



# STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY  
THE NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION

BILL RICHARDSON, GOVERNOR

STATE OF NEW MEXICO

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended  
June 30, 2005



Bill Richardson, Governor

*Prepared by Department of Finance and Administration*

*James C. Jiminez  
Cabinet Secretary*

*Anthony I. Armijo, CPA  
State Controller*



**State of New Mexico**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2005

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# New Mexico

Bill Richardson Governor

Department of Finance and Administration

407 Galisteo Street  
Bataan Memorial Building, Room 180  
Santa Fe, New Mexico 87501

**Katherine B. Miller**  
Cabinet Secretary

**Anthony I. Armijo, CPA, CGFM**  
State Controller

July 1, 2007

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

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the year ended June 30, 2005. The CAFR is the State's official annual report. Both state law and accounting principles generally accepted in the United States of America require the State to prepare and publish the report each year (Section 6-5-2.1D, NMSA, 1978, as amended, and Governmental Accounting Standards Board Codification Section 2200).

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

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

To the Honorable Governor Bill Richardson, the New Mexico State Legislature, and  
the Citizens of the State of New Mexico  
July 1, 2007

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

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

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

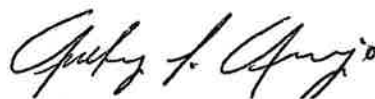
Hi-tech production and research and development play an important part in economy of New Mexico. Santa Fe, the state capitol, is home to over thirty biotech firms; Los Alamos and Albuquerque are home to two national laboratories: Los Alamos National Laboratory and Sandia National Laboratory. New Mexico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

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

Respectfully submitted,



Katherine B. Miller  
Cabinet Secretary



Anthony I. Armijo, CPA, CGFM  
State Controller



STATE OF NEW MEXICO

June 30, 2005

Selected State Officials

Executive \_\_\_\_\_

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

Judicial \_\_\_\_\_

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

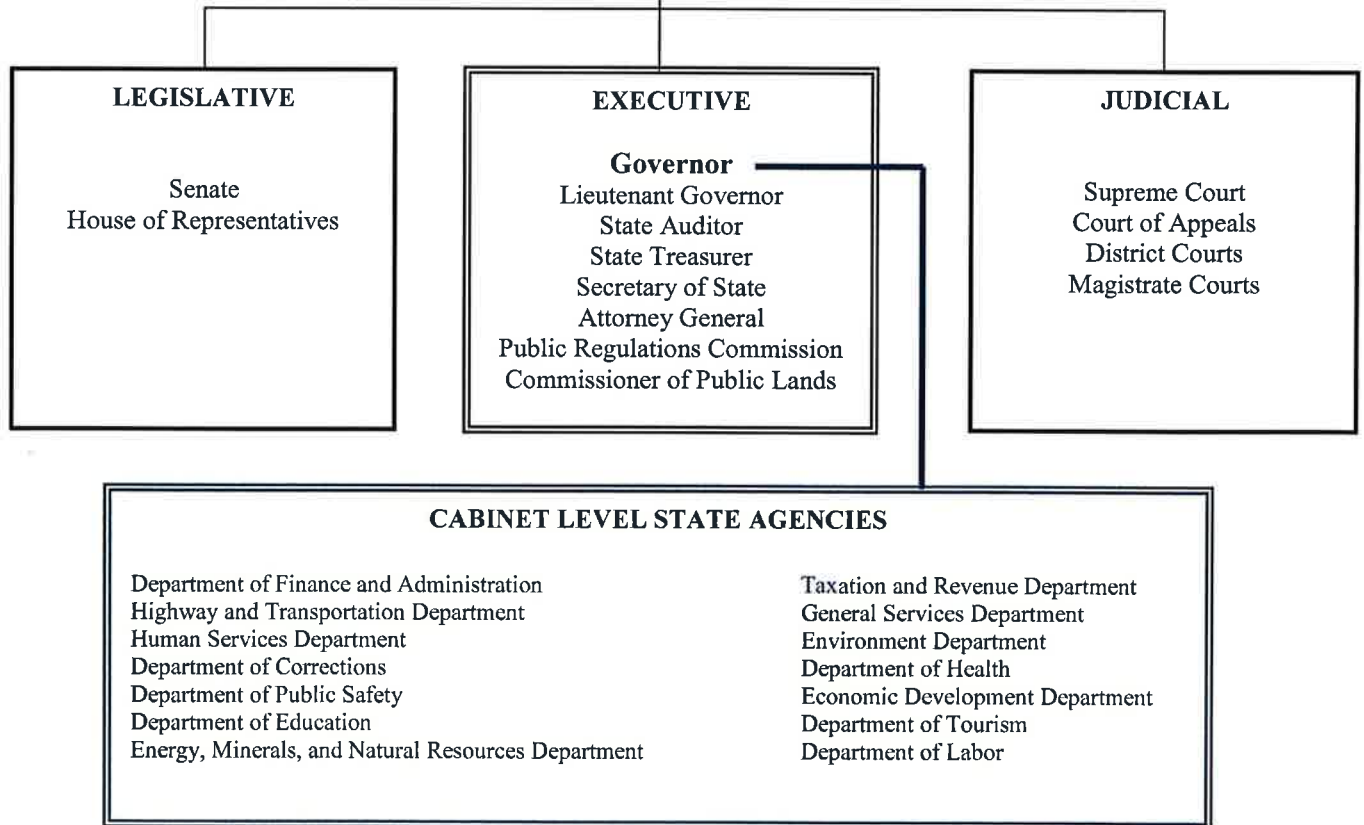
Legislative \_\_\_\_\_

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

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

# Organizational Chart

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**FINANCIAL  
SECTION**



## Independent Accountants' Report

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, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. Our review was conducted in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of management of the State of New Mexico.

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

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

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

The Honorable Bill Richardson, Governor of the State of New Mexico  
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

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

As discussed in Note 1, the State has restated its June 30, 2004 net assets for governmental activities by \$115,177,000 due to errors made in certain accruals and deferrals of income and expenses and capital asset adjustments.

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

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

*Moss Adams LLP*

Albuquerque, New Mexico  
July 1, 2007

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**INTRODUCTION**

The following is a discussion and analysis of the State of New Mexico's (State) financial performance that provides an overview of the activities for the fiscal year ended June 30, 2005. This discussion and analysis should be read in conjunction with State's financial statements and the notes to the basic financial statements, which begin after this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

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

**HIGHLIGHTS**

- Beginning fiscal year 2005, the State adopted generally accepted accounting principles for governmental funds as its budgetary basis of accounting. This resulted in an increase in reversions to the general fund compared to the prior year.
- Total appropriations for fiscal year 2005 were \$4.6 billion.
- Total net tax collections for fiscal year 2005 were \$4.2 billion.
- Included in total revenue, are two new sources, Gasoline Tax and Bed Surcharge Tax, which respectively contributed \$400 thousand and \$20.2 million to total revenues.
- General fund earnings with the Office of the State Treasurer grew to \$56 million, an increase of 40.6 percent from 2004.
- The State issued \$700 million in tax and revenue anticipation notes that matured on June 30, 2005.
- Pursuant to the laws of 2004, Chapter 26, Section 11 and 561, the State Legislature appropriation \$20 million from severance tax bond proceeds to the State for the Statewide Human Resources Accounting and Management Reporting Project, or SHARE. The State began the project in the current fiscal year and expects full implementation by July 1, 2006.
- Continuing its fiscal restraint, the State transferred \$259.3 million of excess revenues over expenditures from the State's General Fund's appropriation account to its operating reserve and tax stabilization reserve. The State ended the year with reserved of 15.5% of recurring appropriations.



**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

- The Taxation and Revenue Department was appropriated a \$2.3 million special appropriation during the 2004 Legislative Session to enhance tax collections efforts in fiscal year 2005. As part of the enhanced collections effort, the Taxation and Revenue Department collected an additional \$43 million in back taxes.
- In September 2005, the Motor Vehicle Division has reduced the uninsured rate in New Mexico from a national high of 33.03% to 13.72% equating to an additional 367,008 vehicles that have become insured based on the notification and suspension letters that have been mailed out to uninsured vehicles.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Statements – Reporting the State as a Whole**

*Government-wide* financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar with a private-sector business.

The *statement of net assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, public safety, transportation and highways, culture and recreation, judicial, legislative, commerce and industry, health and human services and education. The business-type activities of the State include unemployment and public schools insurance, educational institutions, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industry and commission for the blind.

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

The government-wide financial statements include not only the State itself (known as the *primary government*), but also a legally separate finance authority and a legally separate mortgage finance authority for which the State is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The New Mexico Lottery Authority, although also legally separate, functions for all practical purposes as a department of the State, and therefore has been included as an integral part of the primary government.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like any other state, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The State maintains twenty one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Education Fund, Health and Human Services, Highway and Transportation, Severance Tax Permanent Fund and Land Grant Permanent Fund, all of which are considered to be major funds. Data on the other fifteen governmental funds are combined into a single, aggregate presentation. Individual fund data for each for of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

The State adopts an annual appropriated budget. A budgetary comparison statement has been provided, for the major funds with approved budgets, to demonstrate compliance with this budget.

**Proprietary funds.** The State maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The State uses enterprise funds to account for its unemployment and public schools insurance, educational institutions, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries and commission for the blind. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses an internal service fund to account for its data processing, voice and data telephone systems and various insurances. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Educational Institutions, which is considered to be a major fund for the State and the Internal Service Funds. Individual fund data for the nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements**

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

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) such as budgetary comparison schedules for the General Fund and major Special Revenue Funds with legally adopted budgets.

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

Immediately following the notes to the financial statements and budgetary information is other supplementary information. In this section of the financial statements, the combining statements referred to earlier in connection with nonmajor governmental, proprietary and fiduciary funds are presented. Also presented is the State's progress in funding its obligation to provide pension benefits to its employees.

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

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

**Adjustments to Beginning Net Assets**

As described in Note 1.V. of the financial statements, beginning net assets of governmental and business-type activities were decreased by \$115 million and \$1 million, respectively. These resulted in adjustments for the additional of another State agency, various errors made in accruals and deferrals of income and liabilities and allocation of the Land Grant Permanent Fund.

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Government-wide Financial Analysis**

Condensed Statement of Net Assets

The largest component (\$7,575 million or 47 percent) of the State's net assets is its investment in capital assets (e.g. land, infrastructure, buildings, equipment and others), net of any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to the citizens and businesses in the State; consequently, these net assets are not available for future spending. Restricted net assets are the next largest component, totaling \$6,711 million (42 percent). 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 11 percent of net assets is unrestricted, which may be used to finance government operations.

Table 2 below presents the State's condensed Statement of Net Assets as of June 30, 2005, derived from the government-wide Statement of Net Assets.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004 (as restated)	2005	2004 (as restated)	2005	2004 (as restated)
Current and other assets	\$ 9,759,640	9,023,345	2,923,866	2,569,847	12,683,506	11,593,192
Capital assets, net	<u>8,127,971</u>	<u>7,863,464</u>	<u>1,345,864</u>	<u>1,268,601</u>	<u>9,473,838</u>	<u>9,132,065</u>
<b>Total assets</b>	<u>17,887,611</u>	<u>16,886,809</u>	<u>4,269,730</u>	<u>3,838,448</u>	<u>22,157,341</u>	<u>20,725,257</u>
Current liabilities	2,910,487	2,222,698	396,831	292,977	3,307,318	2,515,675
Long-term liabilities	<u>2,242,999</u>	<u>2,118,739</u>	<u>616,258</u>	<u>405,263</u>	<u>2,859,257</u>	<u>2,524,002</u>
<b>Total liabilities</b>	<u>5,153,486</u>	<u>4,341,437</u>	<u>1,013,089</u>	<u>698,240</u>	<u>6,166,575</u>	<u>5,039,677</u>
Net assets						
Invested in capital assets, net of related debt	6,689,355	6,768,864	885,520	954,666	7,574,875	7,723,530
Restricted	5,282,593	5,595,564	1,391,203	1,561,273	6,673,796	7,156,837
Unrestricted	<u>762,177</u>	<u>180,944</u>	<u>979,918</u>	<u>624,269</u>	<u>1,742,095</u>	<u>805,213</u>
<b>Total net assets</b>	<u>\$ 12,734,125</u>	<u>12,545,372</u>	<u>3,256,641</u>	<u>3,140,208</u>	<u>15,990,766</u>	<u>15,685,580</u>
Percent change in total net assets from prior year	1.5%		3.7%		1.9%	



**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

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 held true for the prior fiscal year.

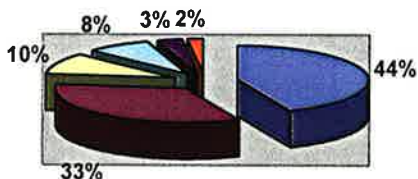
There was a decrease in restricted net assets of approximately \$313 million in connection with the State's governmental activities. This was primarily due to restricted assets being spent during the current year. During 2005 the Highway and Transportation Fund received approximately \$74 million in debenture bond proceeds with approximately \$2 million that had not been spent by the end of the fiscal year that was restricted. The Severance Tax Permanent Fund also experienced an increase of approximately \$149 million in restricted assets from the severance tax revenues that exceeded the debt service requirements for fiscal year 2005.

The government's net assets increased by \$189 million during the current fiscal year. The net increase is due to the above documented decrease in restricted net assets and the approximate decrease of \$80 million in net assets invested in capital assets, net of related debt.

Condensed Statement of Activities

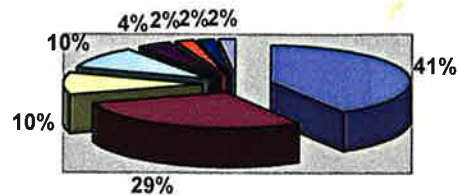
Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$189 million or 1.5 percent, and the net assets of the business-type activities increased by \$116 million or 3.7 percent. Table 3 below presents the State's condensed Statement of Activities for the fiscal year ended June 30, 2005, as derived from the government-wide Statement of Activities. Key elements of this increase are as follows in Table 3 and graphs below.

