</b></u>

#### Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 38,072
Differences Budget to GAAP:	
Multiple Year Activity	2,828,204
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 2,866,276</b></u>

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

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE HEALTH AND HUMAN SERVICES FUND For the Year Ended June 30, 2009 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,318	\$ 3,318	\$ 3,049	\$ (269)
Federal Revenue	3,480,021	3,685,340	3,551,681	(133,659)
Investment Income	3,027	3,027	2,501	(526)
Rentals and Royalties	1,825	1,825	2,082	257
Charges for Services	53,411	54,646	32,780	(21,866)
Licenses, Fees, and Permits	4,277	4,277	14,332	10,055
Assessments	122	782	2,592	1,810
Miscellaneous and Other	147,142	151,023	610	(150,413)
<b>Total Revenues</b>	<u>3,693,143</u>	<u>3,904,238</u>	<u>3,609,627</u>	<u>(294,611)</u>
<b>EXPENDITURES</b>				
Health and Human Services	<u>5,128,377</u>	<u>5,348,270</u>	<u>4,910,911</u>	<u>437,359</u>
<b>Total Expenditures</b>	<u>5,128,377</u>	<u>5,348,270</u>	<u>4,910,911</u>	<u>437,359</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,435,234)</u>	<u>(1,444,032)</u>	<u>(1,301,284)</u>	<u>142,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,652,836	1,655,488	1,635,927	(19,561)
Transfers Out	(218,515)	(245,110)	(357,434)	(112,324)
<b>Total Other Financing Sources (Uses)</b>	<u>1,434,321</u>	<u>1,410,378</u>	<u>1,278,493</u>	<u>(131,885)</u>
<b>Net Change Budgetary Basis</b>	<u>\$ (913)</u>	<u>\$ (33,654)</u>	<u>\$ (22,791)</u>	<u>\$ 10,863</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 3,609,627
Differences Budget to GAAP:	
Multiple Year Revenue	<u>51,814</u>
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b><u>\$ 3,661,441</u></b>

#### Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 4,910,911
Differences Budget to GAAP:	
Multiple Year Expenditures	<u>185,141</u>
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b><u>\$ 5,096,052</u></b>

#### Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 1,278,493
Differences Budget to GAAP:	
Multiple Year Activity	<u>95,522</u>
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b><u>\$ 1,374,015</u></b>

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, 2009 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 533,285	\$ 533,285	\$ 301,319	\$ (231,966)
Federal Revenue	358,682	387,412	363,835	(23,577)
Investment Income	2,686	2,695	9,534	6,839
Rentals and Royalties	800	800	63	(737)
Charges for Services	-	2,500	434	(2,066)
Licenses, Fees, and Permits	97,973	98,054	95,180	(2,874)
Assessments	1,000	1,927	-	(1,927)
Miscellaneous and Other	39,603	39,603	14,587	(25,016)
<b>Total Revenues</b>	<u>1,034,029</u>	<u>1,066,276</u>	<u>784,952</u>	<u>(281,324)</u>
<b>EXPENDITURES</b>				
Highway and Transportation	<u>1,041,956</u>	<u>1,088,350</u>	<u>799,131</u>	<u>289,219</u>
<b>Total Expenditures</b>	<u>1,041,956</u>	<u>1,088,350</u>	<u>799,131</u>	<u>289,219</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(7,927)</u>	<u>(22,074)</u>	<u>(14,179)</u>	<u>7,895</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	12,849	3,006	(9,843)
Transfers Out	(6,914)	(6,914)	(10,773)	(3,859)
<b>Total Other Financing Sources (Uses)</b>	<u>(6,914)</u>	<u>5,935</u>	<u>(7,767)</u>	<u>(13,702)</u>
<b>Net Change Budgetary Basis</b>	<u>\$ (14,841)</u>	<u>\$ (16,139)</u>	<u>\$ (21,946)</u>	<u>\$ (5,807)</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 784,952
Differences Budget to GAAP:	
Multiple Year Revenue	<u>52,283</u>
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 837,235</b></u>

#### Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 799,131
Differences Budget to GAAP:	
Multiple Year Expenditures	<u>396,973</u>
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 1,196,104</b></u>

#### Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ (7,767)
Differences Budget to GAAP:	
Multiple Year Activity	<u>66,163</u>
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 58,396</b></u>

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

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2009

(In Thousands)

### **Budget Process**

The State Legislature makes annual appropriations, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system, which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements represent the final authorized amounts. Administrative line item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed the approved budget for the program appropriation. Chapter 6-3, NMSA 1978, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

1. No later than September 1, the appropriation request is submitted to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of those hearings are incorporated in the State's General Appropriations Act (Act).
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.

4. Not later than May 1, an annual operating budget is submitted to DFA by appropriation unit and object code based upon the appropriation authorized by the Legislature. DFA reviews and approves the operating budget, which becomes effective on July 1.

5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.

### **Budgetary Basis of Accounting**

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the laws of 2004, Chapter 114, Section 3, Paragraphs N and O. It became effective for fiscal years beginning July 1, 2004. Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. As part of the modified accrual budgetary basis, encumbrances will no longer carry over to the next year for operating budgets.

### **Multiple Year Appropriation – Capital Projects Budgets and Special Appropriation Budgets**

Budgets for multiple year monies are not made on an annual basis, but are adopted on a project length basis. Budgets for capital projects, the Appropriated Bond Proceeds Capital Outlay Fund, the Culture, Recreation, and Natural Resources Debt Service Fund, and the American Recovery and Reinvestment Act Special Revenue Fund may be established for periods from two to five years depending on the nature of the project or appropriation. These nonoperating budgets primarily serve as a management control purpose, and because related appropriations are continuing in nature, no

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2009

(In Thousands)

comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

### **Budget to GAAP Reconciliation**

The budgetary comparison schedules of the various funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Both the budget and actual amounts represent single year activity based on the budget reference assigned to the particular transaction. Since accounting principles applied for the purposes of developing data on a budgetary basis, differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities for the operating budgets. Expenditures are classified in the financial control system based on whether the appropriation is from the operating or multiple year budgets (special or capital). Expenditures funded by the operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually

purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget; however, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts. Other activities designated as nonappropriated (not budgeted) by the Legislature are the Severance Tax Permanent Fund, the General Control Debt Service Fund, the General Obligation Bonds Debt Service Fund, the Severance Tax Bond Debt Service Fund, the Land Grant Permanent Fund, the Educational Institutions, the Lottery Authority, the State Fair Commission, and the Bond Proceeds Fund.

# STATE OF NEW MEXICO

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## **REQUIRED SUPPLEMENTARY INFORMATION INFORMATION ABOUT THE STATE'S PENSION BENEFIT PLANS**

**For the Year Ended June 30, 2009**

(In Thousands)

The State's Pension Benefit Plans (Plans) are administered by the Public Employees Retirement Association and the Educational Retirement Board as trust funds. Assets of the trust funds are dedicated to providing retirement benefits to participants of the Plans. The State's Other Postemployment Benefit Plan (OPEB Plan) is administered by the Retiree Health Care Authority as an irrevocable trust fund. Assets of the OPEB Plan are dedicated to providing comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The following schedules present the State of New Mexico's actuarially determined funding progress and required contributions for the State of New Mexico's Pension Plans and OPEB Plan:

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)

For the Last Ten Years Ending June 30, 2009

(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, 2009	\$ 31,524	\$ 47,568	\$ 16,043	66.3 %	\$ 4,129	389.6 %
June 30, 2008	38,866	41,721	2,855	93.2 %	3,363	84.9 %
June 30, 2007	37,242	36,964	(277)	109.6 %	3,465	0.0 %
June 30, 2006	33,694	33,362	(332)	101.0 %	3,150	0.0 %
June 30, 2005	31,303	31,385	82	99.7 %	3,196	2.6 %
June 30, 2004	30,072	30,195	123	99.6 %	3,002	4.1 %
June 30, 2003	29,630	29,078	(552)	101.9 %	3,082	0.0 %
June 30, 2002	32,040	28,959	(3,081)	110.6 %	3,997	0.0 %
June 30, 2001	30,258	26,685	(3,573)	113.0 %	3,651	0.0 %
June 30, 2000	27,097	23,738	(3,359)	114.0 %	3,485	0.0 %

### Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 1,151	86.9 %
2008	1,030	132.6 %
2007	944	127.8 %
2006	1,009	104.8 %
2005	927	100.8 %
2004	894	87.1 %
2003	881	129.7 %
2002	779	147.1 %
2001	730	175.5 %
2000	750	101.5 %

Note: Certain amounts in the above schedule were corrected for rounding errors.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

For the Last Ten Years Ending June 30, 2009

(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, 2009	\$ 12,575,142	\$ 14,932,624	\$ 2,357,482	84.2 %	\$ 2,081,259	113.3 %
June 30, 2008	12,836,217	13,761,750	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	936,966	92.1 %	1,774,918	52.8 %
June 30, 2005	10,008,511	10,920,967	912,456	91.6 %	1,607,839	56.8 %
June 30, 2004	9,275,676	9,973,755	698,079	93.0 %	1,499,069	46.6 %
June 30, 2003	8,976,908	9,223,602	246,694	97.3 %	1,437,357	17.2 %
June 30, 2002	8,769,234	8,505,931	(263,303)	103.1 %	1,396,209	0.0 %
June 30, 2001	8,308,210	7,883,447	(424,763)	105.0 %	1,318,275	0.0 %
June 30, 2000	7,527,280	7,118,975	(408,305)	106.0 %	1,253,305	0.0 %

### Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 302,614	102.8 %
2008	293,165	100.0 %
2007	257,095	100.0 %
2006	235,863	100.0 %
2005	219,164	100.0 %
2004	206,836	100.0 %
2003	213,713	100.0 %
2002	204,734	100.0 %
2001	196,544	100.0 %
2000	182,000	100.0 %

Note: Certain amounts in the above schedule were corrected for rounding errors.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)

For the Last Ten Years Ending June 30, 2009

(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, 2009	\$ 9,366,300	\$ 13,883,300	\$ 4,517,000	67.5 %	\$ 2,585,700	174.7 %
June 30, 2008	9,272,800	12,967,000	3,694,200	71.5 %	2,491,700	148.3 %
June 30, 2007	8,591,400	12,190,100	3,598,700	70.5 %	2,341,100	153.7 %
June 30, 2006	7,813,900	11,436,300	3,622,400	68.3 %	2,219,400	163.2 %
June 30, 2005	7,457,500	10,591,800	3,134,300	70.4 %	2,209,100	141.9 %
June 30, 2004	7,488,000	9,927,100	2,439,100	75.4 %	2,142,400	113.8 %
June 30, 2003	7,518,200	9,266,600	1,748,400	81.1 %	2,032,500	86.0 %
June 30, 2002	7,595,100	8,748,000	1,152,900	86.8 %	1,978,500	58.3 %
June 30, 2001	7,418,300	8,070,300	652,000	91.9 %	1,819,600	35.8 %
June 30, 2000	6,835,800	7,460,600	624,800	91.6 %	1,795,700	34.8 %

### Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 375,431	86.2 %
2008	368,197	79.0 %
2007	364,128	70.3 %
2006	299,968	75.5 %
2005	243,237	81.3 %
2004	203,937	92.8 %
2003	179,132	100.0 %
2002	173,863	100.0 %
2001	161,524	100.0 %
2000	153,260	100.0 %

Note: Certain amounts in the above schedule were corrected for rounding errors.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)

For the Last Ten Years Ending June 30, 2009

(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, 2009	\$ 73,161	\$ 120,841	\$ 47,679	60.5 %	\$ 13,011	366.4 %
June 30, 2008	87,430	111,721	24,292	78.3 %	11,697	207.7 %
June 30, 2007	82,570	104,040	21,471	79.4 %	11,754	182.7 %
June 30, 2006	74,003	95,216	21,213	77.7 %	10,060	210.9 %
June 30, 2005	68,781	87,175	18,394	78.9 %	9,883	186.1 %
June 30, 2004	66,209	87,620	21,411	75.6 %	9,074	236.0 %
June 30, 2003	65,223	85,952	20,729	75.9 %	8,575	241.7 %
June 30, 2002	61,686	75,958	14,272	81.2 %	7,507	190.1 %
June 30, 2001	59,523	70,604	11,081	84.0 %	7,060	157.0 %
June 30, 2000	54,726	63,316	8,590	86.0 %	6,754	127.0 %

### Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 4,690	115.6 %
2008	4,549	112.6 %
2007	4,149	108.4 %
2006	3,851	100.0 %
2005	3,996	82.0 %
2004	3,721	69.7 %
2003	2,813	75.3 %
2002	2,737	74.9 %
2001	2,342	92.2 %
2000	2,682	79.0 %

Note: Certain amounts in the above schedule were corrected for rounding errors.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)

For the Last Ten Years Ending June 30, 2009

(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, 2009	\$ 40,844	\$ 19,029	\$ (21,815)	214.6 %	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	39,512	23,743	(15,769)	166.4 %	N/A+	N/A
June 30, 2005	35,651	25,152	(10,499)	141.7 %	N/A+	N/A
June 30, 2004	33,000	17,778	(15,222)	185.6 %	N/A+	N/A
June 30, 2003	31,222	17,058	(14,164)	183.0 %	N/A+	N/A
June 30, 2002	29,784	16,128	(13,656)	184.7 %	N/A+	N/A
June 30, 2001	27,992	15,807	(12,185)	177.0 %	N/A+	N/A
June 30, 2000	24,641	17,303	(7,338)	0.0 %	N/A+	N/A

### Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ -	750.0 %
2008	-	750.0 %
2007	0 - 446	168.2 %
2006	406 - 1370	54.7 %
2005	0 - 565	132.7 %
2004	0 - 680	110.3 %
2003	0 - 653	114.9 %
2002	51 - 953	52.5 %
2001	1,788 - 3,385	29.5 %
2000	1,867 - 3,346	37.4 %

Note: Certain amounts in the above schedule were corrected for rounding errors.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE RETIREE HEALTH CARE AUTHORITY (RHCA)

For the Last Ten Years Ending June 30, 2009

(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, 2008	\$ 170,626	\$ 3,116,916	\$ 2,946,289	5.5 %	\$ 4,020,509	76.0 %
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 (As Restated)

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers and Employees	Percentage Contributed
2008	\$ 286,538	\$ 96,817	33.8 %
2007	275,518	94,060	34.1 %
2006	392,591	82,703	21.1 %

### Additional Information

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

Valuation date	June 30, 2008
Actuarial cost method	Entry Age, 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, 2016, decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0%

\*The RHCA obtained its second actuarial valuation as of June 30, 2008. Generally accepted accounting principles require data from a minimum of three valuations to highlight trends of amounts in the above schedule.

### Factors Affecting Amounts and Trends Reported

The following factors contributed the change in RHCA's OPED Plan Actuarial Accrued Liabilities (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) from June 30, 2006 to June 30, 2008: 1) Changes in Composition of Active Membership due to more accurate information available for the second actuarial study; 2) Increase to Retiree Self Pay Rates during fiscal year 2008 ; 3) Change in Medicare Direct Part D Plan allowed Medicare Part D amounts coming into the Plan for GASB reporting purposes for all projection years to be included in the projections.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION

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Source: New Mexico Tourism Department, James Orr

**Bisti Wilderness:** The 45,000-acre Bisti/De-Na-Zin Wilderness is a remote area of eroded badlands that offers some of the most unusual scenery found in the New Mexico’s Four Corners region. Translated from the Navajo language, Bisti means “a large area of shale hills” and is commonly pronounced (BIS-tie). Only primitive types of recreation, such as hiking, backpacking, camping, wildlife viewing, photography, and horseback riding are allowed. This is a federally designated Wilderness Area, so it is closed to all motorized vehicles and mechanical forms of transportation, including bicycles.

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for specified purposes. Special Revenue Funds are presented beginning on page 179.

### **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 187.

### **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 191.

### **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, 2009  
(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,160	\$ 2,911	\$ 964	\$ 51,467	\$ 58,502
Investment in State General Fund					
Investment Pool	365,239	235,511	90,638	1,496	692,884
Deferred Charges and Other Assets	153	-	-	-	153
Due From Other Funds	169,015	48,087	10,422	522	228,046
Receivables, Net	101,903	-	2,073	3,549	107,525
Investments	41,319	-	-	547,952	589,271
Inventories	28	-	-	-	28
<b>Total Assets</b>	<u>\$ 680,817</u>	<u>\$ 286,509</u>	<u>\$ 104,097</u>	<u>\$ 604,986</u>	<u>\$ 1,676,409</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 58,120	\$ 41	\$ 4,715	\$ -	\$ 62,876
Accrued Liabilities	13,547	-	6	-	13,553
Due To Other Funds	224,546	30,827	729	2,969	259,071
Due To Brokers	-	-	-	59,285	59,285
Intergovernmental Payables	76	-	-	-	76
Funds Held for Others	85	-	-	-	85
Other Obligations	2,966	-	-	-	2,966
Deferred Revenue	13,481	-	13,438	-	26,919
<b>Total Liabilities</b>	<u>312,821</u>	<u>30,868</u>	<u>18,888</u>	<u>62,254</u>	<u>424,831</u>
Fund balances:					
Reserved for:					
Capital Projects	-	-	85,209	-	85,209
Inventories	28	-	-	-	28
Multiple Year Appropriations and Encumbrances	4,393	-	-	-	4,393
Unreserved Designated, Reported in Nonmajor:					
Debt Service Funds	-	255,641	-	-	255,641
Pool Participants	-	-	-	542,732	542,732
Unreserved Undesignated, Reported in Nonmajor:					
Special Revenue Funds	363,575	-	-	-	363,575
<b>Total Fund Balances</b>	<u>367,996</u>	<u>255,641</u>	<u>85,209</u>	<u>542,732</u>	<u>1,251,578</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 680,817</u>	<u>\$ 286,509</u>	<u>\$ 104,097</u>	<u>\$ 604,986</u>	<u>\$ 1,676,409</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BY FUND TYPE NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
<b>REVENUES</b>					
General and Selective Taxes	\$ 78,339	\$ 503,371	\$ 3,847	\$ -	\$ 585,557
Other Revenues:					
Federal Revenue	239,367	-	7,615	-	246,982
Investment Income (Loss)	2,104	50,839	187	(147,114)	(93,984)
Rentals and Royalties	5,746	-	681	-	6,427
Charges for Services	13,555	-	-	-	13,555
Licenses, Fees, and Permits	22,790	623	-	-	23,413
Assessments	11,887	-	-	-	11,887
Miscellaneous and Other	11,018	-	1,380	-	12,398
<b>Total Revenues</b>	<u>384,806</u>	<u>554,833</u>	<u>13,710</u>	<u>(147,114)</u>	<u>806,235</u>
<b>EXPENDITURES</b>					
Current:					
Culture, Recreation, and Natural Resources	42,230	-	15,830	-	58,060
Education	1,149	-	-	-	1,149
General Control	207,484	-	1,382	-	208,866
Health and Human Services	198,106	-	-	-	198,106
Infrastructure Projects	9,565	-	-	-	9,565
Judicial	60,117	-	1,685	-	61,802
Public Safety	16,759	-	1,266	-	18,025
Regulation and Licensing	27,399	-	19,502	-	46,901
Unemployment Benefits	1,986	-	-	-	1,986
Capital Outlay	15,400	-	105,833	-	121,233
Debt Service:					
Interest and Other Charges	-	35,336	-	-	35,336
Principal	-	149,392	-	-	149,392
Bond Costs	984	-	-	-	984
<b>Total Expenditures</b>	<u>581,179</u>	<u>184,728</u>	<u>145,498</u>	<u>-</u>	<u>911,405</u>
<b>Excess Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>(196,373)</u>	<u>370,105</u>	<u>(131,788)</u>	<u>(147,114)</u>	<u>(105,170)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds Issued	196,330	-	-	-	196,330
Bond Premium	28,082	-	-	-	28,082
Payment to Refunded Bond Escrow Agent	-	(95,290)	-	-	(95,290)
Transfers In	825,461	117,766	89,780	32,830	1,065,837
Transfers Out	(996,265)	(571,118)	(45,411)	(36,819)	(1,649,613)
<b>Total Other Financing Sources (Uses)</b>	<u>53,608</u>	<u>(548,642)</u>	<u>44,369</u>	<u>(3,989)</u>	<u>(454,654)</u>
<b>Net Change in Fund Balances</b>	<u>(142,765)</u>	<u>(178,537)</u>	<u>(87,419)</u>	<u>(151,103)</u>	<u>(559,824)</u>
<b>Fund Balances - Beginning, as Restated</b>	<u>510,761</u>	<u>434,178</u>	<u>172,628</u>	<u>693,835</u>	<u>1,811,402</u>
<b>Fund Balances - Ending</b>	<u>\$ 367,996</u>	<u>\$ 255,641</u>	<u>\$ 85,209</u>	<u>\$ 542,732</u>	<u>\$ 1,251,578</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE – BY FUND TYPE NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Special Revenue			Debt Service		
	Budgetary	Actual	Variance	Budgetary	Actual	Variance
	Final	Amounts	With Final	Final	Amounts	With Final
Amounts	Budgetary	Budget	Amounts	Budgetary	Budget	
	Basis		Basis	Basis		
<b>REVENUES</b>						
Taxes	\$ 6,933	\$ 7,697	\$ 764	\$ -	\$ -	\$ -
Federal	21,011	14,387	(6,624)	-	-	-
Investment Income	165	598	433	-	20	20
Rentals and Royalties	2,839	3,049	210	-	-	-
Charges for Services	5,358	13,041	7,683	-	-	-
Licenses, Fees, and Permits	11,013	20,837	9,824	-	-	-
Assessments	235	9,769	9,534	-	-	-
Other	16,450	6,528	(9,922)	-	-	-
<b>Total Revenues</b>	<b>64,004</b>	<b>75,906</b>	<b>11,902</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>EXPENDITURES</b>						
General Control	3,561	2,308	1,253	-	-	-
Culture, Recreation, and Natural Resources	45,422	32,306	13,116	-	-	-
Judicial	60,560	57,983	2,577	-	-	-
Public Safety	10,577	9,663	914	-	-	-
Regulation and Licensing	13,235	13,717	(482)	-	-	-
<b>Total Expenditures</b>	<b>133,355</b>	<b>115,977</b>	<b>17,378</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<b>(69,351)</b>	<b>(40,071)</b>	<b>(5,476)</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	61,603	210,330	148,727	-	-	-
Transfers Out	(18,529)	(162,015)	(143,486)	(2,305)	(2,300)	5
<b>Total Other Financing Sources (Uses)</b>	<b>43,074</b>	<b>48,315</b>	<b>5,241</b>	<b>(2,305)</b>	<b>(2,300)</b>	<b>5</b>
<b>Net Change Budgetary Basis</b>	<b>\$ (26,277)</b>	<b>\$ 8,244</b>	<b>\$ (235)</b>	<b>\$ (2,305)</b>	<b>\$ (2,280)</b>	<b>\$ 25</b>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 75,906	\$ 20
Differences Budget to GAAP:		
Multiple Year Revenue	97,099	-
Revenue Not Budgeted	211,801	554,813
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ 384,806</b>	<b>\$ 554,833</b>

#### Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 115,977	\$ -
Differences Budget to GAAP:		
Multiple Year Expenditures	253,117	-
Expenditures Not Budgeted	212,085	184,728
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ 581,179</b>	<b>\$ 184,728</b>

#### Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 48,315	\$ (2,300)
Differences Budget to GAAP:		
Multiple Year Activity	5,009	-
Other Financing Sources (Uses) Not Budgeted	284	(546,342)
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ 53,608</b>	<b>\$ (548,642)</b>

Capital Projects		
Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
\$ 3,600	\$ 3,730	\$ 130
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	2	2
<u>3,600</u>	<u>3,732</u>	<u>132</u>
-	-	-
2,575	2,390	185
-	-	-
-	-	-
-	-	-
<u>2,575</u>	<u>2,390</u>	<u>185</u>
<u>1,025</u>	<u>1,342</u>	<u>(53)</u>
-	-	-
<u>(2,305)</u>	<u>(2,305)</u>	<u>-</u>
<u>(2,305)</u>	<u>(2,305)</u>	<u>-</u>
<u>\$ (1,280)</u>	<u>\$ (963)</u>	<u>\$ (53)</u>

\$ 3,732  
9,978  
-

**\$ 13,710**

\$ 2,390  
143,108  
-

**\$ 145,498**

\$ (2,305)  
46,674  
-

**\$ 44,369**

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR SPECIAL REVENUE FUND FINANCIAL STATEMENTS

### **American Recovery and Reinvestment Act**

The American Recovery and Reinvestment Act (ARRA) Fund was administratively created by the Department of Finance and Administration for New Mexico state agencies to capture all financial activity related to the ARRA of 2009. The ARRA fund is to ensure funds are awarded and distributed in a prompt, fair, and reasonable manner; recipients and uses of all funds are transparent to the public, the public benefits of these funds are reported clearly, accurately, and in a timely manner; funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated; projects funded under ARRA avoid unnecessary delays and cost overruns; and programs' goals are achieved, including specific program outcomes and improved results on broader economic indicators.