**Total Revenues - FY 2005**



- Taxes
- Operating grants and contributions
- Investment income
- Charges for services
- Capital grants and contributions
- Other revenues

**Total Expenses - FY 2005**



- Health and Human Services
- Education
- General Government
- Highway and Transportation
- Public Safety
- Culture, Recreation, and Natural Resources
- Judicial
- Other

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Table 3: Condensed Statement of Activities**  
As of June 30, 2005 & 2004  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2005	2004 (as restated)	2005	2004 (as restated)	2005	2004 (as restated)	2004 to 2005
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 827,248	640,028	1,776,787	1,265,229	2,604,035	1,905,257	38.3%
Operating grants and contributions	3,268,985	3,182,126	96,524	460,203	3,365,509	3,642,329	(9.3)
Capital grants and contributions	275,053	292,847	-	20,699	275,053	313,546	(2.5)
Total program revenues	4,371,286	4,115,001	1,873,311	1,746,131	6,244,597	5,861,132	6.5
General revenues:							
Individual income tax	1,089,031	1,090,733	-	-	1,089,031	1,090,733	(0.2)
Corporate income tax	244,371	131,897	-	-	244,371	131,897	85.3
Sales and use tax	368,716	327,878	-	-	368,716	327,878	12.5
Business privilege tax	1,970,239	1,821,396	-	-	1,970,239	1,821,396	8.2
Other taxes	507,381	360,940	-	-	507,381	360,940	(40.6)
Investment income (loss)	994,872	1,071,990	115,187	134,001	1,110,059	1,205,991	(8)
Other (expenses) revenues	299,724	181,707	154,389	186,383	394,113	368,090	7.1
Total general revenues	5,414,334	4,986,541	269,576	320,384	5,683,910	5,306,925	7.1
<b>Total revenues</b>	<b>9,785,620</b>	<b>9,101,542</b>	<b>2,142,887</b>	<b>2,066,515</b>	<b>11,928,507</b>	<b>11,168,057</b>	<b>6.8</b>
Program expenses:							
General government	882,809	537,442	-	-	882,809	537,442	64.3
Culture, recreation and natural resources	185,303	183,074	-	-	185,303	183,074	1.2
Highway and transportation	877,638	785,042	-	-	877,638	785,042	11.8
Judicial	184,319	168,013	-	-	184,319	168,013	9.7
Legislative	12,412	12,036	-	-	12,412	12,036	3.1
Public safety	378,394	345,779	-	-	378,394	345,779	9.4
Regulatory, licensing, etc.	88,722	81,551	-	-	88,722	81,551	8.8
Health and human services	3,729,641	3,732,015	-	-	3,729,641	3,732,015	(0.1)
Education	2,637,052	2,611,476	-	-	2,637,052	2,611,476	1.0
Educational institutions	-	-	1,996,826	1,876,567	1,996,826	1,876,567	6.4
Other	125,476	132,440	524,729	534,342	650,205	6,661,282	2.4
<b>Total program expenses</b>	<b>9,101,766</b>	<b>8,588,868</b>	<b>2,521,555</b>	<b>2,410,909</b>	<b>11,623,321</b>	<b>10,999,777</b>	<b>5.7</b>
Excess (deficiency) before transfers	683,854	512,674	(378,668)	(344,394)	305,186	168,280	81.4
Transfers	(495,101)	(481,507)	495,101	481,507	-	-	-
Change in net assets	188,753	31,167	116,433	137,113	305,186	168,280	81.4
Net assets, beginning	12,545,372	12,514,205	3,140,208	3,003,095	15,685,580	15,517,300	1.1
Net assets, ending	\$ 12,734,125	12,545,372	3,256,641	3,140,208	15,990,766	15,685,580	1.9

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Changes in Net Assets.** This year the State received 35.1 percent of its revenues from state taxes and 30.3 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 33.4 percent, and grants and contributions were 35.4 percent of total revenues. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised of 25.1 and 17.1 percent of total revenues for fiscal year 2005 and 2004, respectively

**Governmental Activities**

The State's total governmental revenues from all sources increased \$684 million or 7.5 percent.

- The collection of taxes increased by approximately \$447 million or 12 percent.
- The State's investment income decreased approximately \$77 million or 7.2 percent due to loss on performance in the various markets the State has placed its investments.
- The operating grants and contributions increased by approximately \$87 million due to the increased efforts of the Health and Human Services Fund to improve participation in financial assistance programs for eligible populations where the funding is provided by the federal government which resulted in an increase of 19 percent for the year or approximately \$357 million. The Education Fund also recognized approximately an additional \$24 million in federal funds during the year.
- The expenses for program highway and transportation increase approximately \$93 million as a result of an additional \$10 million of depreciation expenses on capital assets and the other \$96 million resulted from normal road and transportation activities during the year.
- The education program expense increased by approximately \$26 million. This was a result of increased compensation to public school employees, enrollment growth, and increased fixed costs and insurance.

**Program Expenses and Revenues for Governmental Activities**

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

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Table 4: Program Expenses and Revenues for Governmental Activities  
As of June 30, 2005  
(in thousands)**

	Program Expenses	Program Revenues	Net Program Costs		Program Revenues to Program Expenses	
			2005	2004	2005	2004
			2005	2004	2005	2004
State Programs						
General government	\$ 882,809	1,036,909	154,100	361,694	117.5%	246.3%
Culture, recreation, and natural resources	185,303	108,267	(77,036)	(91,564)	58.4	50.0
Highway and transportation	877,638	312,579	(565,059)	(459,091)	35.6	41.5
Judicial	184,319	50,178	(134,141)	(119,930)	27.2	28.6
Legislature	12,412	-	(12,412)	(12,036)	-	-
Public safety	378,394	84,829	(293,565)	(270,130)	22.4	21.9
Regulatory licensing etc.	88,722	43,223	(45,499)	(48,110)	48.7	41.0
Health and human services	3,729,641	2,331,305	(1,398,336)	(1,472,729)	62.5	64.6
Education	2,637,052	403,996	(2,233,056)	(2,229,531)	15.3	14.6
Interest	125,476	-	(125,476)	(132,440)	-	-
<b>Totals</b>	<b>\$ 9,101,766</b>	<b>4,371,286</b>	<b>(4,730,480)</b>	<b>(4,473,867)</b>	<b>48.0%</b>	<b>49.2%</b>

**Business-type Activities**

Revenues from the State's business-type activities increased by \$76 million or 3.7 percent from the prior year.

- Charges for services for business-type activities increased by \$512 million or 40.4 percent from the prior year. The about half of the increase was due to the University of New Mexico experiencing approximately \$126 million in higher fees for clinical operations, additional enrollment and higher tuition rates. Another reason for the increase is a result of the Public Schools Insurance Authority having a revenue surplus of \$19 million as a result of original medical claims projections that were higher than actual.
- The expenses for the educational institutions increased by \$120 million or 6.4 percent as a result of the increase in revenues from the clinical operations and increased enrollment.

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

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Table 5: Program Expenses and Revenues for Business-type Activities  
As of June 30, 2005  
(in thousands)**

	Program Expenses 2005	Program Revenues 2005	Net Program Costs		Program Revenues to Program Expenses	
			2005	2004	2005	2004
State programs						
Educational institutions	\$ 1,996,826	1,351,974	(644,852)	(657,520)	67.7%	(35.0)
Other	<u>524,729</u>	<u>521,337</u>	<u>(3,392)</u>	<u>(7,258)</u>	99.4%	(1.4)
Totals	<u>\$ 2,521,555</u>	<u>1,873,311</u>	<u>(648,244)</u>	<u>(664,778)</u>	74.3%	(27.6)

**Fund Analysis**

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

At June 30, 2005, the State's governmental funds reported combined ending fund balances of \$7,135 million. Of this amount \$719 million or 10.1 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 \$4,604 million or 64.5 percent of total fund balance has been segregated through internally imposed limitations on uses of certain funds. Note 1.S. contains more details about reserved and segregated fund balances at June 30, 2005. The remaining \$1,812 million or 25.4 percent of fund balance is available for appropriation for the general purpose of the funds.

*General Fund.* Fund balance at June 30, 2005 totaled \$802 million, an increase of \$188 million during the fiscal year. This increase was due to revenues exceeding expenditures. See additional analysis below. The General Fund ended the fiscal year 2005 with a "surplus" from unreserved and undesignated sources of \$732 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues increased \$451 or 8.5 percent. The increase is the result of tax revenue of approximately \$138 million which is a result of two new sources of revenue and increased efforts by the Taxation and Revenue Department to collect approximately \$44 million in back taxes. In addition to the above increase, charges for services also increased by approximately \$38 million.

The General Fund expenditures increased \$105 million or 5.7 percent of which 25.6 percent of the change is from capital outlay.



**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

*Education.* Fund balance at June 30, 2005 totaled \$383 million, a decrease of \$74 million or 16.2 percent. The Higher Education Department reported a prior period adjustment of \$10 million for a change in accounting principle that required adjustments to the loans receivable balance and to posting of due from other state agencies. The Department of Education also reported a decrease in net assets of \$215.1 million primarily attributable to a prior period adjustment in the Capital Project Funds. Total revenues increased by \$19 million or 4.3 percent. This was a result of additional federal funding received during the fiscal year. Total expenditures also increased by \$23 million or 0.9 percent. There were additional expenditures of \$8 million relating to the Public School Facilities Authority for fiscal year 2005.

*Health & Human Services.* Fund balance at June 30, 2005 totaled \$150 million, an increase of \$66 million or 77.6 percent during the fiscal year. This was a result of additional federal funding received and expended during the fiscal year. Total revenues increased by \$61 million or 2.8 percent, with total expenditures increasing proportionately with total revenues.

*Highway & Transportation.* Fund balance at June 30, 2005 totaled \$860 million, a decrease of \$130 million from the prior year.

*Severance Tax Permanent Fund.* Fund balance at June 30, 2005 totaled \$3,781 million, due to an increase of \$149 or 4.1 percent. The increase relates to unrealized gains on investments, which is consistent with the overall success that the State had with all other investments. During fiscal year 2005, the fund did not experience any significant fluctuation from the prior fiscal year.

*Land Grant Permanent Fund.* Fund balance at June 30, 2005 totaled \$563 million, due to an increase of \$42 million. The increase is a result of the investment income and unrealized gains on investments, which is consistent with the overall success that the State had with all other investments. During fiscal year 2005, the fund did not experience any significant fluctuation from the prior fiscal year.

**Proprietary Funds**

The State's proprietary funds reported net assets of \$3,257 million this includes an increase of \$81 million or 2.5 percent. The above net assets include \$3,257 million for enterprise funds.

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

*Educational Institutions.* Net assets at June 30, 2005 totaled \$2,410 million. Current period activity increased the net assets of the State's educational institutions by \$99 million or 4.3 percent. For the fiscal 2005 the State transferred \$527 million to the State's educational institutions from the State's General Fund, an increase of \$10 million or 2 percent from fiscal year 2004.

See additional analysis in the business-type activities in the preceding pages.

**Discretely Presented Component Units**

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

The State's discretely presented major component units are:

- New Mexico Finance Authority
- New Mexico Mortgage Finance Authority

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

**Budget Variances in the General Fund**

The Legislature adopted the initial fiscal year 2005 budget during the 2004 General Session. The original General Fund budgeted revenues at the start of fiscal year 2005 was 17.4 percent higher than the final fiscal year 2004 budget basis revenues. However, during the year the actual revenue was 6 percent lower than final approved budget, with the most significant change coming from grants. The original budgeted expenditures for fiscal year 2005 were 11 percent higher than the final fiscal year 2004 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$219 million below the final budgeted amounts. This is mainly the result of lower than expected operating expenditures. On the other hand, resources available for appropriation were \$24 million below the final budgeted amount. This is primarily due to less tax revenues than anticipated even though collections were higher as documented in the analysis on previous pages. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Capital Asset and Long-Term Debt Activity**

Capital Asset Activity

At June 30, 2005, the State reported \$8,128 million in capital assets net of accumulated depreciation for governmental activities and \$1,346 million in capital assets net of accumulated depreciation for business-type activities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a decrease of 1.9 percent for governmental activities and an increase of 6.0 percent for business-type activities.

Major capital asset events during the current fiscal year included the following:

- The General Services Department had approximately \$16 million in additions that included a new building for the Regulation and Licensing Department
- The Department of Transportation had 12 active projects with contracts of \$5 million or more.
- The Department of Transportation has spent \$10.5 million of a budget of \$10.5 million on pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc.
- The New Mexico Institute of Mining and Technology is in the construction phase of Magdalena Ridge Observatory with an estimated total cost of \$50 million.
- At the end of the fiscal year 2005, the Corrections Department has invested a total of \$33.8 million in governmental-type activities and \$0.9 million in business-type activities for a total of \$34.7 million in a variety of capital assets.

At June 30, 2005, the State had \$252 million in commitments for building projects in the Department of Transportation and in the state universities. Funding for the commitments will come from existing resources from bond proceeds in these funds.

The State has elected to account for its infrastructure assets using the depreciation method. This method requires the State to allocate the cost of the infrastructure assets over their useful lives as depreciation expense.

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

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

Long-Term Debt Activity

The State Constitution authorizes the state to issue general obligation 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 the funds that receive legally restricted revenues. During the past year, the State continued to maintain a high bond rating from Moody's Investors Services and Standard & Poor's Corporation, on all State bonds. The State had the following bond ratings at June 30, 2005:

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

Table 6 represents the outstanding bond debt:

**Table 6: Net Outstanding Debt  
As of June 30, 2005  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2004 to 2005</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	
General obligations bonds	\$ 318,055	249,150	-	-	318,055	249,150	27.7%
Severance tax bonds	512,180	486,840	-	-	512,180	486,840	5.2%
Revenue bonds	1,559,536	1,637,999	594,685	354,639	2,154,221	1,992,638	8.1%
<b>Total bonds payable</b>	<b>\$ 2,389,771</b>	<b>2,373,989</b>	<b>594,685</b>	<b>354,639</b>	<b>2,984,456</b>	<b>2,728,628</b>	<b>9.4%</b>

During the year, the governmental activities issued the General Obligation Bond Series 2005 Debt Service for \$112 million. The governmental activities issued the Severance Tax Bonds Supplemental Series 2004B for \$10 million, 2005A Series bonds for \$97 million, the 2005B-1 Refunding bonds for \$37 million and the 2005B-2 Supplemental Series bonds for \$21 million.

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

**STATE OF NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Economic Conditions and Outlook**

The New Mexico economy continues to outpace the nation. The State's unemployment rate dropped to 4.9 percent in October 2005. (This compares favorably with the national unemployment rate is increased slightly to 5 percent in November 2005.) Employment in New Mexico increased by 2.4 percent or 18,800 (not in thousands) jobs on an annualized basis through 2005. New Mexico continued to add jobs at a faster rate than the rest of the nation. The national job growth was just 1.4 percent in 2005. Job growth in New Mexico is geographically and industrially diverse. One-third of all jobs were created in Las Cruces, with the remaining two-thirds in Albuquerque, Santa Fe, and the State's rural areas. All sectors except Information expanded during the year, with the greatest gains in construction, natural resources and education and health services, government, and professional and business services. The State's manufacturing industry saw its fortunes continue to improve in 2005 following three years of massive job losses. Employment stabilized somewhat in 2004 when just 500 jobs were lost, following the loss 5,200 (not in thousands) in the previous three years. In 2005, manufacturing added 300 jobs, a 0.8 percent increase.

New Mexico is the 36<sup>th</sup> largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1.8 million. In the 1990's, the State was the 12<sup>th</sup> fastest growing state, as the population increased 20.1 percent from the 1990 population of 1.5 million. Over the same period of time, the national population grew 13.2 percent.

**Contact the State's Financial Management**

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

Department of Finance and Administration  
Financial Control Division/Office of the State Controller  
Bataan Memorial Building Room 166  
Santa Fe, New Mexico 87501



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STATE OF NEW MEXICO  
STATEMENT OF NET ASSETS  
JUNE 30, 2005  
(IN THOUSANDS)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 1,235,540	787,298	2,022,838
Investments	1,272,922	441,562	1,714,484
Deferred charges and other assets	104,866	36,199	141,065
Intergovernmental receivables	789,370	20,945	810,315
Due from other funds	6,783	(6,783)	-
Due from other fiduciary funds	954,204	-	954,204
Inventories	21,739	21,200	42,939
Loans receivable, current	-	33,807	33,807
Receivables, net of allowance for uncollectible	236,614	260,184	496,798
<b>Total current assets</b>	<b>4,622,038</b>	<b>1,594,412</b>	<b>6,216,450</b>
Non Current Assets			
Restricted cash and cash equivalents	715,939	63,169	779,108
Restricted investments	4,421,663	1,137,492	5,559,155
Capital assets, not being depreciated	539,986	122,893	662,879
Capital assets, net of depreciation	7,587,985	1,222,971	8,810,956
Loans receivable, long-term	-	120,493	120,493
Other non-current assets	-	8,300	8,300
<b>Total noncurrent assets</b>	<b>13,265,573</b>	<b>2,675,318</b>	<b>15,940,891</b>
<b>Total assets</b>	<b>\$ 17,887,611</b>	<b>4,269,730</b>	<b>22,157,341</b>
<b>LIABILITIES</b>			
Current Liabilities			
Cash overdraft	\$ 95,938	-	95,938
Accounts payables	532,192	108,315	640,507
Accrued liabilities	41,228	124,204	165,432
Claims payable	187,422	-	187,422
Deferred revenue	150,720	78,506	229,226
Due to other fiduciary funds	161,628	-	161,628
Intergovernmental payables	268,454	-	268,454
Security lending	908,121	-	908,121
Funds held for others	2,081	4,433	6,514
Other obligations	236,604	23,420	260,024
Bonds payable, current	245,801	22,130	267,931
Other liabilities, current	80,298	35,823	116,121
<b>Total current liabilities</b>	<b>2,910,487</b>	<b>396,831</b>	<b>3,307,318</b>
Noncurrent Liabilities			
Bonds payable, long-term	2,143,970	572,555	2,716,525
Other liabilities, long-term	99,029	43,703	142,732
<b>Total noncurrent liabilities</b>	<b>2,242,999</b>	<b>616,258</b>	<b>2,859,257</b>
<b>Total liabilities</b>	<b>5,153,486</b>	<b>1,013,089</b>	<b>6,166,575</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	6,689,355	885,520	7,574,875
Restricted for			
Capital projects	47,055	-	47,055
Debt service	803,000	2,482	805,482
Other purposes	10,875	251,229	262,104
Permanent trusts			
Expendable	-	205,545	205,545
Nonexpendable	4,421,663	931,947	5,353,610
Unrestricted net assets	762,177	979,918	1,742,095
<b>Total net assets</b>	<b>12,734,125</b>	<b>3,256,641</b>	<b>15,990,766</b>
<b>Total net assets and liabilities</b>	<b>\$ 17,887,611</b>	<b>4,269,730</b>	<b>22,157,341</b>

See Notes to Financial Statements.