### **Bond Proceeds**

This fund accounts for the proceeds of the sale of general obligation and severance tax bonds.

### **Culture, Recreation, and Natural Resources**

These funds account for revenue sources that are specified to be used for the operation of programs devoted to culture, recreation, and natural resource protection, use, and development.

### **General Control**

These funds account for revenue sources specified to be used in a variety of governmental operational activities.

### **Judicial**

These funds account for revenue sources specified for use in the judicial activities of the State, including the Supreme Court, Court of Appeals, District Courts, and Magistrate Courts.

### **Public Safety**

These funds account for revenue sources specified for use in public safety activities, such as the State Police, Corrections, and other public safety programs.

### **Regulation and Licensing**

These funds account for revenue sources specified for use in regulation and licensing activities, including revenues of the various licensing boards as well as the regulation and licensing of various business activities.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2009  
(In Thousands)

	American Recovery and Reinvestment Act	Bond Proceeds	Culture, Recreation, and Natural Resources	General Control	Judicial
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,069	\$ 5	\$ -
Investment in State General Fund					
Investment Pool	-	4,369	51,837	217,343	17,577
Deferred Charges and Other Assets	144	-	-	-	-
Due From Other Funds	2,001	-	6,228	149,447	7,222
Receivables, Net	84,652	-	7,769	7,434	1,315
Investments	-	-	13,623	-	-
Inventories	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 86,797</u>	<u>\$ 4,369</u>	<u>\$ 80,526</u>	<u>\$ 374,229</u>	<u>\$ 26,114</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 12,132	\$ -	\$ 5,744	\$ 33,532	\$ 3,808
Accrued Liabilities	10,319	-	1,102	-	1,227
Due To Other Funds	59,888	4,369	8,627	149,499	354
Intergovernmental Payables	-	-	23	50	-
Funds Held for Others	-	-	-	85	-
Other Obligations	-	-	965	40	-
Deferred Revenue	4,458	-	5,052	44	73
<b>Total Liabilities</b>	<u>86,797</u>	<u>4,369</u>	<u>21,513</u>	<u>183,250</u>	<u>5,462</u>
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	-
Multiple Year Appropriations and Encumbrances	-	-	-	-	-
Unreserved Undesignated	-	-	59,013	190,979	20,652
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>59,013</u>	<u>190,979</u>	<u>20,652</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 86,797</u>	<u>\$ 4,369</u>	<u>\$ 80,526</u>	<u>\$ 374,229</u>	<u>\$ 26,114</u>

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Public Safety	Regulation and Licensing	Total
\$ 124	\$ 1,962	\$ 3,160
13,921	60,192	365,239
-	9	153
1,713	2,404	169,015
540	193	101,903
-	27,696	41,319
-	28	28
<u>\$ 16,298</u>	<u>\$ 92,484</u>	<u>\$ 680,817</u>
\$ 523	\$ 2,381	\$ 58,120
87	812	13,547
1,766	43	224,546
-	3	76
-	-	85
-	1,961	2,966
-	3,854	13,481
<u>2,376</u>	<u>9,054</u>	<u>312,821</u>
-	28	28
-	4,393	4,393
<u>13,922</u>	<u>79,009</u>	<u>363,575</u>
<u>13,922</u>	<u>83,430</u>	<u>367,996</u>
<u>\$ 16,298</u>	<u>\$ 92,484</u>	<u>\$ 680,817</u>

# STATE OF NEW MEXICO

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

### NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	American Recovery and Reinvestment Act	Bond Proceeds	Culture, Recreation, and Natural Resources	General Control	Judicial
<b>REVENUES</b>					
Taxes:					
General and Selective Taxes	\$ -	\$ -	\$ 6,186	\$ 70,637	\$ -
Total Taxes	-	-	6,186	70,637	-
Other Revenues:					
Federal Revenue	211,801	-	4,996	14,633	3,714
Investment Income (Loss)	-	-	5,288	217	-
Rentals and Royalties	-	-	5,104	51	33
Charges for Services	-	-	2,066	-	10,064
Licenses, Fees, and Permits	-	-	5,061	2,531	1
Assessments	-	-	98	-	-
Miscellaneous and Other	-	-	2,179	4,377	2,008
<b>Total Revenues</b>	<b>211,801</b>	<b>-</b>	<b>30,978</b>	<b>92,446</b>	<b>15,820</b>
<b>EXPENDITURES</b>					
Current:					
Culture, Recreation, and Natural Resources	168	-	42,062	-	-
Education	1,149	-	-	-	-
General Control	-	-	-	207,484	-
Health and Human Services	198,106	-	-	-	-
Infrastructure Projects	9,565	-	-	-	-
Judicial	-	-	-	-	60,117
Public Safety	127	-	-	-	-
Regulation and Licensing	-	-	-	-	-
Unemployment Benefits	1,986	-	-	-	-
Capital Outlay	-	-	4,666	-	10,716
Debt Service:					
Bond Costs	-	984	-	-	-
<b>Total Expenditures</b>	<b>211,101</b>	<b>984</b>	<b>46,728</b>	<b>207,484</b>	<b>70,833</b>
<b>Excess Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>700</b>	<b>(984)</b>	<b>(15,750)</b>	<b>(115,038)</b>	<b>(55,013)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds Issued	-	196,330	-	-	-
Bond Premium	-	28,082	-	-	-
Transfers In	-	429,510	21,075	295,783	61,551
Transfers Out	(700)	(652,938)	(22,699)	(298,526)	(2,360)
<b>Total Other Financing Sources (Uses)</b>	<b>(700)</b>	<b>984</b>	<b>(1,624)</b>	<b>(2,743)</b>	<b>59,191</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(17,374)</b>	<b>(117,781)</b>	<b>4,178</b>
<b>Fund Balances - Beginning, as Restated</b>	<b>-</b>	<b>-</b>	<b>76,387</b>	<b>308,760</b>	<b>16,474</b>
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,013</b>	<b>\$ 190,979</b>	<b>\$ 20,652</b>

Public Safety	Regulation and Licensing	Total
\$ -	\$ 1,516	\$ 78,339
-	1,516	78,339
4,001	222	239,367
45	(3,446)	2,104
553	5	5,746
603	822	13,555
367	14,830	22,790
1,567	10,222	11,887
819	1,635	11,018
<u>7,955</u>	<u>25,806</u>	<u>384,806</u>
-	-	42,230
-	-	1,149
-	-	207,484
-	-	198,106
-	-	9,565
-	-	60,117
16,632	-	16,759
-	27,399	27,399
-	-	1,986
-	18	15,400
-	-	984
<u>16,632</u>	<u>27,417</u>	<u>581,179</u>
<u>(8,677)</u>	<u>(1,611)</u>	<u>(196,373)</u>
-	-	196,330
-	-	28,082
9,666	7,876	825,461
<u>(6,056)</u>	<u>(12,986)</u>	<u>(996,265)</u>
<u>3,610</u>	<u>(5,110)</u>	<u>53,608</u>
(5,067)	(6,721)	(142,765)
18,989	90,151	510,761
<u>\$ 13,922</u>	<u>\$ 83,430</u>	<u>\$ 367,996</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Culture, Recreation, and Natural Resources			General Control		
	Budgetary	Actual	Variance	Budgetary	Actual	Variance
	Final	Amounts	With Final	Final	Amounts	With Final
	Amounts	Budgetary	Budget	Amounts	Budgetary	Budget
		Basis			Basis	
<b>REVENUES</b>						
Taxes	\$ 6,933	\$ 6,186	\$ (747)	\$ -	\$ -	\$ -
Federal	9,579	4,914	(4,665)	1,670	1,107	(563)
Investment Income	37	543	506	-	5	5
Rentals and Royalties	2,767	3,008	241	-	4	4
Charges for Services	2,094	2,066	(28)	-	-	-
Licenses, Fees, and Permits	3,624	5,061	1,437	650	392	(258)
Assessments	-	98	98	-	-	-
Miscellaneous and Other	443	891	448	450	1,469	1,019
<b>Total Revenues</b>	<b>25,477</b>	<b>22,767</b>	<b>(2,710)</b>	<b>2,770</b>	<b>2,977</b>	<b>207</b>
<b>EXPENDITURES</b>						
Culture, Recreation, and Natural Resources	45,422	32,306	13,116	-	-	-
General Control	-	-	-	3,561	2,308	1,253
Judicial	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Regulation and Licensing	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>45,422</b>	<b>32,306</b>	<b>13,116</b>	<b>3,561</b>	<b>2,308</b>	<b>1,253</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<b>(19,945)</b>	<b>(9,539)</b>	<b>10,406</b>	<b>(791)</b>	<b>669</b>	<b>1,460</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	13,270	12,135	(1,135)	777	135,050	134,273
Transfers Out	(1,084)	(3,737)	(2,653)	(1,870)	(142,985)	(141,115)
<b>Total Other Financing Sources (Uses)</b>	<b>12,186</b>	<b>8,398</b>	<b>(3,788)</b>	<b>(1,093)</b>	<b>(7,935)</b>	<b>(6,842)</b>
<b>Net Change Budgetary Basis</b>	<b>\$ (7,759)</b>	<b>\$ (1,141)</b>	<b>\$ 6,618</b>	<b>\$ (1,884)</b>	<b>\$ (7,266)</b>	<b>\$ (5,382)</b>
<b>Budget Basis to GAAP Basis Reconciliation</b>						
<b>Revenues</b>						
Actual Total Revenues (Budgetary Basis)		\$ 22,767			\$ 2,977	
Differences Budget to GAAP:						
Multiple Year Revenue		8,211			89,469	
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		<b>\$ 30,978</b>			<b>\$ 92,446</b>	
<b>Expenditures</b>						
Actual Total Expenditures (Budgetary Basis)		\$ 32,306			\$ 2,308	
Differences Budget to GAAP:						
Multiple Year Expenditures		14,422			205,176	
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		<b>\$ 46,728</b>			<b>\$ 207,484</b>	
<b>Other Financing Sources (Uses)</b>						
Actual Total Other Financing Sources (Uses) (Budgetary Basis)		\$ 8,398			\$ (7,935)	
Differences Budget to GAAP:						
Multiple Year Activity		(10,022)			5,192	
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		<b>\$ (1,624)</b>			<b>\$ (2,743)</b>	

Judicial			Public Safety		
Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,544	3,714	(830)	5,045	4,001	(1,044)
-	-	-	-	-	-
72	33	(39)	-	-	-
2,716	10,060	7,344	52	44	(8)
-	1	1	-	-	-
-	-	-	-	-	-
9,099	2,007	(7,092)	450	576	126
<u>16,431</u>	<u>15,815</u>	<u>(616)</u>	<u>5,547</u>	<u>4,621</u>	<u>(926)</u>
-	-	-	-	-	-
-	-	-	-	-	-
60,560	57,983	2,577	-	-	-
-	-	-	10,577	9,663	914
-	-	-	-	-	-
<u>60,560</u>	<u>57,983</u>	<u>2,577</u>	<u>10,577</u>	<u>9,663</u>	<u>914</u>
<u>(44,129)</u>	<u>(42,168)</u>	<u>1,961</u>	<u>(5,030)</u>	<u>(5,042)</u>	<u>(12)</u>
41,781	54,094	12,313	5,084	5,194	110
<u>(1,389)</u>	<u>(2,360)</u>	<u>(971)</u>	<u>(900)</u>	<u>(256)</u>	<u>644</u>
<u>40,392</u>	<u>51,734</u>	<u>11,342</u>	<u>4,184</u>	<u>4,938</u>	<u>754</u>
\$ <u>(3,737)</u>	\$ <u>9,566</u>	\$ <u>13,303</u>	\$ <u>(846)</u>	\$ <u>(104)</u>	\$ <u>742</u>

\$ 15,815	\$ 4,621
<u>5</u>	<u>3,334</u>
<b><u>\$ 15,820</u></b>	<b><u>\$ 7,955</u></b>
\$ 57,983	\$ 9,663
<u>12,850</u>	<u>6,969</u>
<b><u>\$ 70,833</u></b>	<b><u>\$ 16,632</u></b>
\$ 51,734	\$ 4,938
<u>7,457</u>	<u>(1,328)</u>
<b><u>\$ 59,191</u></b>	<b><u>\$ 3,610</u></b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)

For the Year Ended June 30, 2009

(In Thousands)

	Regulation and Licensing			Total		
	Budgetary	Actual	Variance	Budgetary	Actual	Variance
	Final	Amounts	With Final	Final	Amounts	With Final
Amounts	Budgetary	Budget	Amounts	Budgetary	Budget	
	Amounts	Basis		Amounts	Basis	
<b>REVENUES</b>						
Taxes	\$ -	\$ 1,511	\$ 1,511	\$ 6,933	\$ 7,697	\$ 764
Federal	173	651	478	21,011	14,387	(6,624)
Investment Income	128	50	(78)	165	598	433
Rentals and Royalties	-	4	4	2,839	3,049	210
Charges for Services	496	871	375	5,358	13,041	7,683
Licenses, Fees, and Permits	6,739	15,383	8,644	11,013	20,837	9,824
Assessments	235	9,671	9,436	235	9,769	9,534
Miscellaneous and Other	6,008	1,585	(4,423)	16,450	6,528	(9,922)
<b>Total Revenues</b>	<b>13,779</b>	<b>29,726</b>	<b>15,947</b>	<b>64,004</b>	<b>75,906</b>	<b>11,902</b>
<b>EXPENDITURES</b>						
Culture, Recreation, and Natural Resources	-	-	-	45,422	32,306	13,116
General Control	-	-	-	3,561	2,308	1,253
Judicial	-	-	-	60,560	57,983	2,577
Public Safety	-	-	-	10,577	9,663	914
Regulation and Licensing	13,235	13,717	(482)	13,235	13,717	(482)
<b>Total Expenditures</b>	<b>13,235</b>	<b>13,717</b>	<b>(482)</b>	<b>133,355</b>	<b>115,977</b>	<b>17,378</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	<b>544</b>	<b>16,009</b>	<b>15,465</b>	<b>(69,351)</b>	<b>(40,071)</b>	<b>(5,476)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	691	3,857	3,166	61,603	210,330	148,727
Transfers Out	(13,286)	(12,677)	609	(18,529)	(162,015)	(143,486)
<b>Total Other Financing Sources (Uses)</b>	<b>(12,595)</b>	<b>(8,820)</b>	<b>3,775</b>	<b>43,074</b>	<b>48,315</b>	<b>5,241</b>
<b>Net Change Budgetary Basis</b>	<b>\$ (12,051)</b>	<b>\$ 7,189</b>	<b>\$ 19,240</b>	<b>\$ (26,277)</b>	<b>\$ 8,244</b>	<b>\$ (235)</b>
<b>Budget Basis to GAAP Basis Reconciliation</b>						
<b>Revenues</b>						
Actual Total Revenues (Budgetary Basis)		\$ 29,726			\$ 75,906	
Differences Budget to GAAP:						
Multiple Year Revenue		(3,920)			97,099	
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		<b>\$ 25,806</b>			<b>\$ 173,005</b>	
<b>Expenditures</b>						
Actual Total Expenditures (Budgetary Basis)		\$ 13,717			\$ 115,977	
Differences Budget to GAAP:						
Multiple Year Expenditures		13,700			253,117	
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		<b>\$ 27,417</b>			<b>\$ 369,094</b>	
<b>Other Financing Sources (Uses)</b>						
Actual Total Other Financing Sources (Uses) (Budgetary Basis)		\$ (8,820)			\$ 48,315	
Differences Budget to GAAP:						
Multiple Year Activity		3,710			5,009	
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		<b>\$ (5,110)</b>			<b>\$ 53,324</b>	

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR DEBT SERVICE FUND FINANCIAL STATEMENTS

### **Culture, Recreation, and Natural Resources**

This fund accounts for the resources accumulated to service the debt incurred for the activities involving culture, recreation, and natural resources. Budgetary comparison information is presented for the annual appropriation for debt service activity for the State Parks program. This is the only program that has an approved annual budget; all other programs are nonappropriated.

### **General Control**

This fund accounts for resources accumulated to service some smaller debt issuances used to finance specific operations.

### **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, 2009  
(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	General Obligation Bonds	Severance Tax Bonds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,911	\$ -	\$ -	\$ -	\$ 2,911
Investment in State General Fund					
Investment Pool	2,746	135	59,701	172,929	235,511
Due From Other Funds	1	-	-	48,086	48,087
<b>Total Assets</b>	<u>\$ 5,658</u>	<u>\$ 135</u>	<u>\$ 59,701</u>	<u>\$ 221,015</u>	<u>\$ 286,509</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 41	\$ 41
Due To Other Funds	1	29	676	30,121	30,827
<b>Total Liabilities</b>	<u>1</u>	<u>29</u>	<u>676</u>	<u>30,162</u>	<u>30,868</u>
Fund balances:					
Unreserved Designated, Debt Service	5,657	106	59,025	190,853	255,641
<b>Total Fund Balances</b>	<u>5,657</u>	<u>106</u>	<u>59,025</u>	<u>190,853</u>	<u>255,641</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,658</u>	<u>\$ 135</u>	<u>\$ 59,701</u>	<u>\$ 221,015</u>	<u>\$ 286,509</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, 2009

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	General Obligation Bonds	Severance Tax Bonds	Total
<b>REVENUES</b>					
General and Selective Taxes	\$ -	\$ -	\$ 65,075	\$ 438,296	\$ 503,371
Other Revenues:					
Investment Income	32	3	7,778	43,026	50,839
Licenses, Fees, and Permits	623	-	-	-	623
<b>Total Revenues</b>	<u>655</u>	<u>3</u>	<u>72,853</u>	<u>481,322</u>	<u>554,833</u>
<b>EXPENDITURES</b>					
Debt Service:					
Interest and Other Charges	1,471	-	12,349	21,516	35,336
Principal	1,792	-	56,293	91,307	149,392
<b>Total Expenditures</b>	<u>3,263</u>	<u>-</u>	<u>68,642</u>	<u>112,823</u>	<u>184,728</u>
<b>Excess Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>(2,608)</u>	<u>3</u>	<u>4,211</u>	<u>368,499</u>	<u>370,105</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Payment to Refunded Bond Escrow Agent	-	-	(74,625)	(20,665)	(95,290)
Transfers In	3,125	-	14,490	100,151	117,766
Transfers Out	-	-	(13,570)	(557,548)	(571,118)
<b>Total Other Financing Sources (Uses)</b>	<u>3,125</u>	<u>-</u>	<u>(73,705)</u>	<u>(478,062)</u>	<u>(548,642)</u>
<b>Net Change in Fund Balances</b>	517	3	(69,494)	(109,563)	(178,537)
<b>Fund Balances - Beginning, as Restated</b>	5,140	103	128,519	300,416	434,178
<b>Fund Balances - Ending</b>	<u>\$ 5,657</u>	<u>\$ 106</u>	<u>\$ 59,025</u>	<u>\$ 190,853</u>	<u>\$ 255,641</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR DEBT SERVICE FUNDS For the Year Ended June 30, 2009 (In Thousands)

	Culture, Recreation, and Natural Resources		
	Budgetary Final Amounts	Actual	Variance With Final Budget
		Amounts	
<b>REVENUES</b>			
Investment Income	\$ -	\$ 20	\$ 20
<b>Total Revenues</b>	<u>-</u>	<u>20</u>	<u>20</u>
<b>EXPENDITURES</b>			
Debt Service	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>20</u>	<u>20</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,305	2,305	-
Transfers Out	(2,305)	(2,300)	5
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>5</u>	<u>5</u>
<b>Net Change Budgetary Basis</b>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 25</u>

### Budget Basis to GAAP Basis Reconciliation

<b>Revenues</b>	
Actual Total Revenues (Budgetary Basis)	\$ 20
Differences Budget to GAAP:	
Revenue Not Budgeted	635
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u>\$ 655</u>
<b>Expenditures</b>	
Actual Total Expenditures (Budgetary Basis)	\$ -
Differences Budget to GAAP:	
Expenditures Not Budgeted	3,263
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u>\$ 3,263</u>
<b>Other Financing Sources (Uses)</b>	
Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 5
Differences Budget to GAAP:	
Transfers, Net Not Budgeted	3,120
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u>\$ 3,125</u>

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR CAPITAL PROJECTS FUND FINANCIAL STATEMENTS

### **Culture, Recreation, and Natural Resources**

These funds account for resources to be used for the acquisition or construction of capital facilities used in culture, recreation, and natural resource programs. Budgetary comparison information is presented for the annual appropriation for capital project activity for the State Parks program. This is the only program that has an approved annual budget; all other programs are budgeted based on project length basis.

### **General Control**

These funds account for resources to be used for the acquisition or construction of capital facilities used in governmental operational activities.

### **Judicial**

These funds account for resources to be used for the acquisition or construction of capital facilities used in the judicial programs of the State.

### **Public Safety**

These funds account for resources to be used for the acquisition or construction of capital facilities used in public safety programs.