Component Units		
New Mexico Finance Authority	New Mexico Mortgage Finance Authority	Total
\$ 258,731	352,853	611,584
-	16,704	16,704
69,667	821	70,488
2,158	-	2,158
-	-	-
-	-	-
-	-	-
13,525	5,467	18,992
<u>344,081</u>	<u>375,845</u>	<u>719,926</u>
-	167,334	167,334
-	13,148	13,148
-	512	512
260	1,788	2,048
459,373	896,772	1,356,145
-	19,109	19,109
<u>459,633</u>	<u>1,098,663</u>	<u>1,558,296</u>
\$ 803,714	1,474,508	2,278,222
\$ -	-	-
4,159	11,712	15,871
-	-	-
-	-	-
-	-	-
2,640	-	2,640
-	-	-
59,799	-	59,799
-	-	-
35,377	321,446	356,823
40,499	488	40,987
<u>142,474</u>	<u>333,646</u>	<u>476,120</u>
559,357	1,003,398	1,562,755
-	9,962	9,962
<u>559,357</u>	<u>1,013,360</u>	<u>1,572,717</u>
701,831	1,347,006	2,048,837
260	(347)	(87)
-	-	-
22,158	36,069	58,227
76,700	-	76,700
-	13,148	13,148
-	-	-
2,765	78,632	81,397
<u>101,883</u>	<u>127,502</u>	<u>229,385</u>
\$ 803,714	1,474,508	2,278,222

STATE OF NEW MEXICO  
STATEMENT OF ACTIVITIES  
JUNE 30, 2005  
(IN THOUSANDS)

Primary Government	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General government	\$ 882,809	551,802	485,107	-	154,100
Culture, recreation, natural resources	185,303	69,493	38,774	-	(77,036)
Highway and transportation	877,638	17,149	20,377	275,053	(565,059)
Judicial	184,319	3,812	46,366	-	(134,141)
Legislative	12,412	-	-	-	(12,412)
Public safety	378,394	34,675	50,154	-	(293,565)
Regulation, licensing, etc.	88,722	43,223	-	-	(45,499)
Health and human services	3,729,641	50,440	2,280,865	-	(1,398,336)
Education	2,637,052	56,654	347,342	-	(2,233,056)
Interest	125,476	-	-	-	(125,476)
Total governmental activities	<u>9,101,766</u>	<u>827,248</u>	<u>3,268,985</u>	<u>275,053</u>	<u>(4,730,480)</u>
<b>Business-type Activities</b>					
Educational institutions	\$ 1,996,827	1,296,603	24,818	30,553	(644,853)
Nonmajor enterprise funds	524,729	510,737	10,600	-	(3,392)
Total business-type activities	<u>2,521,556</u>	<u>1,807,340</u>	<u>35,418</u>	<u>30,553</u>	<u>(648,245)</u>
Total primary government	<u>\$ 11,623,322</u>	<u>2,634,588</u>	<u>3,304,403</u>	<u>305,606</u>	<u>(5,378,725)</u>
<b>Discretely Presented Component Units</b>					
New Mexico Finance Authority	\$ 96,935	19,800	30,303	-	(46,832)
New Mexico Mortgage Finance Authority	101,933	33,758	-	-	(68,175)
Total component unit activities	<u>\$ 198,868</u>	<u>53,558</u>	<u>30,303</u>	<u>-</u>	<u>(115,007)</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATEMENT OF ACTIVITIES (CONTINUED)  
JUNE 30, 2005  
(IN THOUSANDS)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	New Mexico Finance Authority	New Mexico Mortgage Finance Authority
Changes in net assets					
Net (expense) revenue	\$ (4,730,480)	(648,245)	(5,378,725)	(46,832)	(68,175)
General revenues					
Taxes					
Individual income tax	1,089,031	-	1,089,031	-	-
Corporate income tax	244,371	-	244,371	-	-
Sales and use tax	368,716	-	368,716	20,999	-
Business privilege	1,970,239	-	1,970,239	-	-
Other taxes	507,381	-	507,381	-	-
Investment income (loss)	994,872	115,187	1,110,059	4,873	(16,311)
Other revenue	239,724	154,389	394,113	10	74,483
Transfers, net	(495,101)	495,101	-	-	-
<b>Total net general revenues and transfers</b>	<b>4,919,233</b>	<b>764,677</b>	<b>5,683,910</b>	<b>25,882</b>	<b>58,172</b>
Change in net assets	188,753	116,432	305,185	(20,950)	(10,003)
Net assets at beginning of year, as restated	12,545,372	3,140,209	15,685,581	122,833	137,505
Net assets at end of year	\$ 12,734,125	3,256,641	15,990,766	101,883	127,502

See Notes to Financial Statements.



STATE OF NEW MEXICO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005  
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway and Transportation
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	136,608	116,955	823,997
Deferred charges and other assets	1,065	38,009	-	54,054
Intergovernmental receivables	140,970	440,079	159,513	44,379
Due from other funds	822,026	17,139	107,363	90,527
Inventories	9,733	42	127	11,359
Investments, at fair value	491,618	-	57	-
Receivables, net	75,835	20,384	4,032	31,152
<b>Total assets</b>	<b>\$ 1,541,247</b>	<b>652,261</b>	<b>388,047</b>	<b>1,055,468</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Deficit cash	\$ 95,938	-	-	-
Accounts payable	168,273	14,845	200,148	99,554
Accrued liabilities	30,330	804	860	6,328
Deferred revenue	81,583	2,617	16,127	15,675
Due to other funds	354,162	19,827	20,449	74,420
Intergovernmental payables	3,403	231,620	504	-
Security lending	-	-	-	-
Funds held for others	1,389	-	-	-
Other obligations	4,087	43	203	-
<b>Total liabilities</b>	<b>739,165</b>	<b>269,756</b>	<b>238,291</b>	<b>195,977</b>
<b>FUND BALANCES</b>				
Fund balances reserved for				
Capital projects	639	-	37	2,744
Inventories	9,733	42	127	60,186
Encumbrances	19,029	29,056	73,989	5,339
Subsequent years' expenditures	36,676	165,272	-	-
Special projects	3,061	-	8,171	-
Other	549	-	1,186	-
Fund balances segregated for				
Debt service funds	-	-	-	-
Pool participants	-	-	-	-
Unreserved - special revenue (deficit)	-	188,135	66,246	171,863
Unreserved - debt service	-	-	-	619,359
Unreserved - capital projects	-	-	-	-
Unreserved - general revenues	732,395	-	-	-
<b>Total fund balances</b>	<b>802,082</b>	<b>382,505</b>	<b>149,756</b>	<b>859,491</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,541,247</b>	<b>652,261</b>	<b>388,047</b>	<b>1,055,468</b>

See Notes to Financial Statements.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Nonmajor Governmental Funds	Totals
\$	253,944	44,693	408,627	1,784,824
	-	-	346	93,474
	-	-	4,429	789,370
	13,359	134	272,961	1,323,509
	-	-	46	21,307
	4,278,266	637,447	287,197	5,694,585
	35,705	5,694	53,296	226,098
<u>\$</u>	<u>4,581,274</u>	<u>687,968</u>	<u>1,026,902</u>	<u>9,933,167</u>
\$	-	-	-	95,938
	-	-	37,567	520,387
	-	-	1,411	39,733
	-	-	89,058	205,060
	-	-	52,534	521,392
	-	-	32,927	268,454
	785,374	122,747	-	908,121
	-	-	692	2,081
	14,438	2,395	215,438	236,604
<u>\$</u>	<u>799,812</u>	<u>125,142</u>	<u>429,627</u>	<u>2,797,770</u>
	-	-	43,635	47,055
	-	-	46	70,134
	-	-	102,920	230,333
	-	-	74,189	276,137
	-	-	82,723	93,955
	-	-	-	1,735
	-	-	181,857	181,857
	3,781,462	562,826	77,375	4,421,663
	-	-	(3,999)	422,245
	-	-	1,784	621,143
	-	-	36,745	36,745
	-	-	-	732,395
<u>\$</u>	<u>3,781,462</u>	<u>562,826</u>	<u>597,275</u>	<u>7,135,397</u>
\$	4,581,274	687,968	1,026,902	9,933,167

STATE OF NEW MEXICO  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005  
 (IN THOUSANDS)

Total fund balances - governmental funds \$ 7,135,397

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

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

Capital Assets	\$ 17,258,101	
Accumulated depreciation	<u>(9,163,601)</u>	8,094,500

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. 60,304

Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization 11,389

Internal service funds are used to report activities that provide goods and services to other funds or agencies within the State. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Assets. (Includes \$33,471 in capital assets (net) and \$1,657 in long-term liabilities) (24)

Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. (177,670)

Long-term bonded debt is not due and payable in the current period and is therefore not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.

Bonds, current portion, net	(245,801)	
Bonds, long-term portion, net	<u>(2,143,970)</u>	<u>(2,389,771)</u>

Total net assets-governmental activities \$ 12,734,125

*See Notes to Financial Statements.*

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STATE OF NEW MEXICO  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway and Transportation
<b>Revenues</b>				
Federal funds	\$ 590,358	413,998	2,163,303	275,053
General and selective taxes	2,373,393	-	18,562	383,419
Income taxes	1,333,402	-	-	-
Interest and other investment income	567,408	3,459	1,643	13,052
Rentals and royalties	498,003	-	-	-
Other	48,046	35,778	38,465	16,991
Charges for services	218,081	-	801	-
Licenses, fees and permits	49,765	54	15,753	-
Assessments	9,625	-	484	-
Other state funds	34,626	-	18,209	2,913
<b>Total revenues</b>	<b>5,722,707</b>	<b>453,289</b>	<b>2,257,220</b>	<b>691,428</b>
<b>Expenditures</b>				
<b>Current</b>				
General control	189,308	-	-	-
Culture, recreation, natural resources	144,430	-	-	-
Highways and transportation	-	-	-	374,151
Judicial	130,640	-	-	-
Legislative	12,313	-	-	-
Public safety	348,738	-	-	-
Regulation, licensing, etc.	66,817	-	-	-
Health and human services	985,700	-	2,805,276	-
Education	25,697	2,610,670	-	-
<b>Debt service</b>				
Interest	10,202	-	-	86,146
Principal	110	-	-	74,913
Bond issuance costs	465	-	-	-
Advance refunding escrow	-	-	-	-
<b>Capital outlay</b>	<b>32,828</b>	<b>78</b>	<b>197</b>	<b>296,024</b>
<b>Total expenditures</b>	<b>1,947,248</b>	<b>2,610,748</b>	<b>2,805,473</b>	<b>831,234</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,775,459</b>	<b>(2,157,459)</b>	<b>(548,253)</b>	<b>(139,806)</b>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	-	204,390	7,101	17,886
Bond premium	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Transfers in	1,390,225	2,149,322	661,372	157,186
Transfers out	(4,952,835)	(61,452)	(73,277)	(165,113)
<b>Total other financing sources (uses)</b>	<b>(3,562,610)</b>	<b>2,292,260</b>	<b>595,196</b>	<b>9,959</b>
<b>Net change in fund balances</b>	<b>212,849</b>	<b>134,801</b>	<b>46,943</b>	<b>(129,847)</b>
Fund balances - beginning, as restated	589,233	247,704	102,813	989,338
<b>Fund balances - ending</b>	<b>\$ 802,082</b>	<b>382,505</b>	<b>149,756</b>	<b>859,491</b>

See Notes to Financial Statements.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Non-Major Governmental Funds	Total
\$	-	-	44,311	3,487,023
	-	-	14,158	2,789,532
	-	-	-	1,333,402
	318,254	49,157	38,816	991,789
	-	-	1,316	499,319
	-	21,844	62,571	223,695
	-	-	10,934	229,816
	-	-	32,542	98,114
	-	-	-	10,109
	-	-	1,084	56,832
	<u>318,254</u>	<u>71,001</u>	<u>205,732</u>	<u>9,719,631</u>
	8,238	29,862	625,136	852,544
	-	-	30,911	175,341
	-	-	-	374,151
	-	-	48,223	178,863
	-	-	-	12,313
	-	-	11,242	359,980
	-	-	20,191	87,008
	-	-	-	3,790,976
	-	-	-	2,636,367
	-	-	29,128	125,476
	-	-	1,115,506	1,190,529
	-	-	3,405	3,870
	-	-	651	651
	-	-	42,408	371,535
	<u>8,238</u>	<u>29,862</u>	<u>1,926,801</u>	<u>10,159,604</u>
	<u>310,016</u>	<u>41,139</u>	<u>(1,721,069)</u>	<u>(439,973)</u>
	-	-	1,305,666	1,535,043
	-	-	18,977	18,977
	-	-	(75,077)	(75,077)
	12,372	-	847,224	5,217,701
	<u>(173,249)</u>	<u>-</u>	<u>(299,797)</u>	<u>(5,725,723)</u>
	<u>(160,877)</u>	<u>-</u>	<u>1,796,993</u>	<u>970,921</u>
	149,139	41,139	75,924	530,948
	<u>3,632,323</u>	<u>521,687</u>	<u>521,351</u>	<u>6,604,449</u>
\$	<u>3,781,462</u>	<u>562,826</u>	<u>597,275</u>	<u>7,135,397</u>

**STATE OF NEW MEXICO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)**

Net change in fund balances-total governmental funds \$ 530,948

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

Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the State. The net revenue (expenses) of the internal services funds is reported with governmental activities, net of transfers (28,285)

Revenues recognized in the Statement of Activities that do not provide current financial resources and are not recognized as revenues in the governmental funds, i.e., deferred revenues. 56,804

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

Depreciation expense	\$	(569,781)	
Transfers and other		100,176	
Capital outlay		382,929	
Net change		(86,676)	(86,676)

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

Proceeds		(1,535,043)	
Bond premiums		(18,977)	
Bond issuance costs - net of amortization of \$145		3,725	
Principal payments on debt		1,266,257	(284,038)

**Change in net assets of governmental activities \$ 188,753**

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005  
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 73,303	713,995	787,298	166,655
Deferred charges and other assets	33,519	2,680	36,199	3
Intergovernmental receivables	20,945	-	20,945	-
Due from other funds	-	781	781	566
Investments	941,578	-	941,578	-
Inventories	19,248	1,952	21,200	432
Loans receivable, current	15,288	18,519	33,807	-
Receivables, net of allowance for uncollectible	228,677	31,507	260,184	10,516
<b>Total current assets</b>	<b>1,332,558</b>	<b>769,434</b>	<b>2,101,992</b>	<b>178,172</b>
Non Current Assets				
Restricted cash & cash equivalents	41,531	21,638	63,169	-
Capital assets, not being depreciated	117,860	5,033	122,893	-
Capital assets, net of depreciation	1,183,939	39,032	1,222,971	33,471
Loans receivable, long-term	19,954	100,539	120,493	-
Other non-current assets	8,300	-	8,300	-
Investments, long-term	595,355	42,121	637,476	-
<b>Total noncurrent assets</b>	<b>1,966,939</b>	<b>208,363</b>	<b>2,175,302</b>	<b>33,471</b>
<b>Total assets</b>	<b>\$ 3,299,497</b>	<b>977,797</b>	<b>4,277,294</b>	<b>211,643</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 78,554	29,761	108,315	11,805
Accrued liabilities	57,318	66,886	124,204	1,495
Claims payable	-	-	-	187,422
Deferred revenues	69,450	9,056	78,506	5,964
Due to other funds	22	7,542	7,564	3,324
Other obligations	23,420	-	23,420	-
Funds held for others	4,433	-	4,433	-
Bonds payable, current	21,517	613	22,130	-
Other liabilities, current	34,550	1,273	35,823	1,071
<b>Total current liabilities</b>	<b>289,264</b>	<b>115,131</b>	<b>404,395</b>	<b>211,081</b>
Noncurrent Liabilities				
Bonds payable, long-term	557,086	15,469	572,555	-
Other liabilities, long term	42,959	744	43,703	586
<b>Total noncurrent liabilities</b>	<b>600,045</b>	<b>16,213</b>	<b>616,258</b>	<b>586</b>
<b>Total liabilities</b>	<b>889,309</b>	<b>131,344</b>	<b>1,020,653</b>	<b>211,667</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	847,593	37,927	885,520	33,471
Restricted for				
Debt service	1,217	1,265	2,482	-
Other purposes	10,591	240,638	251,229	9,140
Permanent trusts				
Expendable	205,545	-	205,545	-
Nonexpendable, Land Grant Permanent Fund	637,655	-	637,655	-
Nonexpendable, Other	294,292	-	294,292	-
Unrestricted net assets	413,295	566,623	979,918	(42,635)
<b>Total net assets</b>	<b>2,410,188</b>	<b>846,453</b>	<b>3,256,641</b>	<b>(24)</b>
<b>Total net assets and liabilities</b>	<b>\$ 3,299,497</b>	<b>977,797</b>	<b>4,277,294</b>	<b>211,643</b>

See Notes to Financial Statements.



STATE OF NEW MEXICO  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005  
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Nonmajor Enterprise Funds	Total	
Operating Revenues				
Charges for services	\$ 145,239	404,186	549,425	289,162
Federal funds	449,215	10,600	459,815	183
Interest and other investment income	74,289	40,898	115,187	3,083
Licenses, fees and permits	-	4,498	4,498	-
Net student tuition & fees	142,299	-	142,299	-
Other operating revenues	196,846	86,035	282,881	5,920
Patient services/clinical operations	366,152	16,018	382,170	-
<b>Total operating revenues</b>	<b>1,374,040</b>	<b>562,235</b>	<b>1,936,275</b>	<b>298,348</b>
Operating Expenses				
Benefits, claims and premiums	-	129,422	129,422	44
Depreciation expense	87,961	3,439	91,400	7,877
Game expense	-	119,800	119,800	-
General and administrative	10,826	40,159	50,985	-
Losses	-	203,872	203,872	-
Other operating expenses	1,869,141	28,037	1,897,178	331,622
<b>Total operating expenses</b>	<b>1,967,928</b>	<b>524,729</b>	<b>2,492,657</b>	<b>339,543</b>
Operating (loss) income	(593,888)	37,506	(556,382)	(41,195)
Non-Operating Revenues (Expenses)				
Capital appropriations	31,890	-	31,890	-
Capital grants & gifts	30,553	-	30,553	-
Clinical operations-non-op	75,125	-	75,125	-
Private grants, gifts & non-exchange grants	18,522	-	18,522	-
Government grants & contracts	3,148	-	3,148	-
Interest and other expenses on cap asset related debt	(11,693)	-	(11,693)	-
Land grant & permanent fund revenue	19,122	-	19,122	-
Gain (loss) on disposal of capital assets	(2,198)	-	(2,198)	(11)
Other nonoperating expenses	(17,206)	-	(17,206)	-
Other nonoperating revenues	23,188	7,262	30,450	-
<b>Total nonoperating revenues (expenses)</b>				
<b>income before transfers</b>	<b>170,451</b>	<b>7,262</b>	<b>177,713</b>	<b>(11)</b>
Transfers in	527,210	-	527,210	12,921
Transfers out	-	(32,109)	(32,109)	-
<b>Change in net assets</b>	<b>103,773</b>	<b>12,659</b>	<b>116,432</b>	<b>(28,285)</b>
Net assets at beginning of year as restated	2,306,415	833,794	3,140,209	28,261
<b>Net assets (deficit) at end of year</b>	<b>\$ 2,410,188</b>	<b>846,453</b>	<b>3,256,641</b>	<b>(24)</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
June 30, 2005  
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>Cash Flows From Operating Activities</b>				
Amounts paid to third party administrators and other vendors	\$ -	(20,488)	(20,488)	-
Auxiliary sales and services	8,430	-	8,430	-
Cash paid to suppliers and employees	(1,703,508)	(187,224)	(1,890,732)	(300,463)
Cash payments made to borrowers	-	(790)	(790)	-
Cash received on interest from loans	-	1,835	1,835	-
Collection of loans to students	3,779	-	3,779	-
Disbursement of net aid to students	(51,177)	-	(51,177)	-
Fees received	-	-	-	291,247
From MUSL	-	(10,827)	(10,827)	-
From retailers - sales net of commissions	-	126,519	126,519	-
Grants and contracts received	567,085	-	567,085	-
Insurance and patients	369,796	-	369,796	-
Interest payments received from banks	-	2,021	2,021	-
Loans issued to students	(2,947)	-	(2,947)	-
Losses and loss adjustment expenses paid	-	(191,177)	(191,177)	-
Other income	43,792	41,662	85,454	9,356
Other receipts/(payments)	14,526	-	14,526	-
Participant premiums collected	-	323,118	323,118	-
Payments for scholarships & fellowships	(41,322)	-	(41,322)	-
Payments for travel	(12,772)	-	(12,772)	-
Payments for utilities	(31,313)	-	(31,313)	-
Premiums paid to health maintenance organizations	-	(22,524)	(22,524)	-
Receipts from customers	169,316	43,449	212,765	-
Receipts from sales and services	132,708	-	132,708	-
To prize winners and related taxes	-	(65,935)	(65,935)	-
<b>Net cash (used) provided by operating activities</b>	<b>(533,607)</b>	<b>39,639</b>	<b>(493,968)</b>	<b>140</b>
<b>Cash Flows From Investing Activities</b>				
Interest, dividends, gains & losses, net, on investment	13,810	(9,412)	4,398	-
Purchase of equities and bonds	(718,472)	(306)	(718,778)	-
Realized loss on investments	1,085	-	1,085	-
Receipts of rent	-	118	118	-
Sales of equities and bonds	527,043	28	527,071	-
State investment income	9,027	-	9,027	-
Other	13,255	460	13,715	-
<b>Net cash (used) by investing activities</b>	<b>(154,252)</b>	<b>(9,112)</b>	<b>(163,364)</b>	<b>-</b>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Agency payments	(1,294)	-	(1,294)	-
Agency receipts	1,369	-	1,369	-
Appropriation from/reversion to State General Fund	-	16,613	16,613	12,921
Bernalillo County mill levy	64,945	-	64,945	-
State appropriation	528,658	-	528,658	-
Gifts for other than capital purposes	6,998	-	6,998	-
Interest paid on borrowing	-	(23)	(23)	-
William D. Ford direct lending receipts	45,581	-	45,581	-
William D. Ford direct lending disbursements	(45,581)	-	(45,581)	-
Local appropriation	5,439	-	5,439	-
Other nonoperating expenses	11,793	-	11,793	-
Principal payments on bank borrowing	-	(549)	(549)	-
Private gifts for endowment	18,944	-	18,944	-
Transfers	-	(32,268)	(32,268)	-
<b>Net cash provided (used) by non-capital financing</b>	<b>636,852</b>	<b>(16,227)</b>	<b>620,625</b>	<b>12,921</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS (CONTINUED)  
June 30, 2005  
(IN THOUSANDS)

	Enterprise Funds			Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>Cash Flows From Capital and Related Financing Activities</b>				
Building fees received from students	\$ 5,461	-	5,461	-
Capital appropriations	33,991	6,000	39,991	-
Capital expenditures	(212,333)	(3,548)	(215,881)	(11,487)
Capital gifts, grants & contracts	24,510	5,970	30,480	-
Interest and fees paid on capital debt and leases	(16,256)	(124)	(16,380)	-
Other receipts/(payments)	232,262	-	232,262	-
Principal paid on capital debt and leases	(19,452)	(455)	(19,907)	-
Principal paid on revenue bonds	(11,120)	(775)	(11,895)	-
Proceeds from capital debt	13,435	16,379	29,814	-
Proceeds from contributed capital	-	3,272	3,272	-
Proceeds from sale of property, land and equipment	1,792	-	1,792	-
<b>Net cash (used) provided by capital and related financing activities</b>	<b>52,290</b>	<b>26,719</b>	<b>79,009</b>	<b>(11,487)</b>
<b>Net increase in cash</b>	<b>1,283</b>	<b>41,019</b>	<b>42,302</b>	<b>1,574</b>
Cash and cash equivalents at beginning of year	113,551	694,614	808,165	165,081
<b>Cash and cash equivalents at end of year</b>	<b>\$ 114,834</b>	<b>735,633</b>	<b>850,467</b>	<b>166,655</b>
<b>Reconciliation of operating (loss) income to net cash (used) provided by operating activities</b>				
Operating (loss) income	\$ (593,888)	37,506	(556,382)	(41,195)
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>				
Accounts payable and accrued liabilities	54,906	(998)	53,908	31,354
Accrued capital purchases	-	43	43	-
Additional contributions to MUSL unreserved accounts	-	(460)	(460)	-
Bad debt expense	93,503	(17)	93,486	-
Compensated absences	417	48	465	(294)
Construction loans in process	-	6,350	6,350	-
Deferred revenues	9,862	378	10,240	-
Deposits held for others	174	386	560	-
Depreciation	99,813	3,439	103,252	7,856
Due from component units	(3,067)	-	(3,067)	-
Due from other funds	-	(54)	(54)	-
Due to insurance carriers for claims paid	-	326	326	-
Due to other funds	-	55	55	-
Interest on MUSL unreserve account	-	74	74	-
Inventories	(1,172)	74	(1,098)	234
Loans receivable	524	(7,767)	(7,243)	-
Notes receivables	(223)	-	(223)	-
Other assets	(2,109)	(4,085)	(6,194)	-
Other liabilities	8,473	-	8,473	-
Other receivables	(72,125)	-	(72,125)	-
Patient receivables	(68,295)	-	(68,295)	-
Prepaid expenses and deposits	(371)	(13)	(384)	-
Provision for bad debts	229	1,182	1,411	-
Prize payables	-	(589)	(589)	-
Receivables, net	(60,262)	(5,556)	(65,818)	2,185
Reserves for losses and loss adjustment expenses	-	9,378	9,378	-
Student deposits	4	-	4	-
Vendors non-cash transactions	-	(6)	(6)	-
Unearned premium reserve	-	10	10	-
Unexpired subscriptions	-	(65)	(65)	-
<b>Net cash (used) provided by operating activities</b>	<b>\$ (533,607)</b>	<b>39,639</b>	<b>(493,968)</b>	<b>140</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005  
(IN THOUSANDS)

	Agency Funds	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,792,133	902,162	82,667	547,153	3,324,115
Due from other funds	159,926	63	-	1,639	161,628
Intergovernmental receivables	3,833	336	-	-	4,169
Investments at fair value	31,616	18,430,726	4,902,693	7,772,353	31,137,388
Other assets	49	8,030	-	-	8,079
Receivables, net of allowance	741,461	1,167,731	20,166	69,424	1,998,782
Security deposits	396,561	-	-	-	396,561
<b>Total assets</b>	<b>\$ 3,125,579</b>	<b>20,509,048</b>	<b>5,005,526</b>	<b>8,390,569</b>	<b>37,030,722</b>
<b>LIABILITIES</b>					
Deposits held in trust	\$ 411,827	-	-	-	411,827
Due to beneficiary	123,964	-	-	29,202	153,166
Due to brokers	-	1,789,762	1,445	1,496,649	3,287,856
Due to other funds	953,688	516	-	-	954,204
Intergovernmental payables	1,316,924	-	-	-	1,316,924
Funds held for others	51,008	-	-	-	51,008
Other liabilities	90,274	18,256	-	-	108,530
Payables	177,894	18,158	-	-	196,052
Security lending liability	-	823,230	77,385	-	900,615
<b>Total liabilities</b>	<b>3,125,579</b>	<b>2,649,922</b>	<b>78,830</b>	<b>1,525,851</b>	<b>7,380,182</b>
<b>NET ASSETS</b>					
Net assets held in trust for pension	-	17,859,126	-	-	17,859,126
Net assets held in trust for pool participants	-	-	4,926,696	6,864,662	11,791,358
Reserved for other beneficiaries	-	-	-	56	56
<b>Net assets</b>	<b>\$ -</b>	<b>17,859,126</b>	<b>4,926,696</b>	<b>6,864,718</b>	<b>29,650,540</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Total
<b>ADDITIONS</b>				
Employee contributions	\$ 352,141	-	-	352,141
Employer contributions	479,991	-	-	479,991
Deposits	-	525,787	266,344	792,131
Interest and other investment income	1,705,743	135,706	599,365	2,440,814
Other operating revenues	29,185	-	-	29,185
<b>Total additions</b>	<b>2,567,060</b>	<b>661,493</b>	<b>865,709</b>	<b>4,094,262</b>
<b>DEDUCTIONS</b>				
Benefits and claims	1,027,384	-	-	1,027,384
Distribution	-	6,621	350,423	357,044
Expenses and management fees	68,967	992	13,675	83,634
General and admin	19,058	-	-	19,058
Refunds	52,860	-	-	52,860
<b>Total deductions</b>	<b>1,168,269</b>	<b>7,613</b>	<b>364,098</b>	<b>1,539,980</b>
<b>Change in net assets</b>	<b>1,398,791</b>	<b>653,880</b>	<b>501,611</b>	<b>2,554,282</b>
Net assets, beginning as restated	16,460,335	4,272,816	6,363,107	27,096,258
<b>Net assets, ending</b>	<b>\$ 17,859,126</b>	<b>4,926,696</b>	<b>6,864,718</b>	<b>29,650,540</b>

*See Notes to Financial Statements.*

**State of New Mexico**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2005

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2005

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**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

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

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

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

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

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

**A. Reporting Entity**

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

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

Depending upon the significance of the State's financial and operational relationships with various separate entities, the organizations are classified either as blended or as discrete component units. The State had one blended component unit (New Mexico Lottery Authority) and two discrete component units (New Mexico Finance Authority and the New Mexico Mortgage Finance Authority) during the fiscal year ended June 30, 2005.