### **Regulation and Licensing**

These funds account for resources to be used for the acquisition or construction of capital facilities used in regulation and licensing activities of the State.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2009  
(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety	Regulation and Licensing
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 964	\$ -	\$ -	\$ -	\$ -
Investment in State General Fund					
Investment Pool	38,816	41,732	-	2,091	7,999
Due From Other Funds	4,319	957	427	4,669	50
Receivables, Net	2,067	3	-	3	-
<b>Total Assets</b>	<u>\$ 46,166</u>	<u>\$ 42,692</u>	<u>\$ 427</u>	<u>\$ 6,763</u>	<u>\$ 8,049</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 3,357	\$ 382	\$ 342	\$ 202	\$ 432
Accrued Liabilities	-	6	-	-	-
Due To Other Funds	580	92	44	13	-
Deferred Revenue	3,185	10,253	-	-	-
<b>Total Liabilities</b>	<u>7,122</u>	<u>10,733</u>	<u>386</u>	<u>215</u>	<u>432</u>
Fund balances:					
Reserved for:					
Capital Projects	39,044	31,959	41	6,548	7,617
<b>Total Fund Balances</b>	<u>39,044</u>	<u>31,959</u>	<u>41</u>	<u>6,548</u>	<u>7,617</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 46,166</u>	<u>\$ 42,692</u>	<u>\$ 427</u>	<u>\$ 6,763</u>	<u>\$ 8,049</u>

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	<u>Total</u>
\$	964
	90,638
	10,422
	<u>2,073</u>
\$	<u><u>104,097</u></u>

\$	4,715
	6
	729
	<u>13,438</u>
	<u><u>18,888</u></u>

	<u>85,209</u>
	<u>85,209</u>
\$	<u><u>104,097</u></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, 2009

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety	Regulation and Licensing
<b>REVENUES</b>					
General and Selective Taxes	\$ 3,847	\$ -	\$ -	\$ -	\$ -
Other Revenues:					
Federal Revenue	7,252	-	-	-	363
Investment Income	60	127	-	-	-
Rentals and Royalties	-	681	-	-	-
Miscellaneous and Other	169	1,211	-	-	-
<b>Total Revenues</b>	<u>11,328</u>	<u>2,019</u>	<u>-</u>	<u>-</u>	<u>363</u>
<b>EXPENDITURES</b>					
Current:					
Culture, Recreation, and Natural Resources	15,830	-	-	-	-
General Control	-	1,382	-	-	-
Judicial	-	-	1,685	-	-
Public Safety	-	-	-	1,266	-
Regulation and Licensing	-	-	-	-	19,502
Capital Outlay	28,811	74,400	865	1,746	11
<b>Total Expenditures</b>	<u>44,641</u>	<u>75,782</u>	<u>2,550</u>	<u>3,012</u>	<u>19,513</u>
<b>Excess Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>(33,313)</u>	<u>(73,763)</u>	<u>(2,550)</u>	<u>(3,012)</u>	<u>(19,150)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	19,372	67,206	287	1,227	1,688
Transfers Out	(13,769)	(29,362)	-	(8)	(2,272)
<b>Total Other Financing Sources (Uses)</b>	<u>5,603</u>	<u>37,844</u>	<u>287</u>	<u>1,219</u>	<u>(584)</u>
<b>Net Change in Fund Balances</b>	<u>(27,710)</u>	<u>(35,919)</u>	<u>(2,263)</u>	<u>(1,793)</u>	<u>(19,734)</u>
<b>Fund Balances - Beginning, as Restated</b>	<u>66,754</u>	<u>67,878</u>	<u>2,304</u>	<u>8,341</u>	<u>27,351</u>
<b>Fund Balances - Ending</b>	<u>\$ 39,044</u>	<u>\$ 31,959</u>	<u>\$ 41</u>	<u>\$ 6,548</u>	<u>\$ 7,617</u>

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	<u>Total</u>
\$	3,847
	7,615
	187
	681
	<u>1,380</u>
	<u>13,710</u>
	15,830
	1,382
	1,685
	1,266
	19,502
	<u>105,833</u>
	<u>145,498</u>
	<u>(131,788)</u>
	89,780
	<u>(45,411)</u>
	<u>44,369</u>
	(87,419)
	<u>172,628</u>
\$	<u><u>85,209</u></u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Culture, Recreation, and Natural Resources		
	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
<b>REVENUES</b>			
Taxes	\$ 3,600	\$ 3,730	\$ 130
Miscellaneous and Other	-	2	2
<b>Total Revenues</b>	<u>3,600</u>	<u>3,732</u>	<u>132</u>
<b>EXPENDITURES</b>			
Culture, Recreation, and Natural Resources	2,575	2,390	185
<b>Total Expenditures</b>	<u>2,575</u>	<u>2,390</u>	<u>185</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,025</u>	<u>1,342</u>	<u>(53)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(2,305)	(2,305)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(2,305)</u>	<u>(2,305)</u>	<u>-</u>
<b>Net Change Budgetary Basis</b>	<u>\$ (1,280)</u>	<u>\$ (963)</u>	<u>\$ (53)</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 3,732
Differences Budget to GAAP:	
Multiple Year Revenue	<u>7,596</u>
<b>Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 11,328</b></u>

#### Expenditures

Actual Total Expenditures (Budgetary Basis)	\$ 2,390
Differences Budget to GAAP:	
Multiple Year Expenditures	<u>42,251</u>
<b>Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 44,641</b></u>

#### Other Financing Sources (Uses)

Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ (2,305)
Differences Budget to GAAP:	
Multiple Year Activity	<u>7,908</u>
<b>Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<u><b>\$ 5,603</b></u>

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUND FINANCIAL STATEMENTS

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

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

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

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

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

**New Mexico Lottery Authority** – This fund accounts for the operation of lottery games to provide revenues for public purposes as defined by the New Mexico Lottery Act. The New Mexico Lottery Authority is a separate legal entity from the State and therefore, a blended component unit. The New Mexico Lottery Authority was created by Chapter 6-24-5A, NMSA 1978. A complete copy of the financial statements may be obtained from New Mexico Lottery Authority, 4511 Osuna Road NE, Albuquerque, NM 87109.

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

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

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

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

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

June 30, 2009  
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 3	\$ -	\$ -	\$ 6,468
Investment in the State General Fund					
Investment Pool	-	2,030	73,670	786	343
Investment in the Local Government					
Investment Pool	-	-	-	-	45,319
Deferred Charges and Other Assets	-	-	-	2	256
Due From Other Funds	-	1,048	13	291	-
Receivables, Net	162	3	68,235	184	647
Loans Receivable, Current	-	-	9,472	-	-
Inventories	132	1,800	-	85	-
<b>Total Current Assets</b>	<u>294</u>	<u>4,884</u>	<u>151,390</u>	<u>1,348</u>	<u>53,033</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	-	-	110,343	-	-
Investments	-	-	-	-	27,236
Other Noncurrent Assets	-	-	-	-	-
Nondepreciable Capital Assets	20	-	-	-	236
Capital Assets, Net	37	377	-	1	209
<b>Total Noncurrent Assets</b>	<u>57</u>	<u>377</u>	<u>110,343</u>	<u>1</u>	<u>27,681</u>
<b>Total Assets</b>	<u>351</u>	<u>5,261</u>	<u>261,733</u>	<u>1,349</u>	<u>80,714</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ 4,089	\$ -	\$ 181	\$ 397,929	\$ 605	\$ 409,275
-	8,459	3,553	-	50	88,891
-	-	-	-	-	45,319
2,754	-	-	-	-	3,012
-	629	515	516	-	3,012
1,718	378	3,457	34,515	956	110,255
-	12,247	-	-	-	21,719
9	-	569	-	-	2,595
<u>8,570</u>	<u>21,713</u>	<u>8,275</u>	<u>432,960</u>	<u>1,611</u>	<u>684,078</u>
-	-	-	-	2,272	2,272
-	-	-	-	-	110,343
-	-	-	-	-	27,236
-	-	1,318	-	101	1,419
-	-	294	-	5,267	5,817
255	-	34,640	-	42,782	78,301
<u>255</u>	<u>-</u>	<u>36,252</u>	<u>-</u>	<u>50,422</u>	<u>225,388</u>
<u>8,825</u>	<u>21,713</u>	<u>44,527</u>	<u>432,960</u>	<u>52,033</u>	<u>909,466</u>

# STATE OF NEW MEXICO

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

June 30, 2009

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>LIABILITIES</b>					
Current Liabilities:					
Cash Overdraft	\$ 12	\$ -	\$ -	\$ -	\$ -
Accounts Payable	2	253	24	84	4,416
Accrued Liabilities	102	100	-	91	20
Deferred Revenue	-	-	-	1,295	127
Due to Other Funds	198	-	-	9	-
Intergovernmental Payables	-	-	-	-	-
Other Obligations	-	-	-	-	1,929
Funds Held for Others	53	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Liabilities	19	115	-	67	23,251
<b>Total Current Liabilities</b>	<u>386</u>	<u>468</u>	<u>24</u>	<u>1,546</u>	<u>29,743</u>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	-	-	-	-	47,169
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,169</u>
<b>Total Liabilities</b>	<u>386</u>	<u>468</u>	<u>24</u>	<u>1,546</u>	<u>76,912</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	58	377	-	1	445
Restricted for:					
Debt Service	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	3,141
Capital Projects	-	-	-	-	-
Loans	-	-	225,648	-	-
Unrestricted (Deficit)	(93)	4,416	36,061	(198)	216
<b>Total Net Assets</b>	<u>\$ (35)</u>	<u>\$ 4,793</u>	<u>\$ 261,709</u>	<u>\$ (197)</u>	<u>\$ 3,802</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12
1,884	524	786	-	1,723	9,696
4,182	-	564	-	340	5,399
-	-	-	19,407	314	21,143
2,759	435	1	9,764	-	13,166
-	238	25	-	-	263
-	-	-	-	-	1,929
-	-	-	-	88	141
-	-	685	-	570	1,255
-	-	362	-	243	24,057
<u>8,825</u>	<u>1,197</u>	<u>2,423</u>	<u>29,171</u>	<u>3,278</u>	<u>77,061</u>
-	-	14,035	-	3,150	17,185
-	-	40	-	-	47,209
<u>-</u>	<u>-</u>	<u>14,075</u>	<u>-</u>	<u>3,150</u>	<u>64,394</u>
<u>8,825</u>	<u>1,197</u>	<u>16,498</u>	<u>29,171</u>	<u>6,428</u>	<u>141,455</u>
255	-	20,215	-	44,330	65,681
-	-	12	-	1,214	1,226
-	-	-	403,789	-	406,930
-	-	1,466	-	1,678	3,144
-	20,516	-	-	-	246,164
<u>(255)</u>	<u>-</u>	<u>6,336</u>	<u>-</u>	<u>(1,617)</u>	<u>44,866</u>
<u>\$ -</u>	<u>\$ 20,516</u>	<u>\$ 28,029</u>	<u>\$ 403,789</u>	<u>\$ 45,605</u>	<u>\$ 768,011</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, 2009 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 354	\$ 4,400	\$ -	\$ 4,058	\$ 320,132
Unemployment Insurance	-	-	-	-	-
Federal Revenue	104	-	3,133	-	-
Loan and Other Income	-	-	4,609	-	-
Other Operating Revenues	3	-	-	-	2,303
<b>Total Operating Revenues</b>	<u>461</u>	<u>4,400</u>	<u>7,742</u>	<u>4,058</u>	<u>322,435</u>
<b>OPERATING EXPENSES</b>					
Benefits, Claims, and Premiums	-	-	-	-	32,386
Game Expense	-	-	-	-	-
General and Administrative Expenses	670	2,274	605	2,323	21,897
Insurance Losses	-	-	-	-	280,430
Depreciation Expense	16	102	-	4	25
Other Operating Expenses	-	2,236	258	2,178	2
<b>Total Operating Expenses</b>	<u>686</u>	<u>4,612</u>	<u>863</u>	<u>4,505</u>	<u>334,740</u>
<b>Operating Income (Loss)</b>	<u>(225)</u>	<u>(212)</u>	<u>6,879</u>	<u>(447)</u>	<u>(12,305)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income (Loss)	-	7	-	-	(6,131)
Interest and Other Expenses on Capital Asset-related Debt	-	-	-	-	-
Other Revenue (Expenses)	-	22	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>(6,131)</u>
<b>Income (Loss) Before Transfers</b>	<u>(225)</u>	<u>(183)</u>	<u>6,879</u>	<u>(447)</u>	<u>(18,436)</u>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>					
Capital Grants and Gifts	-	-	-	-	-
<b>TRANSFERS</b>					
Transfers In	112	1,134	-	29	-
Transfers Out	-	-	-	-	-
<b>Total Transfers</b>	<u>112</u>	<u>1,134</u>	<u>-</u>	<u>29</u>	<u>-</u>
<b>Change in Net Assets</b>	(113)	951	6,879	(418)	(18,436)
<b>Net Assets - Beginning, as Restated</b>	78	3,842	254,830	221	22,238
<b>Net Assets - Ending</b>	<u>\$ (35)</u>	<u>\$ 4,793</u>	<u>\$ 261,709</u>	<u>\$ (197)</u>	<u>\$ 3,802</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ 142,316	\$ -	\$ 15,650	\$ 35	\$ 14,489	\$ 501,434
-	-	-	193,380	-	193,380
-	-	254	-	-	3,491
-	204	-	-	-	4,813
-	-	-	-	629	2,935
<u>142,316</u>	<u>204</u>	<u>15,904</u>	<u>193,415</u>	<u>15,118</u>	<u>706,053</u>
-	-	-	368,957	-	401,343
96,357	-	-	-	-	96,357
-	-	-	-	7,699	35,468
-	-	-	-	-	280,430
172	-	2,270	-	2,546	5,135
5,221	-	24,638	-	9,780	44,313
<u>101,750</u>	<u>-</u>	<u>26,908</u>	<u>368,957</u>	<u>20,025</u>	<u>863,046</u>
<u>40,566</u>	<u>204</u>	<u>(11,004)</u>	<u>(175,542)</u>	<u>(4,907)</u>	<u>(156,993)</u>
143	-	5,727	23,619	-	23,365
-	-	-	-	(106)	(106)
<u>106</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>115</u>	<u>809</u>
<u>249</u>	<u>-</u>	<u>6,293</u>	<u>23,619</u>	<u>9</u>	<u>24,068</u>
<u>40,815</u>	<u>204</u>	<u>(4,711)</u>	<u>(151,923)</u>	<u>(4,898)</u>	<u>(132,925)</u>
-	-	-	-	6,482	6,482
-	-	8,081	-	-	9,356
<u>(40,815)</u>	<u>-</u>	<u>(8,081)</u>	<u>(177)</u>	<u>-</u>	<u>(49,073)</u>
<u>(40,815)</u>	<u>-</u>	<u>-</u>	<u>(177)</u>	<u>-</u>	<u>(39,717)</u>
-	204	(4,711)	(152,100)	1,584	(166,160)
-	20,312	32,740	555,889	44,021	934,171
<u>\$ -</u>	<u>\$ 20,516</u>	<u>\$ 28,029</u>	<u>\$ 403,789</u>	<u>\$ 45,605</u>	<u>\$ 768,011</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from:					
Fees for Service	\$ 375	\$ -	\$ -	\$ -	\$ 320,160
Sale of Products	-	4,400	-	3,592	-
Loan and Note Repayments	-	-	10,960	-	-
Unemployment Insurance	-	-	-	-	-
Other Sources	-	-	-	-	2,112
Cash Payments to or for:					
Suppliers	(87)	(1,377)	(668)	(3,344)	(57,335)
Employees	(588)	(2,598)	-	(1,249)	-
Unemployment Benefits	-	-	-	-	-
Loans and Loan Losses	-	-	(35,107)	-	(274,855)
Lottery Prizes	-	-	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(300)</b>	<b>425</b>	<b>(24,815)</b>	<b>(1,001)</b>	<b>(9,918)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	112	1,134	-	29	-
Transfers Out	-	-	-	-	-
Intergovernmental Receipts	401	-	2,964	-	-
Noncapital Nonoperating Revenues (Expenses)	7	49	2,353	-	191
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>520</b>	<b>1,183</b>	<b>5,317</b>	<b>29</b>	<b>191</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	-	-	-	-	-
Capital Debt Service Payments	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest, Dividends, Investment Gains and Losses					
Losses	-	15	1,167	-	2,854
Receipts of Rent	-	-	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>15</b>	<b>1,167</b>	<b>-</b>	<b>2,854</b>
<b>Net Increase (Decrease) in Cash</b>	<b>220</b>	<b>1,623</b>	<b>(18,331)</b>	<b>(972)</b>	<b>(6,873)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>(220)</b>	<b>410</b>	<b>92,001</b>	<b>1,758</b>	<b>59,003</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ -</b>	<b>\$ 2,033</b>	<b>\$ 73,670</b>	<b>\$ 786</b>	<b>\$ 52,130</b>
<b>Cash and Cash Equivalents</b>					
Unrestricted	\$ -	\$ 3	\$ -	\$ -	\$ 6,468
Restricted	-	-	-	-	-
Investment in the State General Fund Investment Pool	-	2,030	73,670	786	343
Investment in the Local Government Investment Pool Investment Pool	-	-	-	-	45,319
	<b>\$ -</b>	<b>\$ 2,033</b>	<b>\$ 73,670</b>	<b>\$ 786</b>	<b>\$ 52,130</b>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ -	\$ -	\$ 22,821	\$ -	\$ 15,296	\$ 358,652
236,031	-	-	-	-	244,023
-	362	-	-	-	11,322
-	-	-	173,522	-	173,522
-	-	-	-	-	2,112
(22,981)	-	(12,878)	-	(9,867)	(108,537)
(2,907)	-	(16,110)	-	(7,699)	(31,151)
-	-	-	(361,796)	-	(361,796)
-	(5,931)	-	-	-	(315,893)
(170,568)	-	-	-	-	(170,568)
<u>39,575</u>	<u>(5,569)</u>	<u>(6,167)</u>	<u>(188,274)</u>	<u>(2,270)</u>	<u>(198,314)</u>
-	-	-	-	-	1,275
(41,008)	-	-	-	-	(41,008)
-	-	-	5,111	-	8,476
-	-	-	-	-	2,600
<u>(41,008)</u>	<u>-</u>	<u>-</u>	<u>5,111</u>	<u>-</u>	<u>(28,657)</u>
(182)	-	(496)	-	(5,373)	(6,051)
-	-	(672)	-	(634)	(1,306)
-	-	-	-	6,481	6,481
<u>(182)</u>	<u>-</u>	<u>(1,168)</u>	<u>-</u>	<u>474</u>	<u>(876)</u>
227	-	(493)	23,619	24	27,413
117	-	-	-	-	117
-	-	2,994	-	-	2,994
<u>344</u>	<u>-</u>	<u>2,501</u>	<u>23,619</u>	<u>24</u>	<u>30,524</u>
(1,271)	(5,569)	(4,834)	(159,544)	(1,772)	(197,323)
5,360	14,028	8,568	557,473	4,699	743,080
<u>\$ 4,089</u>	<u>\$ 8,459</u>	<u>\$ 3,734</u>	<u>\$ 397,929</u>	<u>\$ 2,927</u>	<u>\$ 545,757</u>
\$ 4,089	\$ -	\$ 181	\$ 397,929	\$ 605	\$ 409,275
-	-	-	-	2,272	2,272
-	8,459	3,553	-	50	88,891
-	-	-	-	-	45,319
<u>\$ 4,089</u>	<u>\$ 8,459</u>	<u>\$ 3,734</u>	<u>\$ 397,929</u>	<u>\$ 2,927</u>	<u>\$ 545,757</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2009

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (225)	\$ (212)	\$ 6,879	\$ (447)	\$ (12,305)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)					
by Operating Activities:					
Depreciation	16	102	-	4	25
Bad Debt Expense	-	-	-	73	-
Loss on Investment in Local Government Investment Pool	-	-	-	-	(274)
Reserve for Losses	-	-	-	-	5,385
Net Changes in Assets and Liabilities Related to Operating Activities:					
Increase (Decrease) in Receivables	(27)	550	(810)	(260)	8
Increase (Decrease) in Notes/Loans	-	-	(30,411)	-	-
Increase (Decrease) in Inventories	30	176	-	-	-
Increase (Decrease) in Assets	-	-	-	77	-
Increase (Decrease) in Accrued Liabilities	(94)	(191)	(473)	(73)	(2,777)
Increase (Decrease) in Unearned Revenue/Deposits	-	-	-	(375)	20
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (300)</u>	<u>\$ 425</u>	<u>\$ (24,815)</u>	<u>\$ (1,001)</u>	<u>\$ (9,918)</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Total</u>
\$ 40,566	\$ 204	\$ (11,004)	\$ (175,542)	\$ (4,907)	\$ (156,993)
172	-	2,270	-	2,546	5,135
-	-	3,902	-	51	4,026
-	-	-	-	-	(274)
-	-	-	-	-	5,385
90	779	(1,500)	(29,520)	178	(30,512)
-	(5,927)	-	-	-	(36,338)
6	-	67	-	-	279
(12)	-	1	-	(52)	14
(1,141)	(625)	97	2,711	(24)	(2,590)
<u>(106)</u>	<u>-</u>	<u>-</u>	<u>14,077</u>	<u>(62)</u>	<u>13,554</u>
<u>\$ 39,575</u>	<u>\$ (5,569)</u>	<u>\$ (6,167)</u>	<u>\$ (188,274)</u>	<u>\$ (2,270)</u>	<u>\$ (198,314)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2009

(In Thousands)

	Industries for the Blind			Corrections Industries Revolving Fund		
	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
<b>REVENUES</b>						
Charges for Services	\$ 318	\$ 354	\$ 36	\$ 5,587	\$ 4,400	\$ (1,187)
Federal Revenue	413	104	(309)	-	-	-
Investment Income	-	-	-	7	7	-
Other	-	3	3	-	22	22
<b>Total Revenues</b>	<u>731</u>	<u>461</u>	<u>(270)</u>	<u>5,594</u>	<u>4,429</u>	<u>(1,165)</u>
<b>EXPENSE</b>						
Personal Services and Employee Benefits	721	599	122	3,420	2,231	1,189
Contractual Services	15	14	1	21	3	18
Other Costs	107	73	34	3,287	2,433	854
<b>Total Expenses</b>	<u>843</u>	<u>686</u>	<u>157</u>	<u>6,728</u>	<u>4,667</u>	<u>2,061</u>
<b>Income (Loss) Before Transfers</b>	<u>(112)</u>	<u>(225)</u>	<u>(113)</u>	<u>(1,134)</u>	<u>(238)</u>	<u>896</u>
<b>TRANSFERS IN (OUT)</b>						
Transfers In	112	112	-	1,134	1,134	-
Transfers Out	-	-	-	-	-	-
<b>Total Transfers In (Out)</b>	<u>112</u>	<u>112</u>	<u>-</u>	<u>1,134</u>	<u>1,134</u>	<u>-</u>
<b>Net Change Budgetary Basis</b>	<u>\$ -</u>	<u>\$ (113)</u>	<u>\$ (113)</u>	<u>\$ -</u>	<u>\$ 896</u>	<u>\$ 896</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 461	\$ 4,429
Differences Budget to GAAP:		
Revenue Not Budgeted	-	-
<b>Total Revenues as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u>\$ 461</u>	<u>\$ 4,429</u>

#### Expenses:

Actual Total Expenses (Budgetary Basis)	\$ 686	\$ 4,667
Differences Budget to GAAP:		
Expenses Not Budgeted - Depreciation, Compensated Absences, and Inventory Adjustment	-	(55)
Loans Given	-	-
<b>Total Expenses as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u>\$ 686</u>	<u>\$ 4,612</u>

#### Transfers:

Actual Total Transfers In (Out) (Budgetary Basis)	\$ 112	\$ 1,134
Differences Budget to GAAP:		
Transfers, Net Not Budgeted	-	-
<b>Total Transfers as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u>\$ 112</u>	<u>\$ 1,134</u>

New Mexico Magazine			New Mexico Public Schools Insurance Authority		
Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
\$ -	\$ -	\$ -	\$ 335,604	\$ 320,132	\$ (15,472)
-	-	-	-	-	-
-	-	-	1,663	(6,131)	(7,794)
4,524	4,034	(490)	1,622	2,303	681
<u>4,524</u>	<u>4,034</u>	<u>(490)</u>	<u>338,889</u>	<u>316,304</u>	<u>(22,585)</u>
1,254	1,255	(1)	887	881	6
978	911	67	341,742	333,437	8,305
2,292	2,362	(70)	226	224	2
<u>4,524</u>	<u>4,528</u>	<u>(4)</u>	<u>342,855</u>	<u>334,542</u>	<u>8,313</u>
-	(494)	(494)	(3,966)	(18,238)	(14,272)
-	29	29	1,310	1,310	-
-	-	-	(1,310)	(1,310)	-
-	29	29	-	-	-
<u>\$ -</u>	<u>\$ (465)</u>	<u>\$ (465)</u>	<u>\$ (3,966)</u>	<u>\$ (18,238)</u>	<u>\$ (14,272)</u>

\$ 4,034	\$ 316,304
<u>24</u>	<u>-</u>
<b><u>\$ 4,058</u></b>	<b><u>\$ 316,304</u></b>
\$ 4,528	\$ 334,542
(23)	198
<u>-</u>	<u>-</u>
<b><u>\$ 4,505</u></b>	<b><u>\$ 334,740</u></b>
\$ 29	\$ -
<u>-</u>	<u>-</u>
<b><u>\$ 29</u></b>	<b><u>\$ -</u></b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2009

(In Thousands)

	State Infrastructure Bank			Miners' Colfax Medical Center		
	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
<b>REVENUES</b>						
Charges for Services	\$ -	\$ -	\$ -	\$ 16,924	\$ 20,381	\$ 3,457
Federal Revenue	-	-	-	257	254	(3)
Investment Income	230	204	(26)	-	-	-
Other	6,235	-	(6,235)	60	150	90
<b>Total Revenues</b>	<u>6,465</u>	<u>204</u>	<u>(6,261)</u>	<u>17,241</u>	<u>20,785</u>	<u>3,544</u>
<b>EXPENSE</b>						
Personal Services and Employee Benefits	-	-	-	13,591	13,668	(77)
Contractual Services	6,465	5,438	1,027	5,130	4,968	162
Other Costs	-	-	-	6,424	6,266	158
<b>Total Expenses</b>	<u>6,465</u>	<u>5,438</u>	<u>1,027</u>	<u>25,145</u>	<u>24,902</u>	<u>243</u>
<b>Income (Loss) Before Transfers</b>	<u>-</u>	<u>(5,234)</u>	<u>(5,234)</u>	<u>(7,904)</u>	<u>(4,117)</u>	<u>3,787</u>
<b>TRANSFERS IN (OUT)</b>						
Transfers In	-	-	-	15,762	7,858	(7,904)
Transfers Out	-	-	-	(7,858)	(7,858)	-
<b>Total Transfers In (Out)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,904</u>	<u>-</u>	<u>(7,904)</u>
<b>Net Change Budgetary Basis</b>	<u>\$ -</u>	<u>\$ (5,234)</u>	<u>\$ (5,234)</u>	<u>\$ -</u>	<u>\$ (4,117)</u>	<u>\$ (4,117)</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 204	\$ 20,785
Differences Budget to GAAP:		
Revenue Not Budgeted	-	1,412
<b>Total Revenues as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u>\$ 204</u>	<u>\$ 22,197</u>