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



STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

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

- **New Mexico Finance Authority**  
The New Mexico Finance Authority (NMFA) was created by the Laws of 1992, Chapter 61, as amended. The purpose of the New Mexico Authority Act (Act), is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.
- **New Mexico Mortgage Finance Authority**  
The New Mexico Mortgage Finance Authority (NMMFA) is a governmental instrumentality of the State, created April 10, 1975 under the Mortgage Finance Authority Act (Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State.

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

New Mexico Finance Authority  
409 St. Michael's Drive  
Santa Fe, New Mexico 87505

New Mexico Mortgage Finance Authority  
344 4<sup>th</sup> St., SW  
Albuquerque, New Mexico 87102

**B. Government-Wide and Fund Financial Statements**

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

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

All proprietary (enterprise) fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The Statement of Changes in Fund Net Assets presents increases and decreases in net total assets. The Statement of Cash Flows provides information about how the State finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

The State reports the following major funds:

**Major Governmental Funds**

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

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

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

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

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

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

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Business Type Funds

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

Additionally, the State reports the following governmental fund types:

**Special Revenue Funds** – 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. The State has many individual Special Revenue Funds; for presentation in this report, the funds have been combined into specific functional areas.

**Debt Service Funds** – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of principal and interest on, general long-term obligations and payments on certain lease-purchase or other contractual 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.

**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.) The State has many individual Capital Projects Funds; for presentation in this report, the funds have been combined into specific functional areas.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Proprietary Fund Types**

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

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

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

**Fiduciary Fund Types**

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

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

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fiduciary Fund Types (Continued)**

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

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

**D. Cash and Cash Equivalents**

Cash and cash equivalents represent petty cash, cash on deposit with banks, and cash invested in short-term securities. Cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less. This includes amounts on deposit with the State Treasurer's Office (including the overnight investment pool), and the Northern Trust Company short-term investment funds.

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

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

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Cash and Cash Equivalents (Continued)**

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

In addition to the overnight repurchase agreements at the State Treasury, the Educational Retirement Board (Board) invests in the Short-term Investment Funds (STIF) at Northern Trust Company. The STIF is used to facilitate more efficient trade procedures with the Board's external money managers. Net cash balances in each internal and external investment manager's portfolios are swept into the STIF at the end of each day. Overnight investments of \$111,121, for the year ended June 30, 2005, are reported as cash equivalents.

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

**E. Restricted Assets**

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

**F. Deferred Charges and Other Assets**

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

**G. Due From Other Funds**

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



**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Investments**

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

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

The fair value of investments are stated and reported in accordance with GASB Statement No. 31, with increases or decreases in fair value recognized in the income statement at the end of each month. Investment transactions are recorded on the trade date. If a quoted market price is not available, the fair value is estimated using quoted market prices for similar securities.

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

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

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

As of June 30, 2005, the Large Capitalization Active Pool is managed internally using fundamental research techniques. This pool seeks to exceed the performance of the S&P 500 Index emphasizing stock selection and by over weighting or under weighting economic sectors.

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Investments (Continued)**

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

The Mid/Small Capitalization Pool was managed by external managers during the year. As of June 30, 2005, it had two core managers with broad diversification, two active managers with a value style, and two growth managers. Overall, the manager mix is intended to capture the returns of the Russell 2500 Index.

*Non-U.S. Equity Securities Pools:*

The Non-U.S. Developed markets pool is an international equity fund with three active external managers that have complementary management styles. As of June 30, 2005, one manager had a value orientation, one was a core manager, and one was a growth manager. This strategy is designed to seek the best investment opportunities around the world, as well as to diversify away from a U.S. only approach. The benchmark is the MSCI EAFE Index.

The Non-U.S. Emerging Markets Pool is an externally managed international equity fund based upon the MSCI Emerging Markets Free Index. As of June 30, 2005, the fund had one active external manager. The Non-U.S. Emerging Markets Pool began operations in March 2002.

*Private Equity:*

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

**I. Due From Other Governmental Entities**

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Inventories**

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

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

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

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

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

**K. Receivables and Loans Receivable**

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

Loans receivable are stated at their principal amount. Interest on loans is accrued 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.

**L. Capital Assets**

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Capital Assets (Continued)**

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

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

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

<u>Capital Asset Category</u>	<u>Reporting Capitalization Threshold</u>	<u>Estimated Useful Life (in Years)</u>
Infrastructure	1,000	10-40
Non-depreciable Infrastructure	1,000	-
Land improvements	1,000	10-30
Furniture and equipment	1,000	3-25
Vehicles	1,000	3-12
Buildings & improvements	1,000	10-75
Construction in Progress	1,000	-
Land	1,000	-

**M. Compensated Absences**

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Compensated Absences (Continued)**

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 employee's hire date. Employees are paid for the accumulated annual leave upon retirement or other termination. A maximum of thirty days of annual leave (240 hours) may be accumulated by each employee and carried forward into the beginning of the calendar year, with any excess forfeited.

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

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

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

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

**N. Interfund Transactions**

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

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Interfund Transactions (Continued)**

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

**O. Accrued Liabilities**

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

**P. Deferred Revenue**

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

**Q. Payables**

Payables represent unpaid claims against the State for goods and services received by the State prior to June 30, 2005.

**R. Long-term Obligations**

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

The State has recognized the debt issuance costs, premiums and discounts of debt issued in fiscal year 2005 as increases and decreases in net assets. Due to its immaterial balance, the State has not capitalized these items for future amortization.

**S. Net Assets and Fund Equity**

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

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Net Assets and Fund Equity (Continued)**

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

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Net Assets and Fund Equity (Continued)**

*Reserved for Subsequent Years' Expenditures.* This reserve was created to restrict the use of all resources contributed to or earned by special revenue and capital projects funds as required by the following years' budget.

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

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

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

**T. Use of Estimates**

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

**U. Indirect Expenses**

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

**V. Restatements (in thousands)**

The governmental and business-type activities net assets were decreased by \$115,177 and \$1,333, respectively, due to errors made in certain accruals and deferrals of income and expenses and capital asset adjustments.

The New Mexico Finance Authority's net assets were restated by \$3,214 to correct an overstatement of bonds payable and loans receivable in the Public Project Revolving Fund in the 2004 financial statements. An additional adjustment was made for loan receivable not being recorded on the books which resulted in an increase in fund balance in the Equipment Loan Fund.

Prior period adjustments in the primary government activities are primarily the result of errors made in certain accruals and deferrals of income and liabilities. The most significant increase relates to an adjustment of \$219,468 to beginning fund balance for a change in accounting principle to recognize expenses for capital projects when the related bonds have been sold, or the appropriations have been authorized in the Public Education Department. The State's General



**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**V. Restatements (Continued)**

Fund also adjusted beginning fund balance to correct an error, which resulted in an overstatement of revenues in 2004. The overstatement resulted from not accruing an estimate for unidentified 60 day remittance distributed to the State's General Fund at June 30, 2004. The total adjustment was to reduce beginning fund balance by \$12,415. The following schedule reconciles June 30, 2004, fund balance/net assets previously reported to beginning fund balance/net assets, as restated.

	General Fund	Education	Health and Human Services	Highway and Transportation	Severance Tax Perm Fund	Land Grant Perm Fund	Non-Major Funds
Fund balances- beginning, as previously reported	\$ 614,260	456,821	84,297	1,029,483	3,632,323	521,012	569,993
Restatements	(25,027)	(209,117)	18,516	(40,145)	-	675	(48,642)
Fund balances- beginning, as restated	\$ 589,233	247,704	102,813	989,338	3,632,323	521,687	521,351

Restatements in the primary business-type and fiduciary activities are primarily the result of errors made in certain accruals and deferrals of income and liabilities. The educational institutions adjusted beginning net assets to correct errors capitalization of donated assets, depreciation and prepaid items. The following schedule reconciles June 30, 2004, net assets previously reported to beginning net assets, as restated.

	Enterprise Funds			Fiduciary Funds			
	Educational Institutions	Non-Major Enterprise Funds	Total	Internal Service Fund	Purpose Trust Fund	Pension Trust Fund	External Investment Trust Funds
Net assets-beginning, as previously reported	\$ 2,931,567	913,931	3,845,498	207,516	6,357,724	16,460,525	4,272,816
Restatements	(625,152)	(80,137)	(705,289)	(179,255)	5,383	(190)	-
Net assets-beginning, as restated	\$ 2,306,415	833,794	3,140,209	28,261	6,363,107	16,460,335	4,272,816

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

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

**A. Cash and Investments**

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

Cash

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

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

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

*Primary Government.* As of June 30, 2005, the carrying amount of the primary Government's total cash and cash equivalents was \$6,239,119. Cash and cash equivalents in bank accounts for the primary government was \$599,829. The remaining balances were at the State Treasurer.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

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

Cash at State Treasurer's Office	\$ 5,379,299
Cash at U.S. Treasury Department	508,117
Bank accounts	<u>446,685</u>
	<u>\$ 6,334,101</u>
Governmental Activities	\$ 2,154,898
Business-type Activities	855,088
Fiduciary Funds	<u>3,324,115</u>
	<u>\$ 6,334,101</u>

Cash and cash equivalents balances as of June 30, 2005 were as follows:

Cash in bank	\$ 599,829
Less: FDIC Insurance Coverage	<u>(6,747)</u>
Total unsecured public funds	<u>593,082</u>
Collateral pledged	<u>(441,909)</u>
Uncollateralized and uninsured	<u>\$ 151,173</u>

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

*Custodial Credit Risk – Deposits.* 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, 2005, the State's cash and cash equivalents deposits were not exposed to custodial credit risk.

Investments

The State Treasurer Local Government Investment Pool is not SEC registered. Section 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 Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

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

Custodial Credit Risk Categorization

- Custodial credit risk refers to the risk that the State may not be able to obtain possession of its investments in the event of default by counterparty. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State and are held by either the counterparty of the counterparty's trust department of agent but not in the State's name.

*Credit Risk – Debt Investments.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. In order to assess credit risk, the State is required to disclose credit ratings of its debt investments. U.S. government obligations and obligations guaranteed by the U.S. government are not considered to have credit risk and accordingly, do not

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

require disclosure. Currently, the state does not have a policy for the Core Bond Fund that all securities must be rated investment grade by one or more national rating agencies at the time of purchase. The High-Yield Bond Fund 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 State.

A summary of the investments at June 30, 2005 and their exposure to credit risk are as follows:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
<i>Investments subject to credit risk – S &amp; P Rating</i>		
Asset Backed Securities	AAA	\$ 229,636
Commercial Mortgage-Backed	AAA	179,829
Corporate Bonds	AAA	1,334,114
Non-Governmental Backed		
C.M.Os	AAA	208,281
Government Mortgage Backed Securities	AAA	1,565,457
Government Bonds	AAA	573,748
Government Agencies	AAA	830,948
Municipal Agencies	AAA	3,176
Index Linked Government		
Bonds	AAA	63,248
Asset Backed Securities	AA	38,654
Commercial Mortgage-Backed	AA	37,814
Corporate Bonds	AA	43,842
Corporate Bonds	AA-	35,592
Corporate Obligations	AA	105,985
Corporate Bonds	AA+	1,677
Government Bonds	AA	412
Municipal Agencies	AA	3,060
Government Bonds	AA-	9,546
Government Agencies	AA-	509

STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk –</i>		
<i>S &amp; P Rating (Continued)</i>		
Municipal Agencies	AA-	\$ 1,029
Corporate Bonds	A+	194,225
Asset Backed Securities	A	114,362
Corporate Bonds	A	256,935
Asset Backed Securities	A-	49,360
Corporate Bonds	A-	185,815
Government Bonds	A+	732
Government Agencies	A+	1,685
Municipal Agencies	A+	1,343
Asset Backed Securities	A+	7
Government Bonds	A	1,036
Non government Backed C.M.O	A	7,258
Government Agencies	A-	1,344
Corporate Obligations	A	130,432
Asset Backed Securities	BBB+	13,867
Corporate Bonds	BBB+	221,523
Asset Backed Securities	BBB	83,163
Corporate Bonds	BBB	118,368
Corporate Bonds	BBB-	118,626
Government Bonds	BBB+	7,054
Government Bonds	BBB	22,848
Government Bonds	BBB-	18,380
Corporate Obligations	BBB	123,043
Corporate Bonds	BB+	87,409
Corporate Bonds	BB	104,973

STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk – S &amp; P Rating (Continued)</i>		
Corporate Bonds	BB-	\$ 106,129
Government Bonds	BB+	4,248
Government Bonds	BB	9,459
Non government Backed C.M.O	BB	3,646
Asset Backed Securities	BB-	354
Corporate Asset and M.B.S	BB	107,114
Corporate Bonds	B+	91,190
Corporate Bonds	B	66,922
Corporate Bonds	B-	67,786
Asset Backed Securities	B	1,439
Asset Backed Securities	B-	416
Corporate Obligations	B	157,886
Corporate Bonds	CCC+	14,186
Corporate Bonds	CCC	2,369
Short Term Investments	CCC	23,626
Corporate Bonds	D	4,658
Asset Backed Securities	D	329
Short Term Investments	D	1,060

*Total investments subject to credit risk - S & P Rating* 7,793,162

*Investments subject to credit risk – Moody Rating*

Asset Backed Securities	A1	1,584
Asset Backed Securities	A2	49,750
Asset Backed Securities	A3	13,000
Corporate Bonds	A3	10,504
Corporate Bonds	Aa1	12,966

STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk – Moody Rating (Continued)</i>		
Commercial Mortgage – Backed	Aaa	\$ 13,616
Corporate Bonds	B2	2,737
Commercial Mortgage – Backed	B3	2,985
Corporate Bonds	B3	1,560
Corporate Bonds	Ba3	3,898
Asset Backed Securities	Baa2	20,100
Corporate Bonds	Baa2	15,500
Asset Backed Securities	Baa3	24,500
Commercial Paper	A-1	312,678
<i>Total investments subject to credit risk – Moody Ratings</i>		<u>485,378</u>
<i>Investments subject to credit risk – Not Rated</i>		
Asset Backed Securities	NR	141,381
Corporate Bonds	NR	162,049
Municipal/Provincial Bonds	NR	5,000
Non-Government Backed C.M.O.s	NR	20,560
Government Agencies	NR	13,022
Commercial MBS	NR	2,338
Flex Repurchase Agreements	NR	1,714,492
Flex Overnight Pool	NR	859,000
Short term Government Bonds and Notes	NR	188,733
Short Term Investments	NR	5,090
<i>Total investments subject to credit risk – not rated</i>		<u>3,111,665</u>
<i>Total investments subject to credit risk</i>		<u>\$11,390,205</u>

*Interest Rate Risk – Debt Investments.* Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. The State 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.



**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

A summary of the investments at June 30, 2005 and the exposure to interest rate risk are as follows:

Investment	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Investments subject to interest rate risk</i>					
Asset Backed Securities	\$ 538,509	-	4,618	86,281	447,610
Commercial Mortgage Backed	160,706	-	-	-	160,706
Corporate Bonds	1,193,281	265,344	323,675	320,972	283,290
Government Agencies	161,578	-	149,980	5,997	5,601
Government Bonds	267,678	-	-	5,000	262,678
Gov't Mortgage Backed Securities	260,455	-	11,583	24,162	224,710
Municipal/Provincial Bonds	5,000	5,000	-	-	-
Non-Gov't Backed C.M.O.s	133,211	-	-	-	133,211
US Government Agency Obligations	1,262,302	553,964	708,338	-	-
Comercial Paper	312,678	312,678	-	-	-
Flex Repurchase Agreements	1,714,492	918,679	795,813	-	-
Flex Overnight Pool	859,000	859,000	-	-	-
Short term Government Bonds and Notes	188,733	188,733	-	-	-
The NM State Treasurer's Office:					
General Fund Investment Pool	414,285	-	414,285	-	-
The State Investment Council:					
US Core Bonds Pool	24,389	-	-	-	24,389
US High Yield Bonds Pool	2,260	-	2,260	-	-
<b>Total</b>	<b>\$ 7,498,557</b>	<b>3,103,398</b>	<b>2,410,552</b>	<b>442,412</b>	<b>1,542,195</b>

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

**Public Employee's Retirement Association**

<u>Bond Category</u>	<u>Duration in years</u>	<u>Percentage of Bond Portfolio</u>
Corporate Convertible Bonds	3.73	0.50%
Government Bonds	10.63	19.66%
Government Agencies	4.63	0.07%
Municipal Bonds	14.14	0.75%
Corporate Bonds	10.31	24.35%
Government MBS	16.01	38.13%
Commercial MBS	30.28	3.19%
Asset Backed Securities	13.10	7.28%
Non-Government Backed C.M.O.s	32.01	4.06%
Index Linked Government Bonds	8.61	<u>2.01%</u>
Total		<u>100.00%</u>

**Educational Retirement Board**

<u>Investment Type</u>	<u>Duration in years</u>
U.S. Treasury Securities	5.99
U.S. Government Agency Obligations	4.74
Corporate Obligations	5.03
Corporate Asset and Mortgage Backed Securities	3.67
Short-Term Investment	-
Overall	4.70

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

*Concentration of Credit Risk – Investments.* Concentration risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2005, the State was not exposed to concentration of credit risk as no single issuer represented 5% of total investments.

*Foreign Currency Risk – Investments.* Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment’s or deposits fair value. This risk is eliminated in the Core Bonds and High – Yield Bond Funds by adhering to the policy that all securities be denominated in U.S. dollars, and is managed in the equity funds by limiting the size of the internationally-invested funds.

A summary of the investments at June 30, 2005 and their exposure to foreign currency risk are as follows:

<b>Investment Type</b>	<b>Foreign Currency</b>	<b>Amount</b>
Common Stock	Canadian Dollar	\$ 38,981
Common Stock	British Pound	21,939
Common Stock	Euro	21,535
Commercial Paper	British Pound	19,970
Common Stock	Brazilian Real	13,788
Common Stock	Peruvian Nuevo Sol	12,766
Common Stock	Mexican Peso	7,497
Common Stock	Japanese Yen	6,907
Common Stock	Chinese Yuan Renminbi	3,646
Common Stock	Swiss Franc	3,278
Unit Trust Equity	Canadian Dollar	2,951
Common Stock	Taiwan Dollar	2,205
Bonds	Australian Dollar	42,347
Bonds	Brazilian Real	23,034
Bonds	Canadian Dollar	63,417
Bonds	Swiss Franc	140,966
Bonds	Danish Krone	12,144
Bonds	Euro	729,224
Bonds	British Pound Sterling	323,447
Bonds	Hong Kong Dollar	41,282
Bonds	Hungarian Forint	4,930
Bonds	Indonesian Rupiah	7,443
Bonds	New Israeli Shekel	12,659
Bonds	Japanese Yen	467,552
Bonds	South Korean Won	37,747
Bonds	Mexican Peso	21,423

**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

<u>Investment Type</u>	<u>Foreign Currency</u>	<u>Amount</u>
Bonds	Malaysian Ringgit	\$ 3,670
Bonds	Norwegian Krone	11,545
Bonds	New Zealand Dollar	464
Bonds	Philippine Peso	3,476
Bonds	Polish Zloty	6,118
Bonds	Singapore Dollar	27,271
Bonds	Swedish Krona	32,970
Bonds	Thai Baht	10,307
Bonds	Turkish Lira	11,009
Bonds	New Taiwan Dollar	17,588
Bonds	South African Rand	27,783
		<u>\$ 2,235,279</u>

Investment by funds at June 30, were as follows:

Governmental Activities	\$ 5,694,585
Business-type Activities	1,579,054
Fiduciary Funds	<u>31,137,388</u>
	<u>\$ 38,411,027</u>

Securities Loan Program

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

**Discretely Presented Component Units**

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

Cash and cash equivalents

Cash at State Treasurer's Office	\$ 163,405
Money market accounts	88,049
Repurchase agreements	7,170
Bank accounts	107
	<u>\$ 258,731</u>

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the NMFA for its various bond issues. The sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts 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:* Custodial credit risk is the risk that, in the event of failure of the counterpart, the NMFA will not be able to recover the value of its collateral securities that are in the possession of an outside party. The NMFA's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the NMFA's name.

*New Mexico Mortgage Finance Authority (NMMFA).*

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

As of September 30, 2005 the carrying value of cash and cash equivalents include the following:

Bank accounts	\$ 25,837
Cash equivalents not considered deposits	
Money market accounts	25,281
Repurchase agreements	4,828
Investment agreements	464,241
	<u>\$ 520,187</u>

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that in the event of a bank failure, the NMMFA deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2005, NMMFA's bank balance was \$25,980. Of this amount, \$243 was insured by the Federal Deposit Insurance Corporation (FDIC), \$164 was collateralized by collateral held by the bank in the Authority's name, \$25,529 was collateralized by collateral held by the bank but not in NMMFA's name, and \$44 was uninsured and uncollateralized.

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

The NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, the NMMFA obtains from each bank that is a depository for public funds pledged collateral in an aggregate amounts at least equal to one half of the public money in each account. No security is required for deposit of public money that is insured by the FDIC. NMMFA contained public funds on deposit which are fully collateralized by collateral held by the bank in the NMMFA's name.

Investments

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, 2005.

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>				
		<u>Rating</u>	<u>Less than</u> <u>1</u>	<u>1-5</u>	<u>5-10</u>	<u>More than</u> <u>10</u>
Money market funds	\$ 25,027	N/R	\$ 25,027	-	-	-
Repurchase agreements	4,828	N/R	4,828	-	-	-
Guaranteed investment contracts	468,577	A2 to A1+	431,235	26,353	-	10,989
Internal state investment pool:						
Repurchase agreements & pool	14,500	N/R	14,500	-	-	4-
Commercial paper	4,1719	N/R	4,719	-	-	-
Certificates of deposit	783	N/R	783	-	-	-
U.S. agencies	5,527	N/R	5,527	-	-	-
U.S. agencies	23,571	AAA	4,003	19,568	-	-
Securitized mortgage loans	91,853	AA-	-	-	-	91,853
	<u>\$ 639,385</u>		<u>\$ 490,622</u>	<u>45,921</u>		<u>102,842</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair valued of an investment. 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 overweighting in any one type of security.

Concentration of credit risk is the risk of loss attributable to the magnitude of the NMMFA's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the NMMFA total investments reported: Governmental National Mortgage Association (GNMA) 82% and Federal National Mortgage Association (FNMA) 13%.

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables**

Receivables at June 30, 2005, including the applicable allowances for uncollectible accounts, are as follows:

**Governmental Activities**

	Loans	Interest	Taxes	Accounts Receivable	Total Receivables	Allowances	Total Receivables Net
General	\$ -	211	60,304	17,123	77,638	(1,803)	75,835
Educational	22,951	-	-	-	22,951	(2,567)	20,384
Health and Human Services	13	-	-	4,019	4,032	-	4,032
Highway and Transportation	30	458	28,900	1,764	31,152	-	31,152
Severance Tax Permanent Fund	-	-	-	35,705	35,705	-	35,705
Land Grant Permanent Fund	-	-	-	5,694	5,694	-	5,694
Nonmajor Governmental Funds	8,939	15,567	158	28,999	53,663	(367)	53,296
Internal Service Fund	-	257	-	10,259	10,516	-	10,516
<b>Total</b>	<b>\$ 31,933</b>	<b>16,493</b>	<b>89,362</b>	<b>103,563</b>	<b>241,351</b>	<b>(4,737)</b>	<b>236,614</b>

**Business-type Activities**

	Educational Institutions	Nonmajor Enterprise Funds	Total
Accounts	\$ 367,602	40,697	408,299
Loans	35,242	119,058	154,300
Interest	-	2,616	2,616
Total receivables	402,844	162,371	565,215
Allowances	(138,925)	(11,806)	(150,731)
Total receivables, net	\$ 263,919	150,565	414,484

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables (Continued)**

**Fiduciary Funds**

	Agency Funds	External Investment Trust Funds	Pension Trust Funds	Private Purpose Trust Funds	Totals
Tax assessments	\$ 912,262	629	-	-	912,891
Accounts	749,328	1,100,740	1,419	45,121	1,896,608
Interest and dividends	-	66,362	18,747	24,303	109,412
Total receivables	1,661,590	1,167,731	20,166	69,424	2,918,911
Allowances	(920,129)	-	-	-	(920,129)
Total receivables, net	\$ 741,461	1,167,731	20,166	69,424	1,998,782

**Discretely Presented Component Units**

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

Loans receivable	\$ 459,769
Allowance of loan losses	(396)
Loans, net	<u>\$ 459,373</u>

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

Balance, beginning of year	\$ (859)
Provision for loan losses	463
Balance, end of year	<u>\$ (396)</u>

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

Mortgage loans receivable	\$ 899,022
Allowance for mortgage loan losses	(609)
Deferred origination and commitment fees	(1,641)
Mortgage loans, net	<u>\$ 896,772</u>

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

Balance, beginning of year	\$ (609)
Provision (recovery) for loan losses	4
Cash reserves received for programs	(40)
Loans written off, net of recoveries	36
Balance, end of year	<u>\$ (609)</u>



STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

	Due From	Due To	Transfers In	Transfers Out
<b>Governmental Activities</b>				
General Fund	\$ 822,026	354,162	1,390,225	4,952,835
Education	17,139	19,827	2,149,322	61,452
Health and Human Services	107,363	20,449	661,372	73,277
Highway and Transportation	90,527	74,420	157,186	165,113
Severance Tax Permanent Fund	13,359	-	12,372	173,249
Land Grant Permanent Fund	134	-	-	-
Nonmajor Governmental Funds	272,961	52,534	847,224	299,797
Internal Service Fund	566	3,324	12,921	-
<b>Fiduciary Funds</b>				
Agency Funds	159,926	953,688	-	-
Pension Trust Funds	63	516	-	-
Private Purpose Trust Funds	1,639	-	-	-
<b>Total Governmental and Fiduciary</b>	<b>1,485,703</b>	<b>1,478,920</b>	<b>5,230,622</b>	<b>5,725,723</b>
<b>Business-Type Activities</b>				
Educational Institutions	-	22	527,210	-
Nonmajor Enterprise Funds	781	7,542	-	32,109
	781	7,564	527,210	32,109
<b>Totals</b>	<b>\$ 1,486,484</b>	<b>1,486,484</b>	<b>5,757,832</b>	<b>5,757,832</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 as well as reversions (transfers out) of any unspent or unencumbered balance of the authorized appropriations.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets**

Capital asset activity was as follows:

**Primary Government**

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers and Reclassifications</b>	<b>Ending Balance</b>
Capital assets, not being depreciated					
Land and land improvements	\$ 59,930	3,427	-	10,197	73,554
Construction in progress	53,393	17,987	(526)	522	71,376
Infrastructure	359,551	9,440	-	-	368,991
Mineral rights	19,818	6,247	-	-	26,065
<b>Total capital assets, not being depreciated</b>	<b>492,692</b>	<b>37,101</b>	<b>(526)</b>	<b>10,719</b>	<b>539,986</b>
Capital assets, being depreciated					
Land improvements	35,329	793	(149)	(147)	35,826
Equipment and machinery	173,229	25,933	(4,949)	89,846	284,059
Buildings and improvements	997,081	17,343	(2,776)	(1,349)	1,010,299
Furniture and fixtures	17,566	2,838	(828)	3,808	23,384
Data processing equipment & software	94,406	10,391	(8,109)	(2,614)	94,074
Vehicles	215,134	17,713	(11,643)	679	221,883
Library books and other	9,979	1,576	(841)	99	10,813
Infrastructure	15,110,479	269,241	(308,472)	-	15,071,248
<b>Total capital assets, being depreciated</b>	<b>16,653,203</b>	<b>345,828</b>	<b>(337,767)</b>	<b>90,322</b>	<b>16,751,586</b>
Less accumulated depreciation for					
Land improvements	(6,348)	(419)	-	(1)	(6,768)
Equipment and machinery	(91,435)	(14,441)	3,205	3,024	(99,647)
Buildings and improvements	(547,904)	(38,791)	5,435	(68,501)	(649,761)
Furniture and fixtures	(9,360)	(1,720)	690	(1,609)	(11,999)
Data processing equipment & software	(58,715)	(7,627)	5,736	2,111	(58,495)
Library books and other	(3,191)	(1,090)	842	289	(3,150)
Vehicles	(125,365)	(18,039)	10,389	(388)	(133,403)
Infrastructure	(8,021,196)	(487,654)	308,472	-	(8,200,378)
<b>Total accumulated depreciation</b>	<b>(8,863,514)</b>	<b>(569,781)</b>	<b>334,769</b>	<b>(65,075)</b>	<b>(9,163,601)</b>
<b>Total capital assets, being depreciated, net</b>	<b>7,789,689</b>	<b>(223,953)</b>	<b>(2,998)</b>	<b>25,247</b>	<b>7,587,985</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 8,282,381</b>	<b>(186,852)</b>	<b>(3,524)</b>	<b>35,966</b>	<b>8,127,971</b>

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets (Continued)**

<b>Business-type Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers and Reclassifications</b>	<b>Ending Balance</b>
Capital assets, not being depreciated					
Land and land improvements	\$ 57,916	1,260	4	(7,419)	51,761
Construction on progress	166,335	58,434	-	(153,637)	71,132
Total capital assets, not being depreciated	224,251	59,694	4	(161,056)	122,893
Capital assets, being depreciated					
Land improvements	77,386	1,527	-	(28,366)	50,547
Equipment and machinery	484,236	90,009	(24,868)	152,112	701,489
Buildings and improvements	1,346,605	47,177	(4,098)	18,899	1,408,583
Furniture and fixtures	69,504	4,098	(801)	(5,626)	67,175
Data processing equipment & Software	7,804	3,406	(108)	4,785	15,887
Library books and other	198,831	9,858	(784)	(6,778)	201,127
Vehicles	4,054	250	(104)	56	4,256
Infrastructure	93,097	14,120	-	31,341	138,558
Total capital assets, being depreciated	2,281,517	170,445	(30,763)	166,423	2,587,622
Less accumulated depreciation for					
Land improvements	(76,969)	(4,700)	-	(15,805)	(97,474)
Equipment and machinery	(283,500)	(47,312)	16,467	(119,313)	(433,658)
Buildings and improvements	(634,532)	(36,630)	2,951	91,583	(576,628)
Furniture and fixtures	(46,357)	(4,007)	180	228	(49,956)
Data processing equipment & Software	(6,452)	(1,322)	109	204	(7,461)
Library books and other	(156,886)	(9,013)	645	3,152	(162,102)
Vehicles	(1,453)	(408)	90	(1,382)	(3,153)
Infrastructure	(29,685)	(4,534)	-	-	(34,219)
Total accumulated depreciation	(1,235,834)	(107,926)	20,442	(41,333)	(1,364,651)
Total capital assets, being depreciated, net	1,045,683	62,519	(10,321)	125,090	1,222,971
<b>Business-type activities capital assets, net</b>	<b>\$ 1,269,934</b>	<b>122,213</b>	<b>(10,317)</b>	<b>(35,966)</b>	<b>1,345,864</b>

STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

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

General	\$ 22,243
Culture, recreation, natural resources	9,962
Highways and transportation	502,651
Judicial	5,456
Legislative	99
Public safety	18,414
Regulation, licensing, etc.	1,714
Health and human services	8,557
Education	<u>685</u>
	<u>\$ 569,781</u>

Discretely Presented Component Units

Activity for the New Mexico Finance Authority was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated				
Furniture, fixtures and equipment	\$ 306	260	(156)	410
Accumulated depreciation	(237)	(57)	144	(150)
Capital assets, net	<u>\$ 69</u>	<u>203</u>	<u>(12)</u>	<u>260</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 512	-	-	512
Capital assets, being depreciated				
Buildings and improvements	3,041	-	-	3,041
Furniture, equipment and vehicles	1,408	69	(80)	1,397
Total capital assets, being depreciated	<u>4,449</u>	<u>69</u>	<u>(80)</u>	<u>4,438</u>
Accumulated depreciation for				
Buildings and improvements	(1,449)	(143)		(1,592)
Equipment and machinery	(1,060)	(78)	80	(1,058)
Accumulated depreciation	<u>(2,509)</u>	<u>(221)</u>	<u>80</u>	<u>(2,650)</u>
Capital assets, net	<u>\$ 2,452</u>	<u>(152)</u>	<u>-</u>	<u>2,300</u>

**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets (Continued)**

**Construction Commitments**

The State has active construction projects as of June 30, 2005. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction are as follows:

Project Commitment

Road Construction Commitments	\$ 112
Public highways, school grounds, parking areas and litter control construction and improvement	7,578
University infrastructure	109,144
University facilities construction and renovation	142,475
Total	<u>\$ 259,309</u>

**Operating Leases**

The State leases building and office facilities and other equipment under noncancelable operating leases. Total cost for such leases were \$ 55,693 for the year ended June 30, 2005. The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
2006	\$ 55,042
2007	42,399
2008	37,911
2009	32,259
2010	30,681
2011-2015	61,214
2016-2020	14,253
2021-2025	4,591
Total	<u>\$ 278,350</u>

**Capital Leases**

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

**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets (Continued)**

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2005:

Year Ending June 30:	
2006	\$ 2,516
2007	2,412
2008	1,597
2009	469
2010 to 2014	<u>818</u>
Total	7,812
Amount representing interest	<u>(868)</u>
Total	<u>\$ 6,944</u>

Capital leases by funds are as follows:

Governmental Activities	\$ 3,902
Business-type Activities	<u>3,042</u>
	<u>\$ 6,944</u>

**E. Bonds Payable**

**General Obligation Bonds**

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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.