#### Expenses:

Actual Total Expenses (Budgetary Basis)	\$ 5,438	\$ 24,902
Differences Budget to GAAP:		
Expenses Not Budgeted - Depreciation, Compensated Absences, and Inventory Adjustment	-	2,006
Loans Given	(5,438)	-
<b>Total Expenses as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u>\$ -</u>	<u>\$ 26,908</u>

#### Transfers:

Actual Total Transfers In (Out) (Budgetary Basis)	\$ -	\$ -
Differences Budget to GAAP:		
Transfers, Net Not Budgeted	-	-
<b>Total Transfers as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u>\$ -</u>	<u>\$ -</u>

	Total		
Budgetary	Actual		Variance
Final	Amounts		With Final
Amounts	Budgetary		With Final
	Basis		Budget
\$ 358,433	\$ 345,267	\$	(13,166)
670	358		(312)
1,900	(5,920)		(7,820)
12,441	6,512		(5,929)
<u>373,444</u>	<u>346,217</u>		<u>(27,227)</u>
19,873	18,634		1,239
354,351	344,771		9,580
12,336	11,358		978
<u>386,560</u>	<u>374,763</u>		<u>11,797</u>
(13,116)	(28,546)		(15,430)
18,318	10,443		(7,875)
(9,168)	(9,168)		-
9,150	1,275		(7,875)
<u>\$ (3,966)</u>	<u>\$ (27,271)</u>	<u>\$</u>	<u>(23,305)</u>

\$ 346,217

1,436

**\$ 347,653**

\$ 374,763

2,126

(5,438)

**\$ 371,451**

\$ 1,275

-

**\$ 1,275**

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUND FINANCIAL STATEMENTS

### **Internal Service Fund**

This fund accounts for the operation of services provided by state agencies to other state agencies on a cost-reimbursement basis. See page 35 for fund financial statements. This section only presents the budgetary comparison schedule.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

INTERNAL SERVICE FUND  
For the Year Ended June 30, 2009  
(In Thousands)

	Internal Service Funds		
	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
<b>REVENUES</b>			
Charges for Services	\$ 549,382	\$ 489,085	\$ (60,297)
Investment Income	-	1,184	1,184
Other	-	15	15
<b>Total Revenues</b>	<u>549,382</u>	<u>490,284</u>	<u>(59,098)</u>
<b>EXPENSE</b>			
Personal Services and Employee Benefits	27,455	26,265	1,190
Contractual Services	71,796	44,936	26,860
Other Costs	453,479	358,241	95,238
<b>Total Expenses</b>	<u>552,730</u>	<u>429,442</u>	<u>123,288</u>
<b>Income (Loss) Before Transfers</b>	<u>(3,348)</u>	<u>60,842</u>	<u>64,190</u>
<b>TRANSFERS IN (OUT)</b>			
Transfers In	19,530	22,916	3,386
Transfers Out	(16,414)	(23,493)	(7,079)
<b>Total Transfers In (Out)</b>	<u>3,116</u>	<u>(577)</u>	<u>(3,693)</u>
<b>Net Change Budgetary Basis</b>	<u>\$ (232)</u>	<u>\$ 60,265</u>	<u>\$ 60,497</u>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 490,284
Differences Budget to GAAP:	
Multiple Year Revenue	<u>1,591</u>
<b>Total Revenues as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u><b>\$ 491,875</b></u>

#### Expenses:

Actual Total Expenses (Budgetary Basis)	\$ 429,442
Differences Budget to GAAP:	
Multiple Year Expenditures	<u>19,137</u>
<b>Total Expenses as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u><b>\$ 448,579</b></u>

#### Transfers:

Actual Total Transfers In (Out) (Budgetary Basis)	\$ (577)
Differences Budget to GAAP:	
Multiple Year Activity	<u>4,701</u>
<b>Total Transfers as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<u><b>\$ 4,124</b></u>

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

### PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

**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.

**Public Employees Retirement System (PERS)** – PERS is a cost-sharing, multiple-employer defined benefit pension plan. Membership is open to employees and elected officials of every affiliated public employer. There are six divisions of members and eighteen coverage plans. The State of New Mexico also offers its employees a deferred compensation plan. The plan permits employees to defer a portion of their income until future years.

**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.

**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.

**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.

**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 (the “Administrator”) acting under contract with PERA.

**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.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

June 30, 2009

(In Thousands)

	Magistrate Retirement	Public Employees Retirement	Educational Employees Retirement System	Judicial Retirement	Volunteer Firefighters Retirement
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,929	\$ 993,149	\$ 289,481	\$ 6,767	\$ 3,853
Investment in State General Fund Investment Pool	432	10,508	17,628	1,395	189
Investments	26,157	8,868,115	7,523,201	60,423	34,405
Due From Other Funds	-	272	-	7	-
Receivables	1,102	363,922	223,724	2,419	1,299
Other Assets	-	443	-	-	-
Capital Assets, Net	-	19,677	8,227	-	-
<b>Total Assets</b>	<b>30,620</b>	<b>10,256,086</b>	<b>8,062,261</b>	<b>71,011</b>	<b>39,746</b>
<b>LIABILITIES</b>					
Accounts Payable	-	-	4,268	-	-
Security Lending Liability	2,795	948,411	678,194	6,460	3,682
Accrued Liabilities	1	6,416	1,097	1	-
Due to Other Funds	63	7	-	141	68
Due to Brokers	1,490	505,021	263,999	3,441	1,959
Deposits Held in Trust	-	-	850	-	-
Other Liabilities	-	411	199	-	-
<b>Total Liabilities</b>	<b>4,349</b>	<b>1,460,266</b>	<b>948,607</b>	<b>10,043</b>	<b>5,709</b>
<b>NET ASSETS</b>					
Held in Trust for:					
Pension Benefits	26,271	8,795,820	7,113,654	60,968	34,037
Other Employee Benefits	-	-	-	-	-
Defined Contribution	-	-	-	-	-
<b>Net Assets</b>	<b>\$ 26,271</b>	<b>\$ 8,795,820</b>	<b>\$ 7,113,654</b>	<b>\$ 60,968</b>	<b>\$ 34,037</b>

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Deferred Compensation (IRC 457) Plan	New Mexico Retiree Health Care Authority	Total
\$ -	\$ 9,665	\$ 1,305,844
-	17,195	47,347
287,249	136,475	16,936,025
-	-	279
6,346	14,990	613,802
2,140	-	2,583
-	33	27,937
<u>295,735</u>	<u>178,358</u>	<u>18,933,817</u>
-	19,910	24,178
-	-	1,639,542
-	2,617	10,132
-	26	305
-	-	775,910
-	-	850
-	11,789	12,399
<u>-</u>	<u>34,342</u>	<u>2,463,316</u>
-	-	16,030,750
295,735	-	295,735
-	144,016	144,016
<u>\$ 295,735</u>	<u>\$ 144,016</u>	<u>\$ 16,470,501</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, 2009

(In Thousands)

	Magistrate Retirement	Public Employees Retirement	Educational Employees Retirement System	Judicial Retirement	Volunteer Firefighters Retirement
<b>ADDITIONS</b>					
Contributions:					
Employee Contributions	\$ 308	\$ 215,449	\$ 212,014	\$ 1,092	\$ -
Employer Contributions	1,000	311,082	323,685	4,123	-
Transfers In	-	-	-	-	750
<b>Total Contributions</b>	<b>1,308</b>	<b>526,531</b>	<b>535,699</b>	<b>5,215</b>	<b>750</b>
Investment Income:					
Net Decrease in Fair Value of Investments	(9,393)	(3,200,043)	(1,724,902)	(20,623)	(11,953)
Interest and Dividends	584	200,638	216,196	1,308	753
	(8,809)	(2,999,405)	(1,508,706)	(19,315)	(11,200)
Less Investment Expense	(102)	(34,573)	(31,020)	(235)	(134)
<b>Net Investment Income (Loss)</b>	<b>(8,911)</b>	<b>(3,033,978)</b>	<b>(1,539,726)</b>	<b>(19,550)</b>	<b>(11,334)</b>
Other Additions					
Other Operating Revenues	-	(815)	3,701	15	-
<b>Total Other Additions</b>	<b>-</b>	<b>(815)</b>	<b>3,701</b>	<b>15</b>	<b>-</b>
<b>Total Additions</b>	<b>(7,603)</b>	<b>(2,508,262)</b>	<b>(1,000,326)</b>	<b>(14,320)</b>	<b>(10,584)</b>
<b>DEDUCTIONS</b>					
Benefits and Claims	2,448	604,103	617,705	6,393	588
Retiree Healthcare Payments	-	-	-	-	-
Refunds	-	31,669	29,687	13	-
General and Administrative Expenses	31	11,050	8,672	22	-
Other Operating Expenses	-	-	-	-	-
<b>Total Deductions</b>	<b>2,479</b>	<b>646,822</b>	<b>656,064</b>	<b>6,428</b>	<b>588</b>
<b>Change in Net Assets</b>	<b>(10,082)</b>	<b>(3,155,084)</b>	<b>(1,656,390)</b>	<b>(20,748)</b>	<b>(11,172)</b>
<b>Net Assets - Beginning, as Restated</b>	<b>36,353</b>	<b>11,950,904</b>	<b>8,770,044</b>	<b>81,716</b>	<b>45,209</b>
<b>Net Assets - Ending</b>	<b>\$ 26,271</b>	<b>\$ 8,795,820</b>	<b>\$ 7,113,654</b>	<b>\$ 60,968</b>	<b>\$ 34,037</b>

Deferred Compensation (IRC 457) Plan	New Mexico Retiree Health Care Authority	Total
\$ -	\$ 117,656	\$ 546,519
33,941	52,716	726,547
-	10	760
<u>33,941</u>	<u>170,382</u>	<u>1,273,826</u>
(46,485)	(34,262)	(5,047,661)
<u>5,647</u>	<u>180</u>	<u>425,306</u>
(40,838)	(34,082)	(4,622,355)
-	-	(66,064)
<u>(40,838)</u>	<u>(34,082)</u>	<u>(4,688,419)</u>
-	32,949	35,850
-	<u>32,949</u>	<u>35,850</u>
<u>(6,897)</u>	<u>169,249</u>	<u>(3,378,743)</u>
20,304	-	1,251,541
-	189,157	189,157
-	-	61,369
1,001	2,701	23,477
155	-	155
<u>21,460</u>	<u>191,858</u>	<u>1,525,699</u>
(28,357)	(22,609)	(4,904,442)
<u>324,092</u>	<u>166,625</u>	<u>21,374,943</u>
<u>\$ 295,735</u>	<u>\$ 144,016</u>	<u>\$ 16,470,501</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING BUDGETARY COMPARISON SCHEDULE PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS For the Year Ended June 30, 2009 (In Thousands)

	Public Employees Retirement			Educational Employees Retirement System		
	Budgetary	Actual	Variance	Budgetary	Actual	Variance
	Final	Amounts	With Final	Final	Amounts	With Final
Amounts	Budgetary	Budget	Amounts	Budgetary	Budget	
		Basis		Basis		
<b>REVENUES</b>						
Investment Income	\$ 41,914	\$ 61,455	\$ 19,541	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Deferred Compensation Plan Income	109	81	(28)	-	-	-
Other State Funds	-	-	-	32,953	32,953	-
Transfers In	-	-	-	-	-	-
<b>Total Revenues</b>	<b>42,023</b>	<b>61,536</b>	<b>19,513</b>	<b>32,953</b>	<b>32,953</b>	<b>-</b>
<b>EXPENDITURES</b>						
Personal Services and Employee Benefits	5,708	5,708	-	4,022	3,894	128
Contractual Services	33,893	19,507	14,386	28,112	18,824	9,288
Other Costs	2,422	1,456	966	820	790	30
Transfers Out	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>42,023</b>	<b>26,671</b>	<b>15,352</b>	<b>32,954</b>	<b>23,508</b>	<b>9,446</b>
<b>Net Change Budgetary Basis</b>	<b>\$ -</b>	<b>\$ 34,865</b>	<b>\$ 34,865</b>	<b>\$ (1)</b>	<b>\$ 9,445</b>	<b>\$ 9,446</b>

### Budget Basis to GAAP Basis Reconciliation

#### Revenues

Actual Total Revenues (Budgetary Basis)	\$ 61,536	\$ 32,953
Differences Budget to GAAP:		
Revenue Not Budgeted	<u>(2,569,798)</u>	<u>(1,033,279)</u>
<b>Total Revenues as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<b><u>\$ (2,508,262)</u></b>	<b><u>\$ (1,000,326)</u></b>

#### Expenditures:

Actual Total Expenditures (Budgetary Basis)	\$ 26,671	\$ 23,508
Differences Budget to GAAP:		
Expenditures Not Budgeted - Depreciation, Compensated Absences, and Inventory Adjustment	<u>620,151</u>	<u>632,556</u>
<b>Total Expenditures as reported on the Statement of Revenues, Expenses, and Changes in Net Assets</b>	<b><u>\$ 646,822</u></b>	<b><u>\$ 656,064</u></b>

New Mexico Retiree Health Care Authority			Total		
Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget	Budgetary Final Amounts	Actual Amounts Budgetary Basis	Variance With Final Budget
\$ 153	\$ 180	\$ 27	\$ 42,067	\$ 61,635	\$ 19,568
11,877	15,127	3,250	11,877	15,127	3,250
179,630	170,371	(9,259)	179,630	170,371	(9,259)
-	-	-	109	81	(28)
12,083	17,821	5,738	45,036	50,774	5,738
2,872	2,873	1	2,872	2,873	1
<u>206,615</u>	<u>206,372</u>	<u>(243)</u>	<u>281,591</u>	<u>300,861</u>	<u>19,270</u>
1,656	1,574	82	11,386	11,176	210
201,437	194,025	7,412	263,442	232,356	31,086
660	608	52	3,902	2,854	1,048
(2,862)	(2,862)	-	(2,862)	(2,862)	-
<u>200,891</u>	<u>193,345</u>	<u>7,546</u>	<u>275,868</u>	<u>243,524</u>	<u>32,344</u>
<u>\$ 5,724</u>	<u>\$ 13,027</u>	<u>\$ 7,303</u>	<u>\$ 5,723</u>	<u>\$ 57,337</u>	<u>\$ 51,614</u>

\$ 206,372	\$ 300,861
<u>(37,123)</u>	<u>(3,640,200)</u>
<b><u>\$ 169,249</u></b>	<b><u>\$ (3,339,339)</u></b>
\$ 193,345	\$ 243,524
<u>(1,487)</u>	<u>1,251,220</u>
<b><u>\$ 191,858</u></b>	<b><u>\$ 1,494,744</u></b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE MAGISTRATE RETIREMENT SYSTEM (MRS)

For the Last Ten Years Ending June 30, 2009

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2009	\$ 308	\$ 1,000	\$ (8,911)	\$ -	\$ (7,603)
2008	243	981	(3,177)	13	(1,940)
2007	286	920	6,187	10	7,403
2006	849	209	3,719	-	4,777
2005	172	763	2,928	28	3,891
2004	149	779	4,560	-	5,488
2003	205	1,143	1,020	-	2,368
2002	193	1,146	(611)	-	728
2001	180	1,282	(532)	15	945
2000	175	940	2,877	9	4,001

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2009	\$ 2,448	\$ 31	\$ -	\$ -	\$ 2,479
2008	2,294	18	20	-	2,332
2007	2,084	9	80	-	2,173
2006	1,738	9	-	-	1,747
2005	1,624	102	80	-	1,806
2004	1,591	48	-	3,291	4,930
2003	1,462	10	-	-	1,472
2002	1,197	7	2	-	1,206
2001	1,122	6	14	-	1,142
2000	1,065	6	-	-	1,071

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION

### REVENUES AND EXPENSES BY TYPE

#### THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

For the Last Ten Years Ending June 30, 2009

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income (Expense)	
2009	\$ 215,449	\$ 311,082	\$ (3,033,978)	\$ (815)	\$ (2,508,262)
2008	191,707	292,569	(1,033,557)	11,092	(538,189)
2007	179,317	269,571	1,984,164	18,396	2,451,448
2006	169,802	249,740	1,176,495	7,431	1,603,468
2005	160,639	234,232	920,022	13,158	1,328,051
2004	151,568	223,060	1,258,274	9,448	1,642,350
2003	149,814	213,713	278,314	198	642,039
2002	143,833	204,734	(175,299)	157	173,425
2001	135,594	196,544	(166,425)	3,055	168,768
2000	125,929	182,000	834,762	4,654	1,147,345

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2009	\$ 604,103	\$ 11,050	\$ 31,669	\$ -	\$ 646,822
2008	557,190	9,939	31,328	-	598,457
2007	511,709	9,116	34,589	-	555,414
2006	467,102	10,174	30,246	-	507,522
2005	427,084	40,223	29,416	-	496,723
2004	387,308	8,257	28,146	-	423,711
2003	349,178	6,756	25,986	-	381,920
2002	318,441	3,815	25,625	-	347,881
2001	291,118	3,993	27,358	-	322,469
2000	264,480	3,273	26,812	-	294,565

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION

### REVENUES AND EXPENSES BY TYPE

#### THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)

For the Last Ten Years Ending June 30, 2009

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2009	\$ 212,014	\$ 323,685	\$ (1,539,726)	\$ 3,701	\$ (1,000,326)
2008	201,916	290,846	(567,837)	3,663	(71,412)
2007	189,391	255,853	1,360,224	4,332	1,809,800
2006	178,221	226,479	943,071	3,867	1,351,638
2005	169,099	197,873	690,360	4,032	1,061,364
2004	162,119	189,325	919,402	4,201	1,275,047
2003	154,427	179,010	160,929	4,344	498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2009	\$ 617,705	\$ 8,672	\$ 29,687	\$ -	\$ 656,064
2008	578,776	6,089	29,475	-	614,340
2007	540,144	5,625	27,525	-	573,294
2006	494,097	65,094	24,062	233	583,486
2005	454,983	43,344	23,444	-	521,771
2004	422,418	2,583	21,859	-	446,860
2003	396,082	4,013	28,338	274	428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE JUDICIAL RETIREMENT SYSTEM (JRS)

For the Last Ten Years Ending June 30, 2009

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2009	\$ 1,092	\$ 4,123	\$ (19,550)	\$ 15	\$ (14,320)
2008	895	3,832	(7,000)	58	(2,215)
2007	874	3,623	13,488	23	18,008
2006	697	3,154	8,137	-	11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2009	\$ 6,393	\$ 22	\$ 13	\$ -	\$ 6,428
2008	5,907	34	26	-	5,967
2007	5,494	21	10	-	5,525
2006	5,113	24	26	-	5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION

### REVENUES AND EXPENSES BY TYPE

#### THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)

For the Last Ten Years Ending June 30, 2009

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Transfers In	
2009	\$ -	\$ -	\$ (11,334)	\$ 750	\$ (10,584)
2008	-	-	(3,984)	765	(3,219)
2007	-	-	7,344	751	8,095
2006	-	750	4,326	-	5,076
2005	-	750	3,309	31	4,090
2004	-	750	4,465	-	5,215
2003	-	750	1,014	-	1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443
2000	-	1,250	2,660	-	3,910

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit and Claims	General and Administrative Expenses	Refunds	Other Expenses	
2009	\$ 588	\$ -	\$ -	\$ -	\$ 588
2008	539	-	-	-	539
2007	499	-	-	-	499
2006	405	-	-	-	405
2005	346	102	-	-	448
2004	307	-	-	-	307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212

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

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION REVENUES AND EXPENSES BY TYPE THE RETIREE HEALTH CARE AUTHORITY (RHCA) For the Last Seven Years Ending June 30, 2009 (In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income+	
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	
2009	\$ 189,157	\$ 2,701	\$ -	\$ -	\$ 191,858
2008	193,947	-	801	-	194,748
2007	171,751	2,489	-	-	174,240
2006	155,194	2,280	-	2,864	160,338
2005	138,660	2,016	-	2,014	142,690
2004	119,409	2,341	-	-	121,750
2003*	115,215	2,408	1,384	-	119,007

\*In 2003, the State evaluated the classification of the RHCA. Prior to 2003, the RHCA was an enterprise activity for the State of New Mexico.

In 2003, the RHCA was determined to be a trust for the State.

+ Includes other operating revenue and transfers in.

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS EXTERNAL TRUST FUNDS FINANCIAL STATEMENTS

**State Investment Council** – The State Investment Council (Council) is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Structured Credit, Mid\Small Capitalization, Non-U.S. Equity Securities, Non-U.S. Emerging Markets, and Absolute Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State are presented in both the Governmental Funds and Proprietary Funds.

**State Treasurer** – The Office of the State Treasurer holds and invests monies for other state agencies and local governments. There are two external investment pools: Local Governmental Investment Pool and Reserve Contingency. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State are presented in both the Governmental Funds and Proprietary Funds.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS EXTERNAL TRUST FUNDS

June 30, 2009

(In Thousands)

	State Investment Council	State Treasurer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,674	\$ 166,106	\$ 170,780
Investments	120,072	728,552	848,624
Receivables	589	4,742	5,331
<b>Total Assets</b>	<u>125,335</u>	<u>899,400</u>	<u>1,024,735</u>
<b>LIABILITIES</b>			
Due to Other Funds	26	-	26
Due to Brokers	12,725	-	12,725
<b>Total Liabilities</b>	<u>12,751</u>	<u>-</u>	<u>12,751</u>
<b>NET ASSETS</b>			
Held in Trust for:			
External Investment Pool Participants	112,584	899,400	1,011,984
<b>Net Assets</b>	<u>\$ 112,584</u>	<u>\$ 899,400</u>	<u>\$ 1,011,984</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2009

(In Thousands)

	State Investment Council	State Treasurer	Total
<b>ADDITIONS</b>			
Pool Participant Deposits	\$ 779	\$ -	\$ 779
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(14,081)	14,131	50
Interest and Dividends	2,664	-	2,664
	<u>(11,417)</u>	<u>14,131</u>	<u>2,714</u>
Less Investment Expense	-	(289)	(289)
Net Investment Income (Loss)	<u>(11,417)</u>	<u>13,842</u>	<u>2,425</u>
<b>Total Additions</b>	<u>(10,638)</u>	<u>13,842</u>	<u>3,204</u>
<b>DEDUCTIONS</b>			
Pool Participant Withdrawals	2,417	653,444 *	655,861
General and Administrative Expenses	104	-	104
<b>Total Deductions</b>	<u>2,521</u>	<u>653,444</u>	<u>655,965</u>
<b>Change in Net Assets</b>	(13,159)	(639,602)	(652,761)
<b>Net Assets - Beginning, as Restated</b>	125,743	1,539,002	1,664,745
<b>Net Assets - Ending</b>	<u>\$ 112,584</u>	<u>\$ 899,400</u>	<u>\$ 1,011,984</u>

\*The pool participant withdrawals of \$653,444 reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

#### PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

**Scholarship Fund** – This grouping includes scholarship trust funds administered by the Higher Education Department and the Public Education Department.

**Land Grant Permanent Fund** – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13 million acres, are held in trust for the benefit of the public schools and other specific institutions. Only the portion of the fund that does not benefit the State is presented as a Private Purpose Trust Fund. Other portions of the fund that benefit the State are presented in both the Governmental Funds and Proprietary Funds. The fund is administered by the State Investment Council.

**Higher Education Savings Fund** – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board of New Mexico.

**Water Trust Fund** – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund, which is administered by the New Mexico Finance Authority.