The following General Obligation Bonds were issued during the year ended June 30, 2005:

*Series 2005 Debt Service.* On March 1, 2005 the State Board of Finance issued general obligation bonds with a principal payment amount of \$111,850 to finance public capital projects. Interest rates range from 4% to 5% with principal payments due through 2015.

STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

General Obligation Bonds (Continued)

General obligation bonds currently outstanding are as follows:

	Amount	Interest Rate	Final Maturity
<i>Capital Projects Series 2001</i>	\$ 41,210	4.00 – 5.00	2011
<i>Enhanced 911 Revenue Bonds - Series 2000</i>	2,130	4.35 – 5.90	2008
<i>2001 - B Refunding</i>	16,345	5.00	2007
<i>Capital Projects Series 2003</i>	109,245	2.00 – 5.00	2013
<i>2003 - B Refunding</i>	37,275	3.00 – 5.00	2008
<i>Series 2005 Debt Service</i>	111,850	4.00 – 5.00	2015
	\$ 318,055		

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

Year ending June 30,	Principal	Interest	Total
2006	\$ 47,677	9,756	57,433
2007	48,347	9,894	58,241
2008	41,183	8,428	49,611
2009	40,652	8,319	48,971
2010	32,248	6,599	38,847
2010 to 2015	107,948	22,090	130,038
Total	\$ 318,055	65,086	383,141

**Severance Tax Bonds**

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

The following severance tax bonds were issued during the fiscal year ended June 30, 2005:

*Severance Tax Bonds Supplemental Series 2004B.* On November 17, 2004 the State Board of Finance issued bonds with a principal amount of \$10,000 to finance public capital projects. Interest rates range from 2% to 4% with principal payments due through 2014.

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Severance Tax Bonds (Continued)**

*Severance Tax Bonds Series 2005A.* On June 15, 2005 the State Board of Finance issued bonds with a principal amount of \$97,000 to finance public capital projects authorized by the State Legislature, as well as to provide for the partial refunding of Severance Tax Bonds, Series 2000. The interest rates range from 4.00% to 5.5% with principal payments due through 2015.

*Severance Tax Bonds Series 2005B-1 Refunding.* On June 28, 2005 the State Board of Finance issued bonds with a principal amount of \$37,040 to provide for the partial refunding of Severance Tax Bonds, Series 2001A Refunding and 2002A. The interest rate ranges from 3.00% to 5.00% with principal payments due through 2012.

*Severance Tax Bonds Series 2005B-2 Supplemental.* On June 28, 2005 the State Board of Finance issued bonds with a principal amount of \$21,095 to provide for the partial refunding of Severance Tax Bonds 2002A Supplemental. The interest rate ranges from 3.25% to 5.00% with principal payments due through 2011.

Severance tax bonds currently outstanding are as follows:

	Amount	Interest Rate	Final Maturity
<i>Series 1999 - A Supplemental</i>	\$ 3,860	4.25 – 5.50	2007
<i>Series 2000</i>	10,075	5.00	2008
<i>Series 2000 - C Supplemental</i>	5,750	4.50 – 5.00	2008
<i>Series 2001 - A Refunding</i>	84,890	4.00 – 5.00	2013
<i>Series 2002 - A</i>	25,310	4.00 – 5.00	2013
<i>Series 2002 - A Supplemental</i>	25,770	4.00 – 5.00	2012
<i>Series 2002 - B Supplemental</i>	37,665	2.00 – 5.00	2012
<i>Series 2003 - A</i>	68,025	2.50 – 5.00	2013
<i>Series 2003 - B Supplemental</i>	9,270	2.00 – 3.70	2013
<i>Series 2004 - A</i>	76,430	5.00	2014
<i>Series 2004 - B Supplemental</i>	10,000	2.00 – 5.00	2014
<i>Series 2005 - A</i>	97,000	4.00 – 5.50	2015
<i>Series 2005 - B-1 Refunding</i>	37,040	3.00 – 5.00	2012
<i>Series 2005 - B-2 Supplemental</i>	21,095	3.25 – 5.00	2011
	<u>\$ 512,180</u>		



**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Severance Tax Bonds (Continued)**

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

Year ending June 30,	Principal	Interest	Total
2006	\$ 93,463	13,691	107,154
2007	67,886	14,558	82,444
2008	66,748	11,433	78,181
2009	67,279	8,566	75,845
2010	50,774	7,456	58,230
2011 to 2015	166,030	35,416	201,446
Total	\$ 512,180	91,120	603,300

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds

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

Revenue bonds outstanding at year-end are as follows:

Governmental Activities

	Amount	Interest Rate	Final Maturity
<i>Energy and Minerals Series 1995 – A &amp; B</i>	\$ 190	3.00 – 6.00	2015
<i>Energy and Minerals Series 1996 – A &amp; B</i>	243	3.00 – 6.00	2016
<i>Energy and Minerals Series 1997 – A &amp; B</i>	3,341	3.00 – 6.00	2017
<i>Energy and Minerals Series 1998 – A &amp; B</i>	3,740	6.00 – 8.00	2018
<i>Energy and Minerals Series 2001</i>	3,955	4.70	2020
<i>Energy and Minerals Series 1995A &amp; 1996A</i>	4,514	4.47	2016
<i>Energy and Minerals Series 2003</i>	6,908	3.82	2023
<i>Office of State Engineer Series 1998 – A</i>	723	6.175	2008
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1998</i>	21,960	4.50 – 5.125	2010
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 1998B</i>	37,220	3.70 – 5.125	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1999</i>	38,585	4.75 – 6.00	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2000</i>	65,515	5.00 – 6.00	2015
<i>Enhanced 911 – Series 2000</i>	1,455	4.50 – 6.75	2007
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2001</i>	138,690	4.00 – 5.25	2013
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002</i>	51,880	4.50 – 5.50	2014
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 2002</i>	33,815	3.25 – 5.00	2011
<i>Highway Infrastructure Fund Revenue Highway Bonds (HIF) – Series 2002C</i>	32,945	3.25 – 5.283	2017
<i>Senior Subordinate Lien Tax Revenue Highway Bonds - Series 2002 - D</i>	5,770	2.25 – 5.00	2014
<i>Senior Lien Transportation Revenue Bonds – Series 2004 A</i>	700,000	3.80 – 5.25	2024
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004B</i>	210,255	2.00 – 5.00	2014
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004C</i>	197,832	2.00 – 5.00	2014
	<u>\$ 1,559,536</u>		

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Business-type Activities

	Amount	Interest Rate	Final Maturity
<i>Capital Improvement Bonds</i>	\$ 5,554	1.26 – 3.67%	2006
<i>Miners Colfax Hospital Revenue Bonds – Series 2004</i>	10,527	1.51 – 4.76	2024
<i>Refunding and Improvement – Series 2003</i>	28,495	2.00 – 5.00	2023
<i>Refunding Revenue – Series 2004A</i>	6,475	4.00	2006
<i>Refunding and Improvement – Series 2001</i>	65,430	3.95 – 5.00	2025
<i>Refunding and Improvement – Series 1993</i>	950	3.40 – 4.95	2006
<i>System Revenue Bonds – Series 1998</i>	3,185	3.55 – 4.40	2013
<i>General Obligation Building – Series 1999</i>	325	3.65 – 5.10	2005
<i>General Obligation Building – Series 2005</i>	3,600	2.35 – 3.50	2010
<i>System Revenue Bond – Series 2005</i>	9,325	3.25 – 4.25	2026
<i>System Refunding – Series 1998</i>	5,195	4.25 – 4.70	2011
<i>Refunding – Series 1998–A</i>	2,175	3.00 – 4.00	2008
<i>System – Series 1994</i>	405	5.00 – 6.00	2006
<i>Refunding – Series 2001</i>	8,140	3.25 – 5.00	2013
<i>Improvements – Series 1997</i>	5,800	3.90 – 5.75	2019
<i>Subordinate Lien System Improvement – Series 2001</i>	49,130	Variable	2026
<i>System Revenue – Series 2000</i>	12,667	4.65 – 6.35	2029
<i>Subordinate Lien System Improvement – Series 1996</i>	1,975	4.80 – 5.50	2026
<i>Subordinate Lien Adjustable – Series 1996</i>	3,540	5.10	2006
<i>System Revenue Refunding – Series 1992 – A</i>	28,800	5.60 – 6.25	2021
<i>Subordinate Lien Systems Refunding Series 2003 – A</i>	20,065	2.00 – 5.25	2018
<i>Subordinate Lien System Refunding and Improvement – Series 2002 – A</i>	56,070	2.50 – 5.25	2032
<i>Subordinate Lien System Refunding – Series 2002 – B</i>	25,475	3.83	2026
<i>Subordinate Lien System Refunding – Series 2002 – C</i>	36,940	3.94	2030
<i>Subordinate Lien System Revenue (taxable) – Series 2003 – B</i>	5,585	1.35 – 5.625	2024
<i>Subordinate Lien System Revenue (taxable) – Series 2003 – C</i>	5,830	4.50 – 4.60	2033
<i>FHA Insured Hospital Mortgage Revenue Bonds – Series 2004</i>	192,250	2.00 – 5.00	2031
	<u>593,908</u>		
<i>Bond premium and discounts, net</i>	777		
	<u>\$ 594,685</u>		

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Revenue Bonds (Continued)**

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

Year ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 83,382	70,298	153,680	22,123	26,808	48,931
2007	77,633	66,626	144,259	18,846	26,047	44,893
2008	71,899	62,484	134,383	22,876	24,449	47,325
2009	75,284	58,863	134,147	23,695	23,596	47,291
2010	79,158	55,031	134,189	22,991	22,240	45,231
2011 to 2015	535,678	216,425	752,103	114,093	99,383	213,476
2016 to 2020	402,694	124,466	527,160	124,162	73,209	197,371
2021 to 2025	233,808	22,230	256,038	120,258	42,953	163,211
2026 to 2030	-	-	-	101,305	19,300	120,605
2031 to 2035	-	-	-	23,559	1,269	24,828
<b>Total</b>	<b>\$ 1,559,536</b>	<b>676,423</b>	<b>2,235,959</b>	<b>\$ 593,908</b>	<b>359,254</b>	<b>953,162</b>

Advance and current refundings:

Governmental Activities:

The State issued \$700,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the State were \$738,788, including \$43,557 of an original issue premium. The cost of issuance including underwriter fees was \$6,368. The bonds are special, limited obligations of the State, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the State has determined to be necessary or desirable.

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15<sup>th</sup>. Interest with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup> through the year 2024.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Revenue Bonds (Continued)**

The State issued \$237,950 and \$200,000 of bonds through the NMFA's State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the State for both issuances were \$451,069 including \$16,347 of an original issue premium. The cost of issuance including underwriter fees was \$4,229. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950 Series 2004B Bonds are special, limited obligations of the State, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds are being issued through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the State Transportation Commission.

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15<sup>th</sup>. Interest with rates ranging from 2% to 5% per annum, is payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup> through the year 2014.

The Series 2004C Bonds are special, limited obligations of the State payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees required by law to be paid in the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be issued through the NMFA. The bonds are being issued through NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The State is responsible for its issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the Bonds is payable on June 15<sup>th</sup> with interest payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup> through the year 2023. Interest is fixed at 3.393% based on a swap agreement in place at June 30, 2004.

For the year ended June 30, 2005, the NMFA recorded \$342 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Revenue Bonds (Continued)**

At June 30, 2005, the NMFA had \$662,949 in cash at trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The NMFA has recorded these amounts in an agency fund.

The State issued the 2004B and 2004C Bonds to advance refund various older debt issues. The net proceeds of \$408,856 plus an additional \$7,286 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt are considered to be defeased and the liabilities for those bonds has been removed from long-term obligations. On June 30, 2004, \$381,835 of bonds outstanding are considered defeased.

**Interest Rate Swaps:**

**State Transportation Revenue Bonds, Series 2006**

*Objective of the interest rate swaps.* In April of 2004, the NMFA entered into two forward starting swaps on behalf of the State with two counterparties to hedge against future interest rates. The intention of the swap was to take advantage of the current historically low interest rate environment for Bonds to be issued in 2006. The Bonds are to be issued by the New Mexico Finance Authority to fund part of Governor Richardson's Investment Partnership (GRIP) which is a \$1.6 billion statewide transportation expansion and infrastructure improvement project. In addition to the forward start, the swaps have a knock-out option from settlement to maturity. The intention of the option was to reduce the synthetic fixed rate. The NMFA typically has between \$175 million and \$200 million in cash, which will act as a natural hedge if the swap is knocked out.

*Terms.* The swaps were entered into with J.P. Morgan Chase Bank (JP) and USG AG (USB). The swaps will be effective on December 15, 2006, maturing on December 15, 2026. On the trade date, JP was rated AA- by Standard & Poor's Rating Service, a division of The McGraw-Hill Companies (S&P), and Aa2 by Moody's Investor's Service, Inc. (Moody's), and USB was rated AA+ S&P and Aa2 Moody's. Both swaps were priced at a fixed rate of 5.072%, based on an amortizing notional schedule with a combined \$220,000 initial amount. Under the swaps, the NMFA pays 5.072% and received BMA. The incorporated knock-out option was priced with a 7% barrier, effective from settlement to maturity and based on an "American" option exercise schedule. Thus, the counterparty paid to have the option (but not the obligation) to terminate the swap should the 180 day average of the BMA index move above the barrier. The bonds' variable-rate coupons are not based on an index but on market conditions.