# STATE OF NEW MEXICO

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

June 30, 2009

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 5,309	\$ 626,491	\$ -	\$ 14,812	\$ 646,612
Investment in State General Fund Investment Pool	2,694	18,208	-	-	20,902
Investments	74,681	6,670,001	1,488,679	36,646	8,270,007
Due From Other Funds	1	5,425	-	-	5,426
Receivables	-	44,134	4,789	318	49,241
<b>Total Assets</b>	<u>82,685</u>	<u>7,364,259</u>	<u>1,493,468</u>	<u>51,776</u>	<u>8,992,188</u>
<b>LIABILITIES</b>					
Accounts Payable	-	-	1,804	-	1,804
Accrued Liabilities	-	-	581	-	581
Due to Other Funds	14,500	-	-	16	14,516
Due to Beneficiaries	-	36,143	-	-	36,143
Due to Brokers	-	32,788	-	237	33,025
Other Liabilities	5,289	688,871	3,115	5,687	702,962
<b>Total Liabilities</b>	<u>19,789</u>	<u>757,802</u>	<u>5,500</u>	<u>5,940</u>	<u>789,031</u>
<b>NET ASSETS</b>					
Held in Trust for:					
Other Purposes	62,896	6,606,457	1,487,968	45,836	8,203,157
<b>Net Assets</b>	<u>\$ 62,896</u>	<u>\$ 6,606,457</u>	<u>\$ 1,487,968</u>	<u>\$ 45,836</u>	<u>\$ 8,203,157</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, 2009

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
<b>ADDITIONS</b>					
Member Contributions	\$ -	\$ -	\$ 618,634	\$ -	\$ 618,634
Transfers In	-	399,624	-	-	399,624
Total Contributions	-	399,624	618,634	-	1,018,258
Investment Income:					
Net Increase Decrease in Fair					
Value of Investments	-	(1,928,949)	(319,945)	(3,345)	(2,252,239)
Interest and Dividends	2,823	170,756	(146,045)	1,180	28,714
	2,823	(1,758,193)	(465,990)	(2,165)	(2,223,525)
Less Investment Expense	-	-	(11,542)	-	(11,542)
Net Investment Income (Loss)	2,823	(1,758,193)	(477,532)	(2,165)	(2,235,067)
<b>Total Additions</b>	2,823	(1,358,569)	141,102	(2,165)	(1,216,809)
<b>DEDUCTIONS</b>					
Distributions	-	448,180	607,828	-	1,056,008
Other Operating Expenses	21,896	14,464	-	-	36,360
Transfers Out	14,500	-	-	4,000	18,500
<b>Total Deductions</b>	36,396	462,644	607,828	4,000	1,110,868
<b>Change in Net Assets</b>	(33,573)	(1,821,213)	(466,726)	(6,165)	(2,327,677)
<b>Net Assets - Beginning, as Restated</b>	96,469	8,427,670	1,954,694	52,001	10,530,834
<b>Net Assets - Ending</b>	\$ 62,896	\$ 6,606,457	\$ 1,487,968	\$ 45,836	\$ 8,203,157

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS AGENCY FUNDS FINANCIAL STATEMENTS

**Culture, Recreation, and Natural Resources** – These funds are administered by the Department of Cultural Affairs, Department of Game and Fish, and the Office of the State Engineer.

**Other Agency Funds** – This grouping contains all other agency funds.

**Receipts Pending Distribution of Funds** – These are funds administered by the Secretary of State, Public Regulation Commission, New Mexico Gaming Control Board, New Mexico Racing Commission, New Mexico Livestock Board, Energy Minerals and Natural Resources Department, and Department of Health.

**Suspense Related Funds** – These funds are administered by the Judicial Courts and District Attorneys, Taxation and Revenue Department, Department of Finance and Administration, Regulation and Licensing Department, Public Regulation Commission, Energy Minerals and Natural Resources Department, New Mexico Racing Commission, Office of the State of Engineer, Health and Human Services Department, Department of Health, Environment Department, Children, Youth, and Families Department, Corrections Department, Department of Public Safety, and Worker's Compensation Administration.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2009

(In Thousands)

	Culture, Recreation, and Natural Resources	Other Agency	Receipts Pending Distribution	Suspense Related	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 342	\$ 935	\$ 624	\$ 435,701	\$ 437,602
Investment in State General Fund					
Investment Pool	246	205,763	13,914	602,516	822,439
Investment in Local Government					
Investment Pool	-	-	-	6,646	6,646
Investments	-	10,483	-	-	10,483
Due From Other Funds	-	16,597	422	269,390	286,409
Receivables, Net	240	55,131	734	730,933	787,038
<b>Total Assets</b>	<u>\$ 828</u>	<u>\$ 288,909</u>	<u>\$ 15,694</u>	<u>\$ 2,045,186</u>	<u>\$ 2,350,617</u>
<b>LIABILITIES</b>					
Due to Other Funds	\$ 97	\$ 231,643	\$ 13,718	\$ 807,929	\$ 1,053,387
Intergovernmental Payables	-	14,169	-	484,650	498,819
Deposits Held in Trust	358	39,490	1,132	458,446	499,426
Other Liabilities	373	3,607	844	294,161	298,985
<b>Total Liabilities</b>	<u>\$ 828</u>	<u>\$ 288,909</u>	<u>\$ 15,694</u>	<u>\$ 2,045,186</u>	<u>\$ 2,350,617</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2009  
(In Thousands)

	Balance June 30, 2008, as Restated	Additions	Deletions	Balance June 30, 2009
<b>CULTURE, RECREATION, AND NATURAL RESOURCES</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 74	\$ 282	\$ 14	\$ 342
Investment in State General Fund Investment Pool	332	8	94	246
Receivables, Net	152	95	7	240
<b>Total Assets</b>	<b>\$ 558</b>	<b>\$ 385</b>	<b>\$ 115</b>	<b>\$ 828</b>
<b>Liabilities</b>				
Due to Other Funds	\$ -	\$ 100	\$ 3	\$ 97
Deposits Held in Trust	185	289	116	358
Other Liabilities	373	95	95	373
<b>Total Liabilities</b>	<b>\$ 558</b>	<b>\$ 484</b>	<b>\$ 214</b>	<b>\$ 828</b>
	Balance June 30, 2008, as Restated	Additions	Deletions	Balance June 30, 2009
<b>OTHER AGENCY</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 104	\$ 2,455	\$ 1,624	\$ 935
Investment in State General Fund Investment Pool	249,196	1,570,341	1,613,774	205,763
Investments	12,667	-	2,184	10,483
Due From Other Funds	10,907	74,717	69,027	16,597
Receivables, Net	70,423	58,312	73,604	55,131
<b>Total Assets</b>	<b>\$ 343,297</b>	<b>\$ 1,705,825</b>	<b>\$ 1,760,213</b>	<b>\$ 288,909</b>
<b>Liabilities</b>				
Due to Other Funds	\$ 288,026	\$ 648,184	\$ 704,567	\$ 231,643
Intergovernmental Payables	21,274	897,921	905,026	14,169
Deposits Held in Trust	8,463	108,081	77,054	39,490
Other Liabilities	25,534	932,822	954,749	3,607
<b>Total Liabilities</b>	<b>\$ 343,297</b>	<b>\$ 2,587,008</b>	<b>\$ 2,641,396</b>	<b>\$ 288,909</b>

# 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, 2009

(In Thousands)

	Balance June 30, 2008, as Restated	Additions	Deletions	Balance June 30, 2009
<b>RECEIPTS PENDING DISTRIBUTION OF FUNDS</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 34	\$ 602	\$ 12	\$ 624
Investment in State General Fund Investment Pool	13,463	349,839	349,388	13,914
Due From Other Funds	27	2,136	1,741	422
Receivables, Net	704	468	438	734
<b>Total Assets</b>	<u>\$ 14,228</u>	<u>\$ 353,045</u>	<u>\$ 351,579</u>	<u>\$ 15,694</u>
<b>Liabilities</b>				
Due to Other Funds	\$ 11,850	\$ 224,520	\$ 222,652	\$ 13,718
Intergovernmental Payables	188	12,817	13,005	-
Deposits Held in Trust	2,190	324,073	325,131	1,132
Other Liabilities	-	3,800	2,956	844
<b>Total Liabilities</b>	<u>\$ 14,228</u>	<u>\$ 565,210</u>	<u>\$ 563,744</u>	<u>\$ 15,694</u>
	Balance June 30, 2008, as Restated	Additions	Deletions	Balance June 30, 2009
<b>SUSPENSE RELATED FUNDS</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ 840,069	\$ 404,368	\$ 435,701
Investment in State General Fund Investment Pool	1,365,179	22,519,874	23,282,537	602,516
Investment in Local Government Investment Pool	-	6,646	-	6,646
Due From Other Funds	121,065	168,118	19,793	269,390
Receivables, Net	778,589	2,136,701	2,184,357	730,933
<b>Total Assets</b>	<u>\$ 2,264,833</u>	<u>\$ 25,671,408</u>	<u>\$ 25,891,055</u>	<u>\$ 2,045,186</u>
<b>Liabilities</b>				
Due to Other Funds	1,177,083	3,110,126	3,479,280	807,929
Intergovernmental Payables	250,779	772,802	538,931	484,650
Deposits Held in Trust	457,895	25,055,997	25,055,446	458,446
Other Liabilities	379,076	644,775	729,690	294,161
<b>Total Liabilities</b>	<u>\$ 2,264,833</u>	<u>\$ 29,583,700</u>	<u>\$ 29,803,347</u>	<u>\$ 2,045,186</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, 2009

(In Thousands)

	Balance June 30, 2008, as Restated	Additions	Deletions	Balance June 30, 2009
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 212	\$ 843,408	\$ 406,018	\$ 437,602
Investment in State General Fund Investment Pool	1,628,170	24,440,062	25,245,793	822,439
Investment in Local Government Investment Pool	-	6,646	-	6,646
Investments	12,667	-	2,184	10,483
Due From Other Funds	131,999	244,971	90,561	286,409
Receivables, Net	849,868	2,195,576	2,258,406	787,038
<b>Total Assets</b>	<u>\$ 2,622,916</u>	<u>\$ 27,730,663</u>	<u>\$ 28,002,962</u>	<u>\$ 2,350,617</u>
<b>Liabilities</b>				
Due to Other Funds	\$ 1,476,959	\$ 3,982,930	\$ 4,406,502	\$ 1,053,387
Intergovernmental Payables	272,241	1,683,540	1,456,962	498,819
Deposits Held in Trust	468,733	25,488,440	25,457,747	499,426
Other Liabilities	404,983	1,581,492	1,687,490	298,985
<b>Total Liabilities</b>	<u>\$ 2,622,916</u>	<u>\$ 32,736,402</u>	<u>\$ 33,008,701</u>	<u>\$ 2,350,617</u>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### STATISTICAL SECTION



Source: New Mexico Tourism Department, Dan Monaghan

**Luminarias Old Town:** Albuquerque's Old Town Plaza hosts one of the State's largest, and most attended Christmas Eve luminaria celebrations. Thousands of visitors walk through the softly-lit streets of Old Town each year, in addition to the organized bus tours that let even more visitors enjoy the sights without standing in the late-December cold. Old Town Plaza is located on El Camino Real National Scenic Byway and on Route 66 National Scenic Byway.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### INDEX TO STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements and required supplementary information for the primary government of the State of New Mexico in understanding and assessing the State's overall financial health.

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

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

### INDEX TO STATISTICAL SECTION

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#### **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.

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#### **Other Information**

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State of New Mexico Comprehensive Annual Financial Report.

# STATE OF NEW MEXICO

## NET ASSETS BY COMPONENT

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, as Restated	2007, as Restated	2006	2005
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 6,995,306	\$ 6,204,269	\$ 5,516,914	\$ 5,724,003	\$ 6,689,355
Restricted	4,549,845	7,558,292	8,828,955	6,427,635	5,282,593
Unrestricted	528,700	486,879	214,145	752,605	762,177
<b>Total Governmental Activities Net Assets</b>	<b>\$ 12,073,851</b>	<b>\$ 14,249,440</b>	<b>\$ 14,560,014</b>	<b>\$ 12,904,243</b>	<b>\$ 12,734,125</b>
<b>Business-type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 1,381,260	\$ 1,090,692	\$ 940,608	\$ 945,940	\$ 885,520
Restricted	1,853,302	2,610,808	2,422,434	2,145,306	1,391,203
Unrestricted	597,214	471,516	657,530	489,752	979,918
<b>Total Business-type Activities Net Assets</b>	<b>\$ 3,831,776</b>	<b>\$ 4,173,016</b>	<b>\$ 4,020,572</b>	<b>\$ 3,580,998</b>	<b>\$ 3,256,641</b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 8,376,566	\$ 7,294,961	\$ 6,457,522	\$ 6,669,943	\$ 7,574,875
Restricted	6,403,147	10,169,100	11,251,389	8,572,941	6,673,796
Unrestricted	1,125,914	958,395	871,675	1,242,357	1,742,095
<b>Total Primary Government Net Assets</b>	<b>\$ 15,905,627</b>	<b>\$ 18,422,456</b>	<b>\$ 18,580,586</b>	<b>\$ 16,485,241</b>	<b>\$ 15,990,766</b>

Note: The State implemented GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management Discussion and Analysis—for State and Local Governments*, in fiscal year 2002. The government-wide schedules are effective beginning in fiscal year 2002.

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**SCHEDULE A-1**

(Accrual Basis of Accounting)

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 7,187,781	\$ 7,830,967	\$ 7,226,617
5,301,338	4,075,363	4,166,965
171,430	351,759	1,321,140
<u>\$ 12,660,549</u>	<u>\$ 12,258,089</u>	<u>\$ 12,714,722</u>
\$ 955,999	\$ 892,515	\$ 874,302
1,561,273	1,506,856	1,682,804
624,269	582,996	494,137
<u>\$ 3,141,541</u>	<u>\$ 2,982,367</u>	<u>\$ 3,051,243</u>
\$ 8,143,780	\$ 8,723,482	\$ 8,100,919
6,862,611	5,582,219	5,849,769
795,699	934,755	1,815,277
<u>\$ 15,802,090</u>	<u>\$ 15,240,456</u>	<u>\$ 15,765,965</u>

# STATE OF NEW MEXICO

## CHANGES IN NET ASSETS

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, as Restated	2007, as Restated	2006	2005
<b>Program Expenses</b>					
Governmental Activities:					
General Government	\$ 1,301,405	\$ 1,020,981	\$ 921,198	\$ 869,013	\$ 882,809
Culture, Recreation, and Natural Resources	219,952	215,727	263,457	202,330	185,303
Highway and Transportation	939,111	999,407	1,126,085	1,027,618	877,638
Judicial	248,206	231,571	215,954	194,452	184,319
Legislative	27,766	22,236	22,079	14,052	12,412
Public Safety	501,864	453,297	451,320	390,557	378,394
Regulation and Licensing	132,021	119,865	115,717	97,956	88,722
Health and Human Services	5,297,968	4,854,810	4,471,413	4,055,602	3,729,641
Education	3,277,536	3,221,028	2,987,212	2,902,753	2,637,052
Unemployment Benefits	1,986 +	-	-	-	-
Interest	117,338	175,364	547,366	92,505	125,476
<b>Total Governmental Activities Expenses</b>	<b>12,065,153</b>	<b>11,314,286</b>	<b>11,121,801</b>	<b>9,846,838</b>	<b>9,101,766</b>
Business-type Activities:					
Unemployment Insurance Trust Fund	-	-	-	- *	129,422
Educational Institutions	2,668,110	2,921,387	2,273,301	2,142,898	1,996,827
Nonmajor Enterprise Funds	863,152	639,348	566,064	533,039	395,307
<b>Total Business-type Activity Expenses</b>	<b>3,531,262</b>	<b>3,560,735</b>	<b>2,839,365</b>	<b>2,675,937</b>	<b>2,521,556</b>
<b>Total Primary Government Expenses</b>	<b>\$ 15,596,415</b>	<b>\$ 14,875,021</b>	<b>\$ 13,961,166</b>	<b>\$ 12,522,775</b>	<b>\$ 11,623,322</b>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services	\$ 1,411,408	\$ 1,459,908	\$ 1,205,421	\$ 1,297,926	\$ 827,248
Operating Grants and Contributions	4,299,203	3,715,696	3,416,802	3,283,620	3,268,985
Capital Grants and Contributions	416,118	311,661	290,317	323,013	275,053
<b>Total Governmental Activities</b>					
<b>Program Revenues</b>	<b>6,126,729</b>	<b>5,487,265</b>	<b>4,912,540</b>	<b>4,904,559</b>	<b>4,371,286</b>
Business-type Activities:					
Charges for Services	1,605,674	1,475,636	1,349,518	1,866,396	1,807,340
Operating Grants and Contributions	692,833	454,131	650,982	120,205	35,418
Capital Grants and Contributions	29,682	73,918	99,347	28,934	30,553
<b>Total Business-type Activities</b>					
<b>Program Revenues</b>	<b>2,328,189</b>	<b>2,003,685</b>	<b>2,099,847</b>	<b>2,015,535</b>	<b>1,873,311</b>
<b>Total Primary Government</b>					
<b>Program Revenues</b>	<b>\$ 8,454,918</b>	<b>\$ 7,490,950</b>	<b>\$ 7,012,387</b>	<b>\$ 6,920,094</b>	<b>\$ 6,244,597</b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (5,938,424)	\$ (5,827,021)	\$ (6,209,261)	\$ (4,942,279)	\$ (4,730,480)
Business-type Activities	(1,203,073)	(1,557,050)	(739,518)	(660,402)	(648,245)
<b>Total Primary Government Net Expense</b>	<b>\$ (7,141,497)</b>	<b>\$ (7,384,071)</b>	<b>\$ (6,948,779)</b>	<b>\$ (5,602,681)</b>	<b>\$ (5,378,725)</b>

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

+In 2009, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2009. 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.

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**SCHEDULE A-2**

(Accrual Basis of Accounting)

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 537,442	\$ 279,041	\$ 367,506
183,074	203,607	169,027
785,042	585,187	875,972
168,013	158,362	153,391
12,036	22,424	11,874
345,779	338,676	323,909
81,551	75,894	100,022
3,732,015	3,424,129	3,148,466
2,611,476	2,381,521	2,336,909
-	-	-
132,440	246,340	92,062
<u>8,588,868</u>	<u>7,715,181</u>	<u>7,579,138</u>
159,954	174,705	135,748
1,876,567	1,801,107	1,733,310
374,388	344,429	419,484
<u>2,410,909</u>	<u>2,320,241</u>	<u>2,288,542</u>
<u>\$ 10,999,777</u>	<u>\$ 10,035,422</u>	<u>\$ 9,867,680</u>
\$ 640,028	\$ 503,908	\$ 720,718
3,182,126	2,765,888	2,413,596
292,847	324,588	334,663
<u>4,115,001</u>	<u>3,594,384</u>	<u>3,468,977</u>
1,265,229	1,053,341	1,196,953
460,203	581,150	-
20,699	13,080	6,519
<u>1,746,131</u>	<u>1,647,571</u>	<u>1,203,472</u>
<u>\$ 5,861,132</u>	<u>\$ 5,241,955</u>	<u>\$ 4,672,449</u>
\$ (4,473,867)	\$ (4,120,797)	\$ (4,110,161)
<u>(664,778)</u>	<u>(672,670)</u>	<u>(1,085,070)</u>
<u>\$ (5,138,645)</u>	<u>\$ (4,793,467)</u>	<u>\$ (5,195,231)</u>

# STATE OF NEW MEXICO

## CHANGES IN NET ASSETS

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, as Restated	2007, as Restated	2006	2005
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 918,090	\$ 1,618,406	\$ 1,520,214	\$ 1,543,262	\$ 1,089,031
Corporate Income Tax	192,487	403,525	453,857	374,957	244,371
Sales and Use Tax	1,831,946	397,894	403,909	388,739	368,716
Business Privilege	1,341,753	3,319,760	2,962,550	2,370,530	1,970,239
Severance	-	-	-	-	-
Other Taxes	523,085	38,706	30,683	30,683	507,381
Tribal Gaming Revenue	-	-	-	-	-
Investment Income	(373,962)	595,463	1,622,183	1,203,881	994,872
Other Revenue (Expense)	126,558	(114,555)	276,242	(264,596)	239,724
Loss on Disposal of Capital Assets	(33,460)	-	-	-	-
Transfers	(763,662)	(692,490)	(560,187)	(533,035)	(495,101)
<b>Total Governmental Activities</b>	<u>3,762,835</u>	<u>5,566,709</u>	<u>6,709,451</u>	<u>5,114,421</u>	<u>4,919,233</u>
Business-type Activities:					
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	(188,413)	170,050	318,922	129,014	115,187
Other Revenue	286,584	424,018	299,983	259,303	154,389
Transfers	763,662	692,490	560,187	533,035	495,101
<b>Total Business-type Activities</b>	<u>861,833</u>	<u>1,286,558</u>	<u>1,179,092</u>	<u>921,352</u>	<u>764,677</u>
<b>Total Primary Government</b>	<u>\$ 4,624,668</u>	<u>\$ 6,853,267</u>	<u>\$ 7,888,543</u>	<u>\$ 6,035,773</u>	<u>\$ 5,683,910</u>
<b>Change in Net Assets</b>					
Governmental Activities	(2,175,589)	(260,312)	500,190	172,142	188,753
Business-type Activities	(341,240)	(270,492)	439,574	260,950	116,432
<b>Total Primary Government</b>	<u>\$ (2,516,829)</u>	<u>\$ (530,804)</u>	<u>\$ 939,764</u>	<u>\$ 433,092</u>	<u>\$ 305,185</u>

Note: The State implemented GASB 34 in fiscal year 2002. The government-wide schedules are effective beginning in fiscal year 2002.

**SCHEDULE A-2 (Continued)**

(Accrual Basis of Accounting)

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 1,090,733	\$ 980,326	\$ 1,009,224
131,897	102,846	138,078
327,878	275,873	303,615
1,821,396	1,684,150	1,305,730
-	-	194,347
360,940	301,555	381,209
-	-	107,339
1,071,990	639,731	169,647
181,707	139,060	27,775
-	-	-
(481,507)	(473,007)	(484,860)
<u>4,505,034</u>	<u>3,650,534</u>	<u>3,152,104</u>
-	-	534,293
134,001	77,334	(55,987)
186,383	160,058	115,727
481,507	473,007	484,860
<u>801,891</u>	<u>710,399</u>	<u>1,078,893</u>
<u>\$ 5,306,925</u>	<u>\$ 4,360,933</u>	<u>\$ 4,230,997</u>
31,167	(470,263)	(958,057)
137,113	37,729	(6,177)
<u>\$ 168,280</u>	<u>\$ (432,534)</u>	<u>\$ (964,234)</u>

# STATE OF NEW MEXICO

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, as Restated	2007	2006	2005
General Fund					
Reserved	\$ 13,478	\$ 33,455	\$ 72,979	\$ 76,990	\$ 69,687
Unreserved	376,944	804,311	681,061	859,338	732,395
Total General Fund	<u>390,422</u>	<u>837,766</u>	<u>754,040</u>	<u>936,328</u>	<u>802,082</u>
All Other Governmental Funds					
Reserved	5,800,477	7,961,168	6,672,312	5,516,982	5,253,182
Unreserved, Reported in:					
Special Revenue Funds	649,063	576,290	898,371	685,478	422,245
Capital Projects Funds (Deficit)	-	(61,482)	114,637	224,278	36,745
Debt Service Funds	-	55,977	1,542	1,147	621,143
<b>Total All Other Governmental Funds</b>	<u>\$ 6,449,540</u>	<u>\$ 8,531,953</u>	<u>\$ 7,686,862</u>	<u>\$ 6,427,885</u>	<u>\$ 6,333,315</u>

Note: Due to changes in the State's fund structure initiated when GASB 34 was implemented, the changes in fund balance information are only available beginning in fiscal year 2002.

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**SCHEDULE A-3**

(Modified Accrual Basis of Accounting)

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 186,655	\$ 230,781	\$ 197,938
<u>427,605</u>	<u>172,240</u>	<u>298,084</u>
614,260	403,021	496,022
5,183,451	4,507,256	4,890,316
116,023	196,816	221,350
105,151	12,497	4,569
<u>889,304</u>	<u>177,355</u>	<u>11,486</u>
<u>\$ 6,293,929</u>	<u>\$ 4,893,924</u>	<u>\$ 5,127,721</u>

# STATE OF NEW MEXICO

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, as Restated	2007	2006	2005
<b>Revenues</b>					
Taxes	\$ 4,769,862	\$ 5,778,291	\$ 5,360,317	\$ 4,701,612	\$ 4,122,934
Licenses, Fees, and Permits	288,697	218,066	202,897	212,590	98,114
Interest and Other Investment Income (Loss)	(375,146)	572,015	1,617,035	1,200,119	991,789
Rentals and Royalties	567,262	730,175	571,919	623,131	499,319
Charges for Services	69,934	66,159	57,883	151,759	229,816
Federal	4,715,321	4,027,357	3,708,912	3,606,240	3,543,855
Other Revenues	121,382	224,605	148,132	220,093	233,804
<b>Total Revenues</b>	<b>10,157,312</b>	<b>11,616,668</b>	<b>11,667,095</b>	<b>10,715,544</b>	<b>9,719,631</b>
<b>Expenditures</b>					
Current:					
General Control	430,195	592,814	546,890	488,674	852,544
Culture, Recreation, and Natural Resources	204,371	201,324	249,460	190,662	175,341
Highways and Transportation	372,406	409,321	623,619	515,262	374,151
Judicial	242,428	226,465	209,601	188,703	178,863
Legislative	26,401	20,876	20,564	13,940	12,313
Public Safety	482,202	438,744	437,857	373,973	359,980
Regulation and Licensing	129,504	118,611	112,887	96,071	87,008
Health and Human Services	5,292,991	4,851,140	4,527,036	4,043,961	3,790,976
Education	3,276,575	3,214,688	3,083,174	2,901,712	2,636,367
Capital Outlay	864,676	727,171	502,040	491,493	371,535
Debt Service:					
Interest	113,284	171,673	547,366	92,556	125,476
Principal	230,504	175,043	903,289	1,106,838	1,190,529
Bond Issuance Costs	984	932	397	445	3,870
Advance Refunding Escrow	-	-	-	-	651
<b>Total Expenditures</b>	<b>11,666,521</b>	<b>11,148,802</b>	<b>11,764,180</b>	<b>10,504,290</b>	<b>10,159,604</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,509,209)</b>	<b>467,866</b>	<b>(97,085)</b>	<b>211,254</b>	<b>(439,973)</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	196,330	220,270	1,468,650	795,012	1,535,043
Bond Premium	28,082	9,120	-	-	18,977
Refunding Bond Issue	-	490,950	-	-	-
Payment to Refunded Bond Escrow Agent	(95,290)	(498,480)	-	-	(75,077)
Nonoperating Revenues (Expenditures)	-	-	137,964	6,885	-
Operating Transfers In	8,119,988	7,191,186	6,179,320	5,888,308	5,217,701
Operating Transfers Out	(9,269,658)	(7,906,532)	(6,746,776)	(6,425,666)	(5,725,723)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,020,548)</b>	<b>(493,486)</b>	<b>1,039,158</b>	<b>264,539</b>	<b>970,921</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,529,757)</b>	<b>\$ (25,620)</b>	<b>\$ 942,073</b>	<b>\$ 475,793</b>	<b>\$ 530,948</b>
Debt Service as a Percentage of Noncapital Expenditures	3.2%	3.3%	12.9%	12.0%	13.4%

Note: Due to changes in the State's fund structure initiated when GASB 34 was implemented, the changes in fund balance information are only available beginning in fiscal year 2002.

## SCHEDULE A-4

(Modified Accrual Basis of Accounting)

Fiscal Year		
2004	2003	2002
\$ 3,957,290	\$ 3,366,514	\$ 3,217,911
79,069	113,421	92,360
1,069,187	639,731	163,936
370,014	302,101	275,350
190,945	88,386	85,089
3,474,722	3,090,476	2,792,421
173,300	139,060	497,998
9,314,527	7,739,689	7,125,065
343,036	272,941	359,439
173,455	199,287	163,326
291,302	208,190	478,520
164,519	154,441	148,217
11,935	22,121	11,474
325,687	330,397	312,982
79,517	73,338	96,649
3,639,440	3,383,743	3,042,898
2,610,544	2,321,789	2,258,083
364,113	563,652	392,205
133,740	246,340	92,062
364,460	176,328	270,071
10,597	-	-
7,286	-	-
8,519,631	7,952,567	7,625,926
794,896	(212,878)	(500,861)
1,103,469	336,653	513,880
59,904	-	-
437,950	-	-
(408,856)	-	-
-	-	-
4,697,378	4,628,455	4,195,209
(5,180,257)	(5,103,650)	(4,681,988)
709,588	(138,542)	27,101
\$ 1,504,484	\$ (351,420)	\$ (473,760)
6.1%	5.7%	5.0%

# STATE OF NEW MEXICO

## REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL FUND TYPES

Last Ten Fiscal Years  
(In Thousands)

	FISCAL YEAR				
	2009	2008, as Restated	2007, as Restated	2006	2005
<b>Revenues by Source</b>					
Taxes	\$ 5,000,741	\$ 5,805,490	\$ 5,405,246	\$ 4,727,838	\$ 4,179,738
Licenses, Fees, and Permits	-	-	361,099	212,590	98,114
Interest and Other Investment Income (Loss)	(7,483,436)	(1,246,963)	7,108,548	4,477,484	3,539,435
Rentals and Royalties	-	-	791,019	842,823	792,131
Charges for Services	3,017,082	3,041,802	3,257,602	3,224,728	2,688,146
Intergovernmental	5,437,836	4,746,377	3,893,922	3,759,989	3,640,312
Contributions	2,292,863	3,803,498	1,076,626	900,114	832,132
Other Sources	222,152	361,170	669,846	407,193	399,677
<b>Total Revenues</b>	<b>\$ 8,487,238</b>	<b>\$ 16,511,374</b>	<b>\$ 22,563,908</b>	<b>\$ 18,552,759</b>	<b>\$ 16,169,685</b>
<b>Expenditures by Function</b>					
Legislative	\$ 27,766	\$ 22,237	\$ 22,079	\$ 14,052	\$ 12,412
Judicial	248,206	231,577	215,954	194,452	184,319
General Control	4,711,275	4,722,551	4,847,573	3,670,838	3,271,862
Regulation and Licensing	132,021	119,868	115,717	97,956	88,722
Culture, Recreation and Natural Resources	219,952	215,416	263,457	202,330	185,303
Health and Human Services	5,299,954	4,746,873	4,534,851	4,055,602	3,729,641
Public Safety	501,864	453,309	451,320	390,557	378,394
Highway and Transportation	939,111	999,418	1,126,085	1,027,618	877,638
Education	6,808,798	6,102,434	5,357,146	5,118,191	4,633,879
<b>Total Expenditures</b>	<b>\$ 18,888,947</b>	<b>\$ 17,613,683</b>	<b>\$ 16,934,182</b>	<b>\$ 14,771,596</b>	<b>\$ 13,362,170</b>

\*As a result of adopting GASB 34, certain revenue and expenditure amounts are not comparable to years prior to 2002.

Note: The amounts above include balances from the primary government and component unit amounts from the Statement of Activities and fiduciary fund amounts from the Statement of Changes in Fiduciary Net Assets.

**SCHEDULE B-1**

<b>FISCAL YEAR</b>				
<b>2004</b>	<b>2003</b>	<b>2002*</b>	<b>2001</b>	<b>2000</b>
\$ 3,653,775	\$ 3,275,713	\$ 3,283,859	\$ 3,504,194	\$ 3,127,685
79,069	113,421	92,360	81,523	73,457
4,521,673	1,545,064	(1,112,306)	(1,239,950)	3,525,310
558,013	182,946	484,890	421,409	249,249
1,926,916	1,579,478	2,045,448	462,562	416,302
3,992,434	3,695,529	3,334,171	2,411,266	2,199,250
849,577	805,552	674,600	728,773	676,252
187,348	80,286	121,375	310,404	299,884
<u>\$ 15,768,805</u>	<u>\$ 11,277,989</u>	<u>\$ 8,924,397</u>	<u>\$ 6,680,181</u>	<u>\$ 10,567,389</u>
\$ 12,036	\$ 22,424	\$ 11,874	\$ 19,280	\$ 15,258
168,013	158,362	153,391	174,901	133,534
2,741,228	2,392,404	2,589,502	2,203,032	1,902,418
81,551	75,894	100,022	88,126	88,696
183,074	203,607	169,027	179,171	164,039
3,732,015	3,424,129	3,148,466	2,847,600	2,545,270
345,779	338,676	323,909	290,413	269,535
785,042	585,187	875,972	951,306	897,716
4,488,043	4,182,628	4,070,219	4,210,928	4,051,113
<u>\$ 12,536,781</u>	<u>\$ 11,383,311</u>	<u>\$ 11,442,382</u>	<u>\$ 10,964,757</u>	<u>\$ 10,067,579</u>

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years  
(In Thousands)

	FISCAL YEAR				
	2009	2008	2007	2006	2005
<b>REVENUES</b>					
<b>Taxes and License Fees</b>					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,831,946	\$ 1,835,572	\$ 1,840,489	\$ 1,689,838	\$ 1,512,483
Compensating	69,947	63,778	61,352	51,835	44,117
Tobacco (Luxury)	49,580	48,115	46,775	48,405	48,477
Alcoholic Beverage	25,837	25,093	26,726	29,340	25,173
Insurance	121,893	109,825	108,044	103,081	95,464
Fire Protection	30,809	21,109	19,929	24,589	27,157
Racing	614	660	1,378	362	897
Private Car	532	936	384	411	537
Motor Vehicle and Other Excise Tax	100,497	127,622	131,254	121,870	118,919
Gaming Tax	69,207	56,149	70,893	56,677	46,353
Leased Vehicles Gross Receipts and Surcharge	4,901	7,541	6,036	19,948	26,018
Bed Surcharge Tax	-	-	560	-	-
Gasoline Tax	(1,241)	1,957	410	-	-
Telecommunications Relay Surcharge	104	104	101	99	100
Boat Excise Tax	534	652	751	581	219
Franchise Receipts**	112	152	22	33	82
<b>Total General and Selective Sales Tax</b>	<b>2,305,272</b>	<b>2,299,265</b>	<b>2,315,104</b>	<b>2,147,069</b>	<b>1,945,996</b>
<b>Income Taxes</b>					
Gross Withholding	982,766	1,014,975	972,374	942,470	888,168
Final Settlements	387,901	546,498	516,122	471,952	446,945
Less:					
Transfer - Retiree Health Care	(14,996)	(15,704)	(9,647)	(8,453)	(7,623)
Transfer - PIT Suspense and Others	(450,902)	(344,184)	(299,375)	(373,974)	(247,158)
Refunds - TAA Suspense	(365)	(16,206)	(7,868)	(13,784)	(6,142)
Net Personal Income Taxes	904,404	1,185,379	1,171,606	1,018,211	1,074,190
Corporate Taxes	253,345	479,447	498,413	410,377	265,999
Less Refunds	(60,858)	(75,922)	(38,533)	(33,192)	(23,537)
Net Corporate Income Taxes	192,487	403,525	459,880	377,185	242,462
Estate Taxes	36	40	78	3,138	4,925
Fiduciary Taxes	13,650	13,011	8,597	12,960	11,825
<b>Total Income Taxes</b>	<b>1,110,577</b>	<b>1,601,955</b>	<b>1,640,161</b>	<b>1,411,494</b>	<b>1,333,402</b>
<b>Severance Taxes</b>					
Oil and Gas School Tax	370,354	557,332	420,254	483,240	381,302
7% Oil Conservation	18,260	24,065	19,916	22,564	17,822
Resources Excise	11,237	11,641	10,767	9,151	6,547
Natural Gas Processors	40,341	30,618	35,627	26,841	21,728
<b>Total Severance Taxes</b>	<b>440,192</b>	<b>623,656</b>	<b>486,564</b>	<b>541,796</b>	<b>427,399</b>
<b>Total Taxes</b>	<b>3,856,041</b>	<b>4,524,876</b>	<b>4,441,829</b>	<b>4,100,359</b>	<b>3,706,797</b>

\*\* In previous years, Franchise Receipts was reported in the section License Fees under the heading Taxes and License Fees. For fiscal year 2008, this line item is properly classified as General and Selective Sales Taxes under the heading Taxes and License Fees.

**SCHEDULE B-2**

<b>FISCAL YEAR</b>				
<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
\$ 1,556,015	\$ 1,340,369	\$ 1,274,281	\$ 1,253,424	\$ 1,142,105
36,718	38,398	36,009	36,593	33,502
51,828	18,318	17,985	18,422	18,939
28,472	25,376	24,688	26,687	26,752
102,201	53,763	50,690	44,562	47,022
25,765	20,756	24,587	19,953	16,414
1,188	1,150	1,154	1,146	1,058
476	661	336	579	346
115,730	111,142	106,966	97,440	97,042
41,646	38,997	28,920	23,353	19,416
6,556	6,067	6,362	6,352	6,367
-	-	-	-	-
-	-	-	-	-
108	94	76	68	-
307	366	537	574	-
121	57	17	3	5
<u>1,967,131</u>	<u>1,655,514</u>	<u>1,572,608</u>	<u>1,529,156</u>	<u>1,408,968</u>
950,904	832,687	798,038	760,579	692,300
420,278	346,920	460,162	326,820	389,414
(7,368)	(6,017)	(5,373)	(5,068)	(4,781)
(281,740)	(248,067)	(234,204)	(194,357)	(225,690)
(2,684)	(1,112)	(2,207)	9,513	16,191
<u>1,079,390</u>	<u>924,411</u>	<u>1,016,416</u>	<u>897,487</u>	<u>867,434</u>
172,712	154,669	178,758	240,112	177,744
(49,269)	(51,823)	(37,085)	(20,325)	(11,942)
<u>123,443</u>	<u>102,846</u>	<u>141,673</u>	<u>219,787</u>	<u>165,802</u>
8,764	28,443	21,185	24,228	16,237
11,033	7,003	9,331	8,607	8,644
<u>1,222,630</u>	<u>1,062,703</u>	<u>1,188,605</u>	<u>1,150,109</u>	<u>1,058,117</u>
366,056	229,639	205,121	329,031	169,506
16,689	11,939	10,763	16,687	8,931
6,182	5,756	5,356	5,691	6,118
16,513	21,077	20,270	12,111	12,262
<u>405,440</u>	<u>268,411</u>	<u>241,510</u>	<u>363,520</u>	<u>196,817</u>
<u>3,595,201</u>	<u>2,986,628</u>	<u>3,002,723</u>	<u>3,042,785</u>	<u>2,663,902</u>

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years  
(In Thousands)

	FISCAL YEAR				
	2009	2008	2007	2006	2005
<b>REVENUES (CONTINUED)</b>					
<b>Taxes and License Fees (Continued)</b>					
<b>License Fees</b>					
Manufactured Housing	\$ 590	\$ 648	\$ 652	\$ 674	\$ 728
Corporate Filing	2,821	2,997	2,955	2,841	2,810
Alcoholic Beverages and Gaming	3,627	3,593	4,195	3,509	3,541
Financial Institutions	3,148	3,046	3,011	3,073	2,845
Corporate Special	4,883	5,393	4,014	8,339	4,070
Construction Industries	6,052	7,648	7,369	6,825	6,800
Gaming License and Permit Fees	420	609	302	327	322
Securities Receipts	17,031	16,946	15,824	14,840	13,830
Public Utilities*	11,333	9,407	10,182	8,064	8,923
Health Facilities Fees	-	158	172	290	175
Pipeline Fees	34	75	137	11	38
Motor Vehicles Miscellaneous Fees	159	156	146	139	142
Drivers Training Fees	-	-	-	39	41
State Engineers Fees	-	-	-	-	-
<b>Total License Fees</b>	<u>50,098</u>	<u>50,676</u>	<u>48,959</u>	<u>48,971</u>	<u>44,265</u>
<b>Total Taxes and License Fees</b>	<u>3,906,139</u>	<u>4,575,552</u>	<u>4,490,788</u>	<u>4,149,330</u>	<u>3,751,062</u>
<b>Other Revenue Sources</b>					
<b>Investment Income</b>					
State Land Grant Permanent Fund Income	433,497	390,484	364,697	354,156	350,285
Earnings on State Balances	67,754	114,975	87,307	77,935	34,386
Severance Tax Permanent Fund Earnings	191,292	177,172	170,973	171,798	173,249
<b>Total Interest Earnings</b>	<u>692,543</u>	<u>682,631</u>	<u>622,977</u>	<u>603,889</u>	<u>557,920</u>
<b>Rents and Royalties</b>					
Federal Mineral Leasing	507,229	45,085	501,124	556,541	445,004
Land Office	36,442	611,182	50,410	52,696	42,044
<b>Total Rents and Royalties</b>	<u>543,671</u>	<u>656,267</u>	<u>551,534</u>	<u>609,237</u>	<u>487,048</u>
<b>Miscellaneous Receipts and Fees</b>					
Miscellaneous	-	-	-	-	-
Environment Department Filing Fees	8,551	2,253	1,237	1,272	1,181
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	65,385	66,560	56,158	49,520	41,263
Media Lease Payments	23	20	18	18	19
MVD Penalty Assessments	6,873	7,019	6,053	5,704	5,894
Fines and Forfeitures	8,756	9,110	8,086	8,425	8,243
Birth and Death Certificates	1,068	1,170	865	661	576
District Judge Receipts	1,202	1,208	1,042	986	1,032
Notary Public Fees	614	686	56	728	721

\* In previous years, Public Utilities was reported in the section General Selective Sales Taxes under the heading Taxes and License Fees of this schedule. For fiscal year 2008, this line item is properly classified as section License Fees under the heading of Taxes and License Fees.

**SCHEDULE B-2 (Continued)**

<b>FISCAL YEAR</b>				
2004	2003	2002	2001	2000
\$ 623	\$ 440	\$ 485	\$ 610	\$ 710
2,651	2,540	2,239	2,402	2,435
4,075	3,480	3,471	4,105	3,670
2,585	2,288	2,123	2,029	2,038
4,620	4,356	4,267	7,319	4,774
6,432	4,881	4,846	6,315	5,084
267	246	263	306	759
16,273	12,307	12,454	12,749	11,866
8,320	7,347	8,326	4,521	6,154
271	329	391	75	252
55	56	71	54	30
141	123	124	402	679
46	27	31	18	-
-	-	110	-	112
<u>46,359</u>	<u>38,420</u>	<u>39,201</u>	<u>40,905</u>	<u>38,563</u>
<u>3,641,560</u>	<u>3,025,048</u>	<u>3,041,924</u>	<u>3,083,690</u>	<u>2,702,465</u>
292,235	275,684	258,049	234,280	219,820
25,374	40,504	67,162	98,707	72,034
172,434	170,955	159,183	144,650	141,814
<u>490,043</u>	<u>487,143</u>	<u>484,394</u>	<u>477,637</u>	<u>433,668</u>
334,883	268,366	229,323	374,464	205,321
22,061	20,727	19,919	31,239	23,815
<u>356,944</u>	<u>289,093</u>	<u>249,242</u>	<u>405,703</u>	<u>229,136</u>
-	-	130	-	13
1,492	1,449	2,300	342	372
-	-	-	-	4
58,634	33,096	107,339	53	17,917
18	19	-	-	-
5,933	6,597	6,081	5,753	5,737
8,041	8,443	8,223	8,605	8,442
572	709	533	561	525
986	968	978	1,173	1,140
783	751	808	574	593

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years

(In Thousands)

	FISCAL YEAR				
	2009	2008	2007	2006	2005
<b>REVENUES (CONTINUED)</b>					
<b>Other Revenue Sources (Continued)</b>					
<b>Miscellaneous Receipts and Fees (Continued)</b>					
Court of Appeals	\$ -	\$ -	\$ -	\$ -	\$ -
Legislative Receipts	54	44	59	38	59
Workmen's Compensation Fees	70	80	67	10	21
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	6,953	6,699	6,838	8,593	7,042
Small County Assistance	4,013	7,943	-	-	1,563
Supreme Court Fees	-	-	-	-	-
Unclaimed Property	13,538	-	12,291	12,501	13,456
Public Defender Reimbursement	533	430	404	389	595
Small Cities Assistance	-	-	-	-	447
<b>Total Miscellaneous Receipts and Fees</b>	<u>117,633</u>	<u>103,222</u>	<u>93,174</u>	<u>88,845</u>	<u>82,112</u>
<b>Other Revenues</b>					
Miscellaneous Nonrecurring	33,942	45,024	51,210	42,209	44,653
Transfers - Reversions	331,995	66,000	38,880	45,030	82,589
<b>Total Other Revenues</b>	<u>365,937</u>	<u>111,024</u>	<u>90,090</u>	<u>87,239</u>	<u>127,242</u>
<b>Total Other Revenue Sources</b>	<u>1,719,784</u>	<u>1,553,144</u>	<u>1,357,775</u>	<u>1,389,210</u>	<u>1,254,322</u>
<b>Total Revenues</b>	<u>\$ 5,625,923</u>	<u>\$ 6,128,696</u>	<u>\$ 5,848,563</u>	<u>\$ 5,538,540</u>	<u>\$ 5,005,384</u>

**SCHEDULE B-2 (Continued)**

<b>FISCAL YEAR</b>				
2004	2003	2002	2001	2000
\$ -	\$ -	\$ -	\$ 566	\$ -
44	61	40	65	46
2	29	-	39	-
-	-	-	-	1
-	669	1,096	339	2,038
1,669	2,561	3,170	2,714	4,497
-	-	-	2	1
7,463	6,201	7,415	4,823	7,736
260	223	207	192	233
371	1,851	559	1,357	532
<u>86,268</u>	<u>63,627</u>	<u>138,879</u>	<u>27,158</u>	<u>49,827</u>
4,896	93	-	-	-
45,984	50,340	42,119	-	-
<u>50,880</u>	<u>50,433</u>	<u>42,119</u>	<u>-</u>	<u>-</u>
984,135	890,296	914,634	910,498	712,631
<u>\$ 4,625,695</u>	<u>\$ 3,915,344</u>	<u>\$ 3,956,558</u>	<u>\$ 3,994,188</u>	<u>\$ 3,415,096</u>

# STATE OF NEW MEXICO

## REVENUE BASE

Last Eight Fiscal Years  
(In Thousands)

	Calendar Year				
	2009 <sup>2</sup>	2008	2007	2006	2005
<b>Taxable Gross Receipts</b>					
Agriculture, Forestry and Fishing	\$ 41,778	\$ 83,216	\$ 84,941	\$ 81,043	\$ 83,895
Mining	1,237,520	2,473,548	2,162,156	2,063,727	1,626,594
Construction	4,061,718	7,407,837	7,546,822	7,402,413	6,038,563
Manufacturing	723,791	1,340,101	1,373,810	1,296,135	1,058,988
Transportation	402,318	646,162	577,428	500,233	399,323
Communications and Utilities	2,181,722	3,396,282	3,298,025	3,166,151	2,953,396
Wholesale Trade	1,312,038	2,632,017	2,583,579	2,702,003	2,419,634
Retail Trade	7,872,853	12,610,702	12,884,778	11,826,522	11,067,204
Finance, Insurance and Real Estate	596,689	1,106,311	1,198,885	1,047,208	955,373
Services and Other	15,727,637	18,953,106	17,201,063	16,085,796	14,679,218
Public Administration	123,194	191,262	521,733	460,533	469,556
Total Taxable Gross Receipts	<u>\$ 34,281,258</u>	<u>\$ 50,840,544</u>	<u>\$ 49,433,220</u>	<u>\$ 46,631,764</u>	<u>\$ 41,751,744</u>
State Gross Receipts Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Personal Income by Industry</b>					
Federal Civilian	\$ 2,271	\$ 2,999	\$ 2,900	\$ 2,768	\$ 2,580
Federal Military	787	1,087	1,129	1,125	1,125
State and Local Government	8,848	7,660	7,497	7,584	7,692
Farm Earnings	409	812	581	414	659
Forestry, Fishing, and Related Activities	111	112	124	127	120
Mining	1,770	2,037	1,904	1,820	1,477
Utilities	461	431	395	372	360
Construction	2,920	3,390	3,050	3,102	2,776
Manufacturing	2,192	2,341	2,658	2,468	2,264
Wholesale Trade	1,472	1,565	1,442	1,373	1,249
Retail	3,338	3,442	3,194	3,053	2,940
Transportation and Warehousing	1,245	1,346	1,249	1,201	1,125
Information	911	914	865	834	753
Financial, Insurance, Real Estate, Rental, and Leasing	2,236	2,211	2,316	2,250	2,150
Services	11,030	11,367	9,181	8,906	7,827
Other <sup>1</sup>	25,646	24,370	21,164	20,734	18,896
Total Personal Income	<u>\$ 65,647</u>	<u>\$ 66,084</u>	<u>\$ 59,649</u>	<u>\$ 58,131</u>	<u>\$ 53,993</u>
Highest Income Tax Rate	4.9%	4.9%	5.3%	5.3%	5.7%

<sup>1</sup>Other personal income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deduction for social insurance contributions.

<sup>2</sup>Data available as of August 2009 for taxable gross receipts and as September 2009 for personal income by industry.

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version, <http://www.tax.state.nm.us/pubs/rp806d.htm>  
Department of Commerce Bureau of Regional Economic Analysis, Report SA05,  
<http://www.bea.gov/regional/spi/default.cfm?satable=SA05N&series=NAICS>

Note: 2008 Personal income by industry information was updated as of December 2009.

Note: Taxable gross receipts and personal income by industry are only available beginning with fiscal year 2002 when the State implemented GASB 34.

**SCHEDULE B-3**

<b>Calendar Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 73,783	\$ 66,610	\$ 62,817
1,238,262	1,089,119	1,098,102
5,299,913	4,585,905	4,202,590
964,158	795,101	841,759
291,512	226,665	605,369
2,740,597	2,362,770	1,894,213
2,184,839	1,982,751	1,694,814
12,511,302	11,791,656	11,381,575
847,706	756,685	751,295
14,195,843	13,445,195	12,677,159
452,731	344,280	450,910
<u>\$ 40,800,646</u>	<u>\$ 37,446,737</u>	<u>\$ 35,660,603</u>
5.0%	5.0%	5.0%
\$ 2,451	\$ 2,254	\$ 2,185
1,115	1,036	931
7,264	6,788	6,399
681	528	498
114	113	115
1,258	1,230	1,115
338	305	295
2,456	2,239	2,113
2,188	2,117	2,090
1,161	1,100	1,096
2,824	2,711	2,633
1,056	929	904
725	733	741
2,036	1,932	1,900
7,403	6,934	6,549
16,743	15,701	15,421
<u>\$ 49,813</u>	<u>\$ 46,650</u>	<u>\$ 44,985</u>
6.8%	7.7%	8.2%

# STATE OF NEW MEXICO

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

## SCHEDULE B-4

Most Current Calendar Year and Historical Comparison  
(In Thousands)

	Calendar Year 2002				Calendar Year 2009 <sup>1</sup>			
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total
Agriculture, Forestry and Fishing	3,853	0.6%	\$ 62,817	0.2%	3,185	0.4%	\$ 41,778	0.1%
Mining	5,085	0.7%	1,098,102	3.1%	6,069	0.7%	1,237,520	3.6%
Construction	77,931	11.2%	4,202,590	11.8%	87,986	10.0%	4,061,718	11.8%
Manufacturing	29,293	4.2%	841,759	2.4%	29,327	3.3%	723,791	2.1%
Transportation	13,791	2.0%	605,369	1.7%	10,437	1.2%	402,318	1.2%
Communications and Utilities	8,718	1.2%	1,894,213	5.3%	48,201	5.5%	2,181,722	6.4%
Wholesale Trade	34,377	4.9%	1,694,814	4.8%	46,582	5.3%	1,312,038	3.8%
Retail Trade	142,234	20.4%	11,381,575	31.9%	162,046	18.4%	7,872,853	23.0%
Finance, Insurance and Real Estate	22,155	3.2%	751,295	2.1%	35,693	4.1%	596,689	1.7%
Services and Other	358,349	51.4%	12,677,159	35.5%	448,624	51.0%	15,727,637	45.9%
Public Administration	2,010	0.2%	450,910	1.2%	644	0.1%	123,194	0.4%
Total Number of Outlets and Total Taxable Gross Revenues	<u>697,796</u>	<u>100.0%</u>	<u>\$ 35,660,603</u>	<u>100.0%</u>	<u>878,794</u>	<u>100.0%</u>	<u>\$ 34,281,258</u>	<u>100.0%</u>
State Gross Receipts Tax Rate	5.0%			5.0%				

<sup>1</sup>Data available as of August 2009

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version, <http://www.tax.state.nm.us/pubs/rp806d.htm>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

Note: Revenue payers by industry are only available beginning with fiscal year 2002 when the State implemented GASB 34.

# STATE OF NEW MEXICO

## REVENUE PAYERS – PERSONAL INCOME TAX

## SCHEDULE B-5

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

Income Level	2002				2007*			
	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total
\$200,000 and higher	8,097	1.0%	\$ 876,946	26.0%	18,499	1.9%	\$ 1,947,615	40.9%
\$100,000 - \$199,999	36,026	4.5%	781,752	23.2%	66,476	6.8%	1,169,427	24.6%
\$75,000 - \$99,999	43,361	5.4%	475,407	14.1%	63,897	6.4%	534,725	11.2%
\$50,000 - \$74,999	91,317	11.3%	562,587	16.7%	112,179	11.4%	565,210	11.9%
\$49,999 and lower	626,050	77.8%	679,431	20.0%	719,183	73.5%	541,527	11.4%
Total	804,851	100.0%	\$ 3,376,123	100.0%	980,234	100.0%	\$ 4,758,504	100.0%

\*At the time of the issuance of the 2009 New Mexico State CAFR, the 2008 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, <http://www.irs.gov/taxstats/article/0,,id=171535,00.html>

# STATE OF NEW MEXICO

## PERSONAL INCOME TAX RATES

Last Eight Fiscal Years

## SCHEDULE B-6

Year	Top Tax Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Effective Rate
		Single	Married Filing Jointly	Head of Household	
2009	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
2008	4.9%	16,000	24,000	24,000	2.4%
2007	5.3%	16,000	24,000	24,000	1.8%
2006	5.3%	16,000	24,000	24,000	1.6%
2005	5.7%	16,000	24,000	24,000	2.2%
2004	6.8%	26,000	40,000	33,000	2.1%
2003	7.7%	42,000	64,000	53,000	2.6%
2002	8.2%	65,000	100,000	83,000	N/A

Source: New Mexico Department of Taxation and Revenue, Income Tax Facts annual publications,  
<http://www.tax.state.nm.us/pubs/TaxreseStat/personal.htm>

Note: Personal income tax rates are only available beginning with fiscal year 2002 when the State implemented GASB 34.

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# STATE OF NEW MEXICO

## Ratios of Outstanding Debt by Type

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, As Restated	2007	2006	2005
<b>Governmental Activities</b>					
General Obligation	\$ 453,730	\$ 388,318	\$ 371,129	\$ 273,280	\$ 315,925
Enhanced E-911 Revenue Bonds	-	-	745	1,455	2,130
Severance Tax Bonds	626,715	738,687	669,686	577,935	512,180
Revenue Bonds	1,707,996	1,790,900	1,829,528	1,453,057	1,559,535
Total Government	<u>2,788,441</u>	<u>2,917,905</u>	<u>2,871,088</u>	<u>2,305,727</u>	<u>2,389,770</u>
<b>Business-type Activities</b>					
Revenue Bonds	802,924	833,836	699,319	719,799	594,685
NMFA Bonds	1,094,765	1,166,862	810,183	730,391	594,734
NMMFA Bonds	1,362,528	1,046,225	1,491,035	1,290,949	1,324,844
Capital Leases	2,025	1,711	2,330	2,713	3,042
Total Primary Government	<u>3,262,242</u>	<u>3,048,634</u>	<u>3,002,867</u>	<u>2,743,852</u>	<u>2,517,305</u>
Total Debt	<u>\$ 6,050,683</u>	<u>\$ 5,966,539</u>	<u>\$ 5,873,955</u>	<u>\$ 5,049,579</u>	<u>\$ 4,907,075</u>
New Mexico Personal Income	\$ 65,648,333	\$ 66,337,250	\$ 62,001,991	\$ 58,131,416	\$ 53,992,896
Debt as a Percentage of Personal Income	9.2%	9.0%	9.5%	8.7%	9.1%
New Mexico Population	2,010	1,984	2,059	2,014	1,969
General Obligation Debt Per Capita	\$ 226	\$ 196	\$ 180	\$ 136	\$ 160
Total Long-Term Debt Per Capita	\$ 3,010	\$ 3,007	\$ 2,853	\$ 2,507	\$ 2,492

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

Note: See Schedule for Demographics and Economic Statistics for personal income and population data. Ratios are calculated based upon personal income and population, which are reported for the prior calendar year.

Note: In the past, we were using total debt to calculate our ratios; starting 2008, we are using outstanding debt to do ratio calculation; therefore, we are changing prior year numbers to reflect the change.

Note: Outstanding debt by type is only available beginning with fiscal year 2002 when the State implemented GASB 34.

**SCHEDULE C-1**

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 246,375	\$ 287,310	\$ 200,287
2,775	3,390	3,980
486,840	473,405	416,311
1,696,603	841,781	891,465
<u>2,432,593</u>	<u>1,605,886</u>	<u>1,512,043</u>
354,639	341,259	298,802
399,059	397,368	322,541
1,244,522	1,195,039	1,228,013
2,882	3,433	5,483
<u>2,001,102</u>	<u>1,937,099</u>	<u>1,854,839</u>
<u>\$ 4,433,695</u>	<u>\$ 3,542,985</u>	<u>\$ 3,366,882</u>
\$ 49,813,042	\$ 46,650,275	\$ 44,986,517
8.9%	7.6%	7.5%
1,930	1,900	1,876
\$ 128	\$ 151	\$ 107
\$ 2,297	\$ 1,865	\$ 1,795

# STATE OF NEW MEXICO

## OTHER LONG-TERM LIABILITIES

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008, As Restated	2007	2006	2005
<b>Governmental Activities</b>					
General Obligation Bonds, Net	\$ 481,812	\$ 388,318	\$ 371,874	\$ 273,280	\$ 315,925
Severance Tax Bonds	626,715	738,687	669,686	577,935	512,180
Revenue Bonds	1,707,996	1,790,900	1,829,528	1,453,057	1,559,535
Notes Payable	43,781	2,943	-	-	-
Claims and Judgments	217,426	238,714	44,826	48,466	44,666
Reserve for Losses	-	-	13,305	13,743	71,466
Compensated Absences	73,757	68,898	62,658	60,194	56,040
Pollution Remediation Obligation	7,992	8,813	-	-	-
Other	100	251	75,393	63,318	7,155
Total Governmental Activities	<u>3,159,579</u>	<u>3,237,524</u>	<u>3,067,270</u>	<u>2,489,993</u>	<u>2,566,967</u>
<b>Business-type Activities</b>					
Revenue Bonds, Net	809,215	833,836	699,453	719,799	594,685
Capital Leases	2,075	1,711	2,330	2,713	3,042
Compensated Absences	87,747	67,466	61,211	57,648	49,118
Reserve for Losses	70,286	63,090	-	-	-
Other	33,951	29,705	97,657	95,072	27,366
Total Business-type Activities	<u>1,003,274</u>	<u>995,808</u>	<u>860,651</u>	<u>875,232</u>	<u>674,211</u>
Total Primary Government					
Other Long-term Liabilities	<u>\$ 4,162,853</u>	<u>\$ 4,233,332</u>	<u>\$ 3,927,921</u>	<u>\$ 3,365,225</u>	<u>\$ 3,241,178</u>

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

Note: Other long-term liability information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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**SCHEDULE C-2**

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 246,375	\$ 287,310	\$ 200,287
486,840	473,405	416,311
1,696,603	841,781	891,465
-	-	-
37,000	36,555	36,043
51,157	43,613	38,753
54,006	51,968	52,270
-	-	-
65,322	116,060	123,471
<u>2,637,303</u>	<u>1,850,692</u>	<u>1,758,600</u>
354,639	341,259	298,561
2,882	3,433	5,483
48,159	42,699	65,669
-	-	-
30,844	51,979	104,108
<u>436,524</u>	<u>439,370</u>	<u>473,821</u>
<u>\$ 3,073,827</u>	<u>\$ 2,290,062</u>	<u>\$ 2,232,421</u>

# STATE OF NEW MEXICO

## LEGAL DEBT MARGIN

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008	2007	2006	2005
Net Taxable Value of Property	\$ 50,463,804	\$ 47,261,516	\$ 42,985,028	\$ 38,910,768	\$ 35,890,023
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	504,638	472,615	429,850	389,108	358,900
General Obligation Bonds	453,730	388,318	371,874	274,735	318,055
Enhanced E-911 Bonds	-	-	762	1,521	2,277
Total General Debt Outstanding	453,730	388,318	372,636	276,256	320,332
Legal Debt Margin	\$ 50,908	\$ 84,297	\$ 57,214	\$ 112,852	\$ 38,568
Legal Debt Margin as a Percentage of the Debt Limit	10.1%	17.8%	13.3%	29.0%	10.7%

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's comprehensive annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division Financial and Property Tax Data by County and Municipality. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule. The legal debt margin is the remaining from the legal debt limit as calculated per regulation requirements. The *Constitution of the State of New Mexico* Article IX, Section 8 limits the State's outstanding general debt to a maximum of 1.0 percent of the net taxable value of all property subject to taxation within the State.

Note: Net taxable value of property and legal debt margin information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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**SCHEDULE C-3**

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 32,149,435	\$ 31,750,454	\$ 30,901,933
1.0%	1.0%	1.0%
<u>321,494</u>	<u>317,505</u>	<u>309,019</u>
249,150	290,700	204,267
<u>3,032</u>	<u>3,785</u>	<u>4,543</u>
<u>252,182</u>	<u>294,485</u>	<u>208,810</u>
<u>\$ 69,312</u>	<u>\$ 23,020</u>	<u>\$ 100,209</u>
21.6%	7.3%	32.4%

# STATE OF NEW MEXICO

## PLEDGED REVENUE BOND COVERAGE

## SCHEDULE C-4

Last Eight Fiscal Years  
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service (Total Debt Outstanding)		Coverage
		Principal	Interest	
<b>Severance Tax Bonds (Including Supplemental Subordinate Liens)</b>				
2009	\$ 550,222	\$ 688,480	\$ 133,643	66.9%
2008	573,595	626,715	118,654	77.0%
2007	1,097,517	669,686	117,345	139.5%
2006	996,911	577,935	105,736	145.8%
2005	817,872	512,180	91,120	135.6%
2004	629,339	486,840	89,988	109.1%
2003	614,828	473,405	86,620	109.8%
2002	463,859	416,311	80,497	93.4%
<b>Highway Infrastructure Bonds</b>				
2009	\$ 726,430	\$ 1,687,175	\$ 846,881	28.7%
2008	5,558,581	1,761,675	835,250	214.0%
2007	5,558,581	1,432,834	602,912	273.0%
2006	4,857,704	1,424,629	599,736	240.0%
2005	5,095,626	1,504,043	668,971	234.5%
2004	3,352,441	1,576,463	740,558	144.7%
2003	2,766,794	928,280	297,300	225.8%
2002	2,452,589	982,060	343,579	185.0%
<b>Energy and Minerals Bonds</b>				
2009	\$ 3,730	\$ 17,373	\$ 4,934	16.7%
2008	4,085	18,825	5,451	16.8%
2007	3,911	20,223	6,316	14.7%
2006	4,369	21,574	7,222	15.2%
2005	3,527	22,890	8,009	11.4%
2004	3,064	24,161	8,680	9.3%
2003	3,416	17,750	7,668	13.4%
2002	3,092	18,603	8,579	11.4%

Source: New Mexico Taxation and Revenue Department, Financial Distributions Bureau  
 New Mexico Department of Finance and Administration, Board of Finance  
 New Mexico Department of Transportation audited financial statements  
 New Mexico Energy, Minerals and Natural Resources audited financial statements  
 New Mexico Department of Finance and Administration, Administrative Services Division

Note: Pledged revenue information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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# STATE OF NEW MEXICO

## STATUTORY DEBT LIMIT

Last Eight Fiscal Years  
(In Thousands)

	Fiscal Year				
	2009	2008	2007	2006	2005
Annual Deposits into Severance Tax Bonding Fund	\$ 550,222	\$ 573,595	\$ 508,508	\$ 532,386	\$ 405,541
50.0% of Annual Deposits	275,111	286,798	254,254	266,193	202,771
Statutory Debt Limit Amount	<u>275,111</u>	<u>286,798</u>	<u>254,254</u>	<u>266,193</u>	<u>202,771</u>
Annual Bond Servicing Amount	<u>203,150</u>	<u>200,633</u>	<u>93,005</u>	<u>107,154</u>	<u>87,348</u>
Statutory Debt Margin Amount	<u>\$ 71,961</u>	<u>\$ 86,165</u>	<u>\$ 161,249</u>	<u>\$ 159,039</u>	<u>\$ 115,423</u>
Statutory Debt Margin as a Percentage of Debt Limit	26.2%	30.0%	63.4%	59.7%	56.9%

Source: New Mexico Office of the State Treasurer audited financial statements  
State of New Mexico continuing disclosure annual financial information filing/New Mexico Board of Finance

Note: Statutory Debt Limit information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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**SCHEDULE C-5**

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 319,337	\$ 257,157	\$ 246,046
<u>159,669</u>	<u>128,579</u>	<u>123,023</u>
<u>159,669</u>	<u>128,579</u>	<u>123,023</u>
<u>86,869</u>	<u>80,751</u>	<u>77,016</u>
\$ 72,800	\$ 47,828	\$ 46,007
45.6%	37.2%	37.4%

# STATE OF NEW MEXICO

## DEMOGRAPHIC AND ECONOMIC INDICATORS

## SCHEDULE D-1

Last Eight Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling (Pop=25 Yrs &amp; &gt;)</u>	<u>Public School Enrollment</u>
2009	2,009,671	\$ 65,648,333,333	\$ 32,666	N/A	N/A	323,882
2008	1,984,356	66,337,250,000	33,430	35.8	12.34	329,261
2007	2,059,075	62,001,991,000	31,474	35.7	12.33	326,525
2006	2,014,006	58,131,416,000	29,929	35.3	12.31	321,663
2005	1,969,291	53,992,896,000	28,175	36.1	12.31	320,452
2004	1,929,713	49,813,042,000	26,326	35.7	12.26	315,543
2003	1,899,846	46,650,275,000	24,945	35.4	12.23	313,037
2002	1,876,287	44,986,517,000	24,310	35.1	12.20	312,209

Source: Population, Personal Income, Per Capita Personal Income and Median Age provided through the New Mexico Bureau of Business and Economic Research, University of New Mexico. Education level in years of schooling sourced from the U.S. Census Bureau. School enrollment provided by the New Mexico Department of Finance and Administration, Office of Education and Accountability.

Note: Personal Income data as of 2009, 3rd quarter.

2007 population data is for calendar year ending December 31, 2007.

2009 population data is through July 2008 and the source of the data was the U.S. Census Bureau.

Note: Demographic and economic indicators information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

# STATE OF NEW MEXICO

## PRINCIPAL EMPLOYERS

## SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2002			Calendar Year 2009		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Wal-Mart Associates	11,269	1	1.5%	14,877	1	1.7%
Sandia Corporation/Lockheed Martin Corporation	7,928	2	1.1%	10,200	2	1.1%
Presbyterian Healthcare	5,671	3	0.8%	9,000	3	1.0%
Intel Corporation	5,196	4	0.7%	3,000	7	0.3%
Lovelace Health Systems	3,224	5	0.4%	3,500	6	0.4%
University of New Mexico Hospital	N/A	N/A	N/A	5,797	4	0.6%
Atlas Resources	2,997	6	0.4%	N/A	N/A	N/A
Public Service Company of New Mexico	2,325	7	0.3%	3,864	5	0.4%
Albertsons	2,264	8	0.3%	N/A	N/A	N/A
Ladera Nursing	2,137	9	0.3%	N/A	N/A	N/A
Smith's Food and Drugs	2,129	10	0.3%	2,441	8	0.3%
St. Vincent Regional Medical Center	N/A	N/A	N/A	2,010	9	0.2%
T-Mobile	N/A	N/A	N/A	1,500	10	0.2%
<b>Total Employees of Principal Employers</b>	<b>45,140</b>		<b>6.1%</b>	<b>56,189</b>		<b>6.2%</b>

Source: 2009 Book of Business List

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

Smith's Food and Drugs Corporate Human Resources Department

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

# STATE OF NEW MEXICO

## COMPOSITION OF LABOR FORCE

Last Eight Fiscal Years  
(In Millions)

	Calendar Year				
	2009	2008, As Restated	2007	2006	2005
<b>Nonagricultural Jobs</b>					
Government	190,594	187,723	186,955	183,436	181,088
Mining	19,093	21,078	19,347	18,624	16,860
Construction	50,128	57,356	59,966	59,191	54,356
Manufacturing	30,887	35,035	37,606	37,659	36,306
Trade, Transportation and Utilities	135,952	143,162	142,935	139,875	138,417
Information	14,190	15,970	17,327	15,859	14,651
Financial Activity	32,334	33,350	33,822	33,870	33,617
Professional and Business Services	103,507	108,484	109,233	102,361	92,472
Education and Health Services	105,452	102,859	99,639	96,060	93,236
Leisure and Hospitality	83,026	86,625	89,249	86,621	83,763
Other Services	21,352	22,846	21,869	21,817	21,362
Total Nonagricultural Jobs	<u>786,515</u>	<u>814,488</u>	<u>817,948</u>	<u>795,373</u>	<u>766,128</u>
Civilian Labor Force	956,593	959,458	863,518	846,790	826,405
Total Employed	893,985	919,466	830,424	807,063	778,233
Unemployed	62,607	39,992	33,094	39,727	48,172
Unemployment Rate	6.6%	4.2%	3.5%	4.2%	5.3%

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

Note: 2009 Information is available as of March of the same year.  
Employment information is available as of October of the same year.  
2008 information was revised

Note: Composition of labor force information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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**SCHEDULE D-3**

<b>Calendar Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
178,280	175,067	171,687
15,010	14,221	13,945
50,301	47,166	45,746
35,870	36,472	38,365
136,223	134,167	133,918
14,816	15,906	16,864
33,171	32,643	32,452
89,996	88,553	89,033
90,856	86,713	82,116
82,443	81,447	80,051
21,133	20,802	20,293
<u>748,099</u>	<u>733,157</u>	<u>724,470</u>
812,365	798,594	785,739
760,449	745,935	737,418
51,916	52,659	48,321
5.8%	5.9%	5.5%

# STATE OF NEW MEXICO

## PUBLIC HIGHER EDUCATION ENROLLMENT

Last Nine Fiscal Years

	Academic Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
Eastern New Mexico University	5,639	4,300	4,180	8,863	8,945
Highlands University	4,688	3,524	3,457	3,726	3,484
New Mexico Institute of Mining and Technology	2,550	1,912	1,844	1,868	1,888
New Mexico State University	20,411	17,200	16,726	27,507	26,902
Northern New Mexico College <sup>2</sup>	3,717	3,303	N/A	2,250	2,196
University of New Mexico	30,156	25,820	25,749	32,506	33,108
Western New Mexico University	4,052	2,820	2,727	2,738	2,844
<b>Total All Four-Year Institutions</b>	<b>71,213</b>	<b>58,879</b>	<b>54,683</b>	<b>79,458</b>	<b>79,367</b>

	Academic Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
Albuquerque Technical Vocational Institute <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Central New Mexico Community College <sup>1</sup>	38,842	35,553	34,722	23,607	24,057
Clovis Community College	6,198	5,876	5,703	3,652	3,937
Luna Community College	2,970	3,078	2,870	1,807	2,034
Mesalands Community College	1,783	1,431	1,137	692	648
New Mexico Junior College	4,887	4,691	4,553	3,106	3,104
New Mexico Military Institute	549	564	588	513	493
Northern New Mexico College <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
San Juan Community College	20,736	17,050	15,541	9,941	8,993
Santa Fe Community College	9,397	9,040	8,960	5,450	5,412
<b>Total All Two-Year Institutions</b>	<b>85,362</b>	<b>77,283</b>	<b>74,074</b>	<b>48,768</b>	<b>48,678</b>
<b>Total All Institutions</b>	<b>156,575</b>	<b>136,162</b>	<b>128,757</b>	<b>128,226</b>	<b>128,045</b>

<sup>1</sup>Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

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

Source: New Mexico Higher Education Department, Condition of Higher Education in New Mexico Report, <http://hed.state.nm.us/content.asp?CustComKey=193252&CategoryKey=193253&pn=Page&DomName=hed.state.nm.us>  
 NM Council of University Presidents, Annual Performance Effectiveness Report, <http://www.unm.edu/~cup/Reports.htm>

Note: Public higher education enrollment information is only available beginning with academic year 2001-2002 when the State implemented GASB 34.

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**SCHEDULE D-4**

<b>Academic Year</b>			
<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>
8,914	7,973	7,332	7,083
3,551	3,207	3,024	3,190
1,829	1,800	1,747	1,562
26,645	25,757	24,305	23,485
N/A	N/A	N/A	N/A
33,614	32,953	32,102	30,505
2,858	2,982	2,551	2,441
<u>77,411</u>	<u>74,672</u>	<u>71,061</u>	<u>68,266</u>

<b>Academic Year</b>			
<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>
22,927	22,002	20,017	18,880
N/A	N/A	N/A	N/A
4,195	4,126	3,763	3,807
2,041	1,655	1,651	1,394
574	498	407	474
3,546	3,280	3,258	3,222
483	435	458	508
2,121	1,822	1,961	1,879
9,128	7,585	6,604	6,001
5,170	4,405	4,470	4,095
<u>50,185</u>	<u>45,808</u>	<u>42,589</u>	<u>40,260</u>
<u>127,596</u>	<u>120,480</u>	<u>113,650</u>	<u>108,526</u>

# STATE OF NEW MEXICO

## FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year				
	2009	2008	2007	2006	2005
General Government					
Government Operations	1,315.3	1,311.3	1,231.1	1,220.8	1,245.3
Taxation and Revenue	1,206.0	1,241.7	1,124.7	1,109.7	1,010.7
Human Services and Youth Corrections	4,325.1	4,375.1	4,100.1	3,985.1	3,779.8
Adult Corrections	2,538.5	2,538.5	2,473.5	2,326.0	2,295.0
Public Safety	1,574.5	1,595.6	1,520.1	1,476.1	1,449.5
State Courts	3,477.0	3,481.0	3,175.3	2,988.3	2,905.8
Health and Environment					
Department of Health	4,138.0	4,141.0	4,065.5	4,014.5	3,866.8
Department of Environment	720.5	720.5	664.5	647.5	640.5
Miners Colfax Community Hospital	225.0	225.0	225.0	225.0	225.0
Employment and Family Services	696.5	696.5	674.0	672.0	651.5
Natural Resources	993.3	1,041.3	1,002.8	957.7	870.7
Cultural Affairs	551.0	586.0	565.5	561.5	555.0
Business, Labor and Agriculture	1,955.3	1,960.1	2,110.2	1,893.7	1,874.4
Education	423.2	427.8	391.8	386.3	333.9
Transportation	2,756.5	2,756.5	2,673.5	2,673.5	2,673.5
<b>Total Full-Time Equivalent State Employees</b>	<b>26,895.7</b>	<b>27,097.9</b>	<b>25,997.6</b>	<b>25,137.7</b>	<b>24,377.4</b>
Change	(0.8)%	4.1%	3.3%	3.0%	0.8%

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

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

Note: Information on Full-time equivalent state employees by function information is only available beginning with fiscal year 2002 when the State implemented GASB 34.

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**SCHEDULE E-1**

<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
1,189.6	1,173.3	1,169.0
987.7	987.7	1,008.1
3,776.3	3,781.4	3,854.9
2,287.0	2,231.5	2,254.0
1,384.0	1,376.0	1,300.0
2,844.0	2,746.2	2,694.4
3,904.3	3,848.1	3,666.0
640.5	642.5	630.5
225.0	215.0	216.0
650.2	648.2	647.2
863.7	858.4	855.5
557.4	536.3	540.0
1,873.3	1,863.9	1,897.2
316.7	289.9	288.9
<u>2,673.5</u>	<u>2,673.5</u>	<u>2,675.5</u>
<u>24,173.2</u>	<u>23,871.9</u>	<u>23,697.2</u>
<u>1.2%</u>	<u>0.7%</u>	<u>3.5%</u>

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION

## SCHEDULE E-2

Last Six Fiscal Years

	Fiscal Year					
	2009	2008, As Restated	2007, As Restated	2006	2005	2004
<b>General Government</b>						
<b>Operations</b>						
Public Employees' Retirement Fund's National Performance Ranking Percentile (Five-Year Annualized) <sup>5 7</sup>	49 <sup>th</sup>	49 <sup>th</sup>	41 <sup>st</sup>	82 <sup>nd</sup>	83 <sup>rd</sup>	87 <sup>th</sup>
% Decrease in Workers' Compensation Claims <sup>5</sup>	14%	1%	21%	9%	37%	5%
Projected Financial Position of Workers' Comp Liability Funds (\$ Millions)	(28)	(29)	(25)	(23)	(17)	(9)
# of Newly Registered Voters <sup>5 7</sup>	129,062	71,971	45,907	46,614	317,000	112,000
<b>Taxation</b>						
% of Electronically Filed Personal Income Tax Returns <sup>5 6</sup>	51%	49%	37%	34%	30%	17%
% of Motor Vehicle Registrations Issued (with Liability Insurance) <sup>5 6</sup>	91%	89%	89%	87%	86%	83%
% of Delinquent Property Tax Accounts Resolved <sup>5 6</sup>	N/A <sup>1</sup>	38%	66%	62%	89%	78%
Amount of Delinquent Property Tax Collected and Distributed to Counties (New Measure Fiscal Year 2009, \$ Millions)	4.5	N/A	N/A	N/A	N/A	N/A
<b>Regulation</b>						
# of Vehicular Port Traffic at New Mexico Ports <sup>5 7</sup>	437,495	742,395	740,931	693,583	623,855	664,528
Nursing Licenses Issued <sup>5 7</sup>	13,897	13,930	13,281	11,885	11,099	11,586
Tri-Annual Physician Licenses Issued <sup>5 7</sup>	3,546	3,508	2,831	3,010	2,787	1,668
Biennial Physician Assistant Licenses Issued <sup>5 7</sup>	277	262	245	221	411	201
Annual Veterinarian Licenses Issued <sup>5 7</sup>	122	45	84	56	59	63
<b>Public Safety</b>						
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau <sup>5 7</sup>	23,453	28,422	25,817	26,196	48,774	20,250
Attrition Rate of New Mexico Army National Guard <sup>5 7</sup>	16%	16%	12%	16%	24%	15%
# of Traffic Fatalities <sup>5</sup>	384	371	424	519	469	521
# of Driving While Intoxicated Fatalities <sup>5</sup>	153	163	137	199	146	217
# of Driving While Intoxicated Arrests <sup>5 7</sup>	3,694	3,363	3,883	3,261	3,879	4,314
Pounds of Narcotics Seized by Motor Transportation <sup>5</sup>	N/A <sup>1</sup>	N/A	26,377	33,349	51,770	N/A
# of Dismantled Methamphetamine Laboratories <sup>5</sup>	N/A <sup>1</sup>	N/A	N/A	36	71	83
Number of Narcotics Seizures by Motor Transportation (New Measure) <sup>5</sup>	74	N/A	N/A	N/A	N/A	N/A
<b>Education</b>						
<b>Public</b>						
# of High School Graduates <sup>1</sup>	19,357	18,588	18,260	17,660	17,830	18,080
Student Dropout Rate for Grades 9 - 12 <sup>2</sup>	N/A	5%	6%	5%	5%	5%
Public School Capital Outlay Allocation (\$ Millions) <sup>3 4</sup>	152.9	137.3	159.5	242	280	248
<b>Higher</b>						
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion)	43%	43%	42%	37%	39%	39%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years <sup>5 6</sup>	65%	66%	65%	65%	64%	64%
<b>Health and Human Services</b>						
# of Blind/Visually Impaired Individuals Who Received Adaptive Training <sup>5 7</sup>	1,107	718	879	595	560	580

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION

## SCHEDULE E-2 (CONTINUED)

Last Six Fiscal Years

	Fiscal Year					
	2009	2008, As Restated	2007, As Restated	2006	2005	2004
<b>Health and Human Services (Continued)</b>						
% of Children Receiving Services in Medicaid Managed Care <sup>5 6</sup>	60%	64%	65%	55%	45%	52%
% of Child Support Collected of Support Owed <sup>5 6</sup>	59%	58%	56%	54%	52%	52%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) <sup>5 7</sup>	182	222	270	160	840	72
% of Children Adopted within 24 Months of Entry into Foster Care <sup>5 7</sup>	28%	36%	38%	33%	35%	44%
% of Abused Children with Repeat Maltreatment <sup>5 6</sup>	6%	8%	7%	8%	7%	11%
% of Preschoolers Fully Immunized <sup>5 6</sup>	95%	81%	72%	78%	84%	75%
# Childhood Vaccines Distributed <sup>5</sup>	806,970	847,419	N/A	N/A	870,365	825,000
New Mexico Teenage Birth Rate/1000 Population for Females Ages 15 - 17 <sup>5 6</sup>	N/A	35%	35%	35%	36%	38%
U.S. Teenage Birth Rate/1000 Population for Females Ages 15 - 17 <sup>5</sup>	N/A	N/A	N/A	22%	21%	22%
Suicide Rate for Adults (Age 20 & Older)/100,000 Population <sup>5 6</sup>	N/A	N/A	23%	22%	24%	N/A
# of Operating School-Based Health Centers <sup>5 6</sup>	84	84	65	66	34	13
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) <sup>5 7</sup>	3.8	3.3	3.7	4.1	3.8	3.7
<b>Corrections</b>						
<b>Juvenile</b>						
% Juveniles Earning Education Credits While Incarcerated <sup>5 6</sup>	38%	75%	84%	72%	42%	N/A
% of Juveniles Who Complete Formal Probation <sup>5 6</sup>	91%	90%	91%	90%	80%	83%
% of Juveniles Recommitted to a Youth Detention Facility <sup>5 6</sup>	10%	4%	13%	14%	17%	17%
<b>Adult</b>						
Turnover Rate of Correctional Officers <sup>5 7</sup>	10%	13%	15%	21%	11%	12%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) <sup>5 7</sup>	40%	33%	38%	41%	38%	N/A
% of Prisoners Reincarcerated within 12 Months After Release into Community Supervision Program <sup>5 7</sup>	29%	29%	32%	30%	26%	N/A
% of Prisoners Reincarcerated within 24 months After Release into Community Supervision Program <sup>5 7</sup>	39%	42%	42%	38%	42%	N/A
# of Inmates Enrolled in Adult Basic Education <sup>5 7</sup>	N/A <sup>1</sup>	3,228	2,738	2,850	1,397	1,685
% of Participating Inmates Completing Adult Basic Education (New Measure) <sup>5 7</sup>	31%	N/A	N/A	N/A	N/A	N/A
<b>Judicial</b>						
Medicaid Fraud Recoupments (\$ Millions) <sup>7</sup>	0.5	1.14	1.42	1.95	1.62	1.22
<b>Culture and Recreation</b>						
# of Visits to Visitor Information Centers (Millions) <sup>5 7</sup>	1.3	0.68	0.51	1.05	1.06	0.90
# of Unique Website Visitor Sessions (Millions) <sup>5 7</sup>	1.4	3.28	5.26	5.09	2.59	N/A
Circulation Rate for New Mexico Magazine <sup>5 7</sup>	85,264	105,665	105,275	107,870	106,758	113,333
Attendance to Museum Exhibitions, Performances, Films, Programs <sup>5 7</sup>	843,475	840,520	790,175	902,282	886,812	808,457
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters <sup>5 7</sup>	83%	83%	83%	85%	84%	85%
Fish Output from Hatchery System (in Pounds) <sup>5 7</sup>	423,501	451,337	410,579	441,707	477,665	312,625
# of Visitors to State Parks (Millions) <sup>5 6</sup>	4.50	4.60	4.03	4.16	4.20	3.84

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION

## SCHEDULE E-2 (CONTINUED)

Last Six Fiscal Years

	Fiscal Year					
	2009	2008, As Restated	2007, As Restated	2006	2005	2004
<b>Natural Resources, Environment</b>						
% of Annual Inspections Conducted of Oil and Gas Wells (Includes Reinspections)	N/A <sup>1</sup>	N/A <sup>1</sup>	48%	42%	42%	39%
# of Inspections of Oil and Gas Wells and Associated Facilities (New Measure)	38,318	35,169	N/A	N/A	N/A	N/A
# of Projects Funded to Improve New Mexico's Natural Resources	33	31	32	35	35	35
# of Mine Inspections Conducted <sup>5 7</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	220	324	278	282
% of Required Mine Inspection Conducted (New Measure) <sup>5 7</sup>	100%	99%	N/A	N/A	N/A	N/A
# of Abandoned Mine Hazards Safeguarded <sup>5 7</sup>	N/A <sup>1</sup>	N/A	52	42	126	78
% of Abandoned Uranium Mines with Current Site Assessments (New Measure) <sup>5 7</sup>	23%	N/A	N/A	N/A	N/A	N/A
% of Landfills Meeting Groundwater Monitoring Requirements <sup>5 6</sup>	72%	61%	66%	71%	80%	88%
# of Wildlife Habitat Acres Conserved or Enhanced	76,861	132,00	110,621	106,921	N/A	N/A
# of Threatened/Endangered Species Monitored/Involved in Recovery Process <sup>5 7</sup>	82	77	69	58	49	42
# of Individuals Served by Labor Market Services who Found Employment <sup>5 7</sup>	55,189	50,290	39,190	35,217	35,522	51,935
# of Individuals Served by Labor Market Services <sup>5 7</sup>	140,485	128,249	108,172	74,818	338,928	367,901
% of Adults who Entered Employment in 1 <sup>st</sup> Quarter of Receiving Training Services <sup>5</sup>	83%	86%	85%	80%	74%	77%
% of Disabled Persons Achieving Suitable Employment Outcomes <sup>5</sup>	55%	61%	61%	62%	59%	N/A
# of Business Expansions Assisted in Urban Areas <sup>5 6</sup>	36	35	34	35	34	42
# of Rural Jobs Created <sup>5 6</sup>	1,641	2,200	1,451	2,192	2,043	1,698
# of Media Industry Worker Days <sup>5 6</sup>	162,190	110,000	168,046	161,137	99,695	40,087
Economic Impact of Media Industry Productions (\$ Millions) <sup>5 6</sup>	746.4	175.0	473.7	350.0	271.7	N/A
New Mexico Exports to Mexico (\$ millions) <sup>5 7</sup>	347.3	350	333	166	253	350
<b>Highways and Transportation</b>						
# of System wide Miles in Deficient Condition <sup>5 6</sup>	2,951	3,468	3,468	3,905	5,567	5,768
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled <sup>5 7</sup>	1.44	5.61	1.73	2.13	1.99	2.10
# of Statewide Improved Pavement Surface Miles <sup>5 6</sup>	3,764	4,321	2,424	4,144	3,700	5,337

Source: Various departments of the State of New Mexico

<sup>1</sup>National Center for Education Statistics

<sup>2</sup>2004-2005 and 2005-2006 New Mexico Dropout Report published by New Mexico Public Education Department

<sup>3</sup>Report of the Legislative Finance Committee to the 47th Legislature First Session, January 2006, Vol. I, Pg. 105

<sup>4</sup>New Mexico Public Schools Finance Authority

<sup>5</sup>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

<sup>6</sup>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

<sup>7</sup>Report of the Legislative Finance Committee to the 48th Legislature Second Session, January 2007, Vol. II, Pg. 35, 55, 110, 114, 126, 129, 131, 136, 153, 157, 161, 163, 171, 181, 191-92, 200, 226, 250, 259, 269, 297, 302-3, 307, 316-17, 321, 328, 335

N/A<sup>1</sup> Measure deleted in fiscal year 2009 and replaced by different criteria.

Note: 2009 Vehicular Port Traffic data is as July 2009.

Note: The State of New Mexico passed the Accountability in Government Act, Chapter 6-3A, NMSA 1978, in 1999. Efforts have been made in identifying and determining performance measurements since that time. Agencies began tracking and calculating these performance measurements beginning in fiscal year 2004; therefore, we are only able to provide five fiscal years of operating indicators at this time. These operating indicators will continue to be tracked in the future in order to reach a ten-year historical comparison.

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# STATE OF NEW MEXICO

## CAPITAL ASSETS STATISTICS BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year				
	2009	2008	2007	2006	2005
<b>General Government</b>					
Buildings	110	101	104	99	99
<b>Public Safety</b>					
Buildings	8	7	7	7	7
Vehicles	983	926	989	990	1,056
Ports of Entry	19	17	14	13	13
<b>Health and Human Services</b>					
Buildings - General Administrative	34	32	32	33	33
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	248	248	255	255
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	440	417	382	385	343
<b>Corrections</b>					
Buildings	330	326	322	321	321
Vehicles	369	379	300	353	370
<b>Culture and Recreation</b>					
Vehicles	57	57	61	69	77
Museums	8	8	8	8	8
Monuments	6	6	7	6	5
<b>Natural Resources, Environment</b>					
Vehicles	387	383	340	336	323
State Parks	35	34	34	33	32
Wildlife Management Areas (Acres)	171,241	171,241	166,000	166,000	166,000
Fish Hatcheries	6	6	6	6	6
<b>Highways and Transportation</b>					
Highway Lane Miles	26,688	30,417	30,417	29,952	29,456
Vehicles/Heavy Equipment	6,300	6,531	6,421	6,421	6,421

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

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

**SCHEDULE E-3**

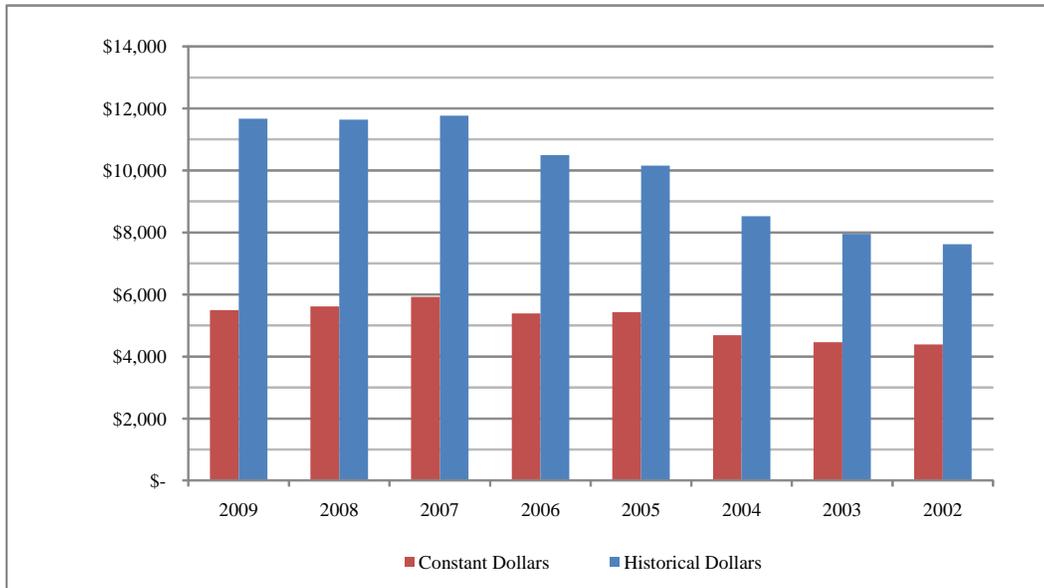
<b>Fiscal Year</b>		
<b>2004</b>	<b>2003</b>	<b>2002</b>
99	99	99
7	7	7
1,012	995	1,004
13	13	13
33	33	33
3	3	3
255	255	255
7	7	7
11	11	11
339	338	347
321	321	321
358	388	415
74	74	N/A
8	8	8
5	5	5
325	305	312
31	31	31
166,000	166,000	166,000
6	6	6
29,273	27,988	27,939
6,421	6,421	6,421

# STATE OF NEW MEXICO

## EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

## SCHEDULE F-1

Last Eight Fiscal Years



Fiscal Year	Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2009	\$ 11,667	0.2%	\$ 5,495	(1.8)%
2008	11,640	(1.1)%	5,619	(5.4)%
2007	11,764	10.8%	5,922	8.9%
2006	10,495	3.2%	5,393	(0.7)%
2005	10,160	16.1%	5,429	13.7%
2004	8,520	6.7%	4,688	4.9%
2003	7,953	4.1%	4,460	1.6%
2002	7,626	1.4%	4,388	0.2%

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

Note: Expenditure information is only available beginning with fiscal year 2002 when the State implemented GASB Statement No. 34.

Note: 2008 amounts have been restated.

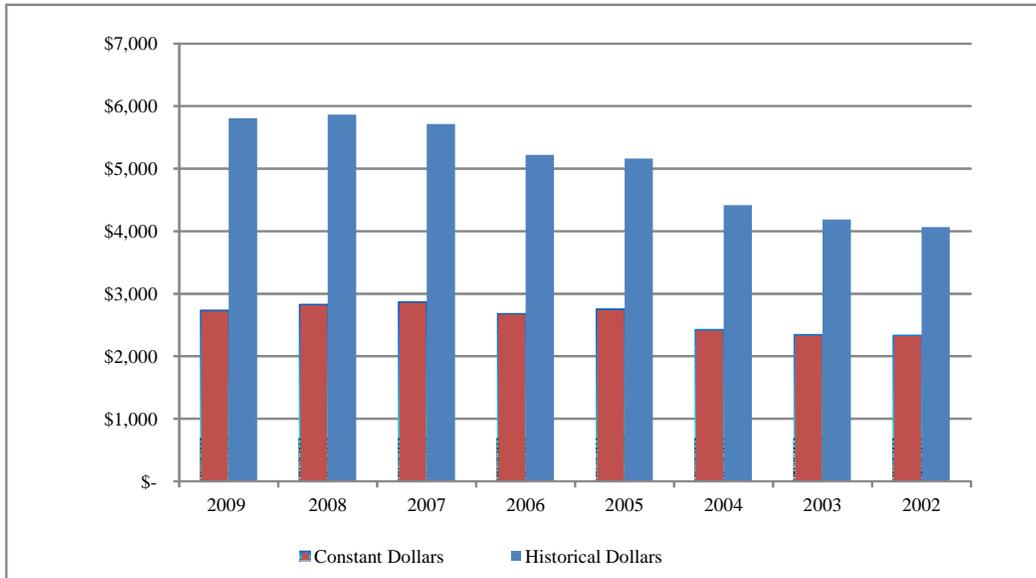
# STATE OF NEW MEXICO

## PER CAPITA EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS

SCHEDULE F-2

### ALL GOVERNMENT FUND TYPES

Last Eight Fiscal Years



#### Per Capita Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2009	\$ 5,805	(0.6)%	\$ 2,734	(3.1)%
2008	5,866	2.6%	2,832	(1.6)%
2007	5,713	8.6%	2,876	6.7%
2006	5,220	1.1%	2,682	(2.8)%
2005	5,161	14.5%	2,758	11.9%
2004	4,415	5.2%	2,429	3.4%
2003	4,186	2.9%	2,348	0.4%
2002	4,064	0.1%	2,339	(1.0)%

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

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

Note: 2008 amounts have been restated.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009



Source: New Mexico Tourism Department, Mike Stauffer

**Clouds:** New Mexico is famous for its unique light and beautiful skies. High altitude, open landscapes, and a common habit of sunshine year-round help create the New Mexico “look” that filmmakers rush to capture and tourists yearn to enjoy.