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Revenue Bonds (Continued)**

*Fair Value.* As of June 30, 2005, the swaps had a negative fair value of \$33,840 without the option. The options had a negative value of \$11,128 in isolation of the swaps; thus the swaps including the options had a total negative value of \$44,968. Since the coupons on the New Mexico Finance Authority's (NMFA) variable interest rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement swap.

*Risks.* As of June 30, 2005, the NMFA is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Agreement (the CSA) are adjusted based on counterparty ratings set forth in the CSA. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the NMFA would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the NMFA has substantial case reserves which will mitigate this risk by generating variable rate income.

**\$200,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2, and C-3**

*Objective of the swaps.* In April of 2004, the NMFA entered into three swaps on behalf of the State with three counterparties to synthetically refund outstanding bonds which provided the NMFA with present value savings of \$11,524, or 3.02% of the refunded bonds. The swap structure was used as a means to increase the NMFA's savings, when compared against fixed-rate bonds at the time of issuance. In addition, through this structure the NMFA was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the swaps was to effectively change the New Mexico Finance Authority's interest rate on the bonds to a fixed rate.

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Revenue Bonds (Continued)**

*Terms.* The swaps were executed with Goldman Sachs Mitsui Marine Derivative (Goldman), Lehman Brothers Derivative Products, Inc. (Lehman) and Royal Bank of Canada (RBC) at respective initial amortizing notional amount of \$50,000, \$50,000 and \$100,000. The counterparties were, at the trade date, rated AA+, Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively. All three swaps commenced on May 20, 2004, and will mature on June 15, 2024. Under the swaps, the New Mexico Finance Authority (NMFA) pays a fixed rate of 3.94% and receives a variable rate computed as the BMA index until June 15, 2006, on which date the variable interest rate received will switch to 68% of the on month London Interbank Offered Rate (LIBOR) until maturity. The bonds' variable-rate coupons are not based on an index but on market conditions.

*Fair Value.* As of June 30, 2005, the Lehman swap and Goldman swap each had a negative fair value of \$5,157, which the RBC swap had a negative value of \$10,315. The total negative fair value on all the swaps was \$20,630. Since the coupons on the NMFA's variable interest rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

*Risks.* As of June 30, 2005, the NMFA is not exposed to credit risk because the swap had a negative fair value. If the fair value goes positive at some point in the future, the counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Agreement (the CSA) are adjusted based on counterparty ratings as set fourth in the CSA. After June 15, 2006, the NMFA will be exposed to tax risk as reflected by the relationship between the rate paid on the outstanding bonds and 68% of one month LIBOR the rate received on the swap. Tax risk is the form of basis risk where the NMFA is exposed to a potential additional interest costs in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68% of LIBOR received on the swap. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events.



**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Revenue Bonds (Continued)**

The following refunding activity occurred during the year ended June 30, 2005:

On June 15, 2005 the State Board of Finance issued Severance Tax Bonds Series 2005A with a principal amount of \$97,000 to finance public capital projects by the State Legislature, as well as to provide for the partial refunding of Severance Tax Bonds Series 2000. The difference in cash flows required between the prior debt service requirements are new funding debt service requirements resulted in cash flow savings of \$251. The economic gain, or present value savings, was \$239.

On June 28, 2005 the State Board of Finance issued Severance Tax Bonds Series 2005B-1 Refunding with a principal amount of \$37,040 to provide for the partial refunding of Severance 2001A Refunding and 2002A. The difference in cash flow required between the prior debt service and new funding debt service requirements resulted in a cash flow savings of \$2,530. The economic gain, or present value savings, was \$1,663.

On June 28, 2005 the State Board of Finance issued Severance Tax Bond Series 2005B-02 Supplemental with a principal amount of \$21,095 to provide for the partial refunding of Severance 2002A Supplemental. The difference in cash flow required between the prior debt service requirements and new funding debt service requirements resulted in a cash flow savings of \$1,462. The economic gain, or present value savings, was \$966.

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

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units

*New Mexico Finance Authority* bonds payable as of June 30, 2005, consist of:

	Amount	Interest Rate	Final Maturity
<i>Public Project Revolving Fund – 1997A</i>	\$ 5,870	4.25 – 4.90	2017
<i>Public Project Revolving Fund – Series 1999A, B, C, and D</i>	14,370	3.30 – 6.30	2018
<i>Public Project Revolving Fund – Series 2000A</i>	2,215	4.10 – 5.30	2009
<i>Public Project Revolving Fund – Series 2000B and C</i>	12,985	4.35 – 5.60	2030
<i>Public Project Revolving Fund – Series 2002A</i>	33,080	2.00 – 5.00	2026
<i>Public Project Revolving Fund – Series 2003A</i>	34,590	2.00 – 4.75	2032
<i>Public Project Revolving Fund – Series 2003B</i>	25,570	2.00 – 5.00	2021
<i>Public Project Revolving Fund – Series 2004 A</i>	39,975	1.13 – 5.00	2031
<i>Public Project Revolving Fund – Series 2004 B</i>	47,575	3.00 – 5.13	2033
<i>Public Project Revolving Fund – Series 2004 C</i>	165,280	2.50 – 5.00	2024
<i>Public Project Revolving Fund – Series 2005 C and D</i>	56,510	3.05 – 5.00	Various
<i>State Office Building Financing Fund</i>	30,170	4.00 – 5.00	2021
<i>Special Cigarette Tax Revenue Bonds</i>	600	3.95 – 5.25	2006
<i>Workers Compensation Financing Fund</i>	3,135	5.00 – 5.60	2017
<i>UNM Health Sciences</i>	34,275	2.00 – 5.00	2019
<i>UNM Health Sciences 2004B</i>	10,000	2.10 – 5.50	2019
<i>State Capitol Improvement Financing Fund</i>	6,990	7.00	2015
<i>Metro Court Financing Fund</i>	46,325	5.50 – 5.80	2025
<i>Equipment Loan Fund – Series 95A, 95B</i>	631	4.05 – 5.40	2016
<i>Equipment Loan Fund – Series 96A</i>	110	3.85 – 5.20	2012
<i>Equipment Loan Fund – Series 96B</i>	529	4.50 – 5.70	2006
	<u>570,785</u>		
<i>Bond premium and discount</i>	<u>23,949</u>		
	<u>\$ 594,734</u>		

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2006	\$ 35,377	26,625	62,002
2007	33,027	25,383	58,410
2008	30,926	24,197	55,123
2009	32,699	22,936	55,635
2010	33,746	21,563	55,309
2011 to 2015	188,591	65,134	253,725
2016 to 2020	136,346	44,252	180,598
2021 to 2025	73,013	13,843	86,856
2026 to 2030	6,815	1,174	7,989
2031-2033	245	83	328
<b>Total</b>	<b>\$ 570,785</b>	<b>245,190</b>	<b>815,975</b>

Bonds payable activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 391,140	237,945	(58,300)	570,785	35,377

*Public Project Revolving Fund – Series 2004C.* On October 1, 2004 the NMFA issued \$168,890 of Public Projects Revolving Fund series 2004C Revenue bonds. The series 2004C were issued to (i) reimburse the Public Projects Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of financing public projects, and (ii) fund the loan to the Albuquerque Bernalillo County Water Utility Authority and (iii) finance the costs of issuance of the Series 2004C Bonds.

*Public Project Revolving Fund- Series 2005 C and D.* On April 5, 2005, the NMFA issued \$50,395 of Subordinate Lien Public Project Series 2005C and \$8,660 of Taxable Subordinate Lien Public Project Series 2005D Revolving Fund Refunding Revenue Bonds. The Series 2005C and D Bonds were issued to (i) purchase the NMFA Court Facilities Fee Refunding Revenue Bonds and (ii) finance the costs of issuance of the Series 2005C and D Bonds.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

*UNM Health Sciences 2004B.* On September 22, 2004, the NMFA issued \$10,000 of Cigarette Tax Revenue Series 2004B Revenue Bonds. The Series 2004B Bonds were issued to (i) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico, and (ii) finance the costs of issuance of the Series 2004B Bonds.

*New Mexico Mortgage Finance Authority bonds outstanding consist of:*

	Amount	Interest Rate	Final Maturity
<b>Single Family Mortgage Programs</b>			
<i>1985 Series A</i>	\$ 310	9.40	2017
<i>1994 Series A</i>	1,755	6.88	2025
<i>1994 Series B</i>	1,680	6.75	2025
<i>1994 Series C</i>	1,775	6.50	2025
<i>1994 Series D</i>	1,760	6.80	2026
<i>1994 Series E</i>	2,150	6.95	2026
<i>1994 Series F</i>	1,750	7.00	2026
<i>1994 Series H</i>	2,575	6.10 – 6.65	2026
<i>1995 Series A</i>	3,155	6.00 – 6.65	2026
<i>1995 Series B</i>	2,180	5.50	2028
<i>1995 Series C</i>	5,990	5.40 – 6.20	2026
<i>1995 Series D</i>	3,285	5.50 – 6.50	2026
<i>1995 Series E</i>	4,570	6.30 – 6.40	2027
<i>1995 Series F</i>	8,140	5.40 – 6.15	2027
<i>1995 Series G</i>	8,290	4.95 – 5.70	2027
<i>1995 Series H</i>	5,365	5.45 – 6.25	2027
<i>1996 Series C</i>	5,595	5.50 – 6.25	2027
<i>1996 Series D</i>	4,580	5.70 – 6.38	2027
<i>1996 Series E</i>	5,440	5.60 – 6.35	2028
<i>1996 Series G</i>	6,355	5.40 – 6.20	2028
<i>1997 Series A</i>	4,925	5.40 – 6.20	2028
<i>1997 Series B</i>	5,840	5.50 – 6.30	2028
<i>1997 Series C</i>	5,180	5.35 – 7.43	2029
<i>1997 Series E</i>	8,230	5.00 – 6.65	2029
<i>1997 Series F</i>	9,940	4.95 – 6.65	2029
<i>1997 Series G</i>	11,535	4.80 – 6.30	2029
<i>1998 Series A</i>	13,725	4.85 – 6.00	2029
<i>1998 Series B</i>	10,950	5.00 – 6.10	2030

STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Single Family Mortgage Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>1998 Series C</i>	\$ 12,635	4.80 – 6.00	2029
<i>1998 Series D</i>	12,745	4.55 – 6.10	2030
<i>1998 Series E</i>	13,160	4.35 – 6.25	2030
<i>1999 Series A</i>	13,355	4.30 – 6.25	2030
<i>1999 Series B</i>	15,755	4.25 – 6.25	2030
<i>1999 Series C</i>	2,258	5.13	2029
<i>1999 Series D</i>	9,703	5.00 – 6.88	2030
<i>1999 Series E</i>	12,260	5.00 – 6.96	2031
<i>1999 Series F</i>	8,275	5.00 – 7.07	2031
<i>2000 Series A</i>	6,890	5.30 – 7.76	2031
<i>2000 Series B</i>	7,840	5.35 – 7.55	2032
<i>2000 Series C</i>	6,805	5.40 – 7.82	2032
<i>2000 Series D</i>	9,700	4.85 – 8.34	2032
<i>2000 Series E</i>	12,190	5.40 – 7.39	2032
<i>2000 Second Mortgage Series</i>	418	6.50	2018
<i>2001 Series A</i>	13,530	4.60 – 6.13	2032
<i>2001 Series B</i>	12,400	4.20 – 6.00	2033
<i>2001 Series C</i>	13,060	4.15 – 6.00	2033
<i>2001 Series D</i>	13,150	3.30 – 5.40	2033
<i>2002 Series A</i>	12,370	3.65 – 6.45	2033
<i>2002 Series B</i>	14,755	3.35 – 5.40	2033
<i>2002 Series C</i>	15,930	3.60 – 5.50	2034
<i>2002 Series D</i>	15,940	2.65 – 5.35	2034
<i>2002 Series E</i>	17,235	2.55 – 5.20	2034
<i>2002 Series F</i>	17,945	2.60 – 5.00	2034
<i>2003 Series A</i>	20,565	1.85 – 5.25	2034
<i>2003 Series B</i>	20,760	2.00 – 5.45	2034
<i>2003 Series C</i>	24,215	1.80 – 4.70	2034
<i>2003 Series D</i>	24,375	2.45 – 6.13	2034
<i>2003 Series E</i>	27,310	1.90 – 4.85	2034
<i>2004 Series A</i>	24,010	1.90 – 4.80	2034
<i>2004 Series B</i>	28,795	1.70 – 4.75	2035
<i>2004 Series C</i>	29,380	2.30 – 5.65	2035
<i>2004 Series D</i>	34,370	2.40 – 6.15	2035
<i>2004 Series E</i>	29,895	2.15 – 5.50	2035
<i>2005 Drawdown Issue</i>	367,244	3.864	2006

STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Single Family Mortgage Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2005 Series A	\$ 30,000	2.50 – 5.50	2036
2005 Series B	30,000	4.05 – 6.10	2036
2005 Series C	26,700	3.00 – 5.85	2037
	<u>1,154,948</u>		

**Rental Housing Programs**

1987 Series A & B	\$ 9,900	7.25	2011
1995 Multi-Family Risk-Sharing – La Villa Alegre	3,824	5.504	2037
1997 Multi-Family Risk-Sharing – Las Brisas	3,323	6.45	2032
1997 Multi-Family Housing Revenue – Rio Volcan II	3,835	4.75 – 5.65	2018
1998 Series A & B Multi-Family Housing Revenue – The Bluffs at Tierra Contenta	8,895	5.20 – 6.03	2031
2001 Multi-Family Housing Refunding Revenue – Series A	2,755	5.00	2031
2001 Multi-Family Housing Refunding Revenue – Series B	7,565	5.00	2031
2001 Multi-Family Housing Refunding Revenue – Series C	5,910	5.00	2031
2001 Multi-Family Housing Refunding Revenue – Series D	2,785	5.00	2031
2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa	9,905	5.55 – 7.05	2034
2002 Series A & B Multi-Family Risk Sharing – Sandpiper	9,920	5.40 – 6.75	2038
2003 Series A & B Multi-Family Risk Sharing – Aztec	9,465	5.10 – 5.35	2038
2004 Series A & B Multi-Family Risk Sharing – NM5	10,185	4.625 – 5.20	2039
2004 Series C & D Multi-Family Risk Sharing – Alta Vista	12,645	5.25 – 6.00	2039
2004 Series E Multi-Family Housing Revenue – Lafayette	7,460	5.00 – 6.50	2037
2004 Series F & G Multi Family Risk Sharing – Arioso	11,345	4.95 – 5.85	2040
2005 Series A & B Multi Family Risk Sharing – Las Palomas	12,135	4.98 – 5.50	2040

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Single Family Mortgage Programs (Continued)**

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>2005 Series C &amp; D Multi Family Risk Sharing – Chateau</i>	\$ 4,230	4.16 - 4.70	2040
<i>2005 Series E &amp; F Multi Family Risk Sharing – Sun Pointe</i>	13,400	4.80 – 5.06	2040
	<u>149,482</u>		

**Capital Debt**

<i>General Revenue Office Building Fund – Series 2005</i>	2,830	3.50 – 4.38	2026
	<u>1,307,260</u>		
<i>Unamortized premium, net of underwriter's discount</i>	17,584		
<i>Total Bonds Payable, net</i>	<u>\$ 1,324,844</u>		

- a) Variable interest rate equal to 3.864 percent of London Inter Bank Rate (LIBOR) payable monthly.

Annual debt service requirements to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
2006	\$ 321,446	57,834	379,280
2007	12,918	67,644	80,562
2008	13,939	67,036	80,975
2009	15,684	66,358	82,042
2010	16,553	67,379	83,932
2011 to 2015	106,827	309,498	416,325
2016 to 2020	135,865	279,958	415,823
2021 to 2025	191,398	236,394	427,792
2026 to 2030	275,743	166,840	442,583
2031 to 2035	185,681	100,520	286,201
2036 to 2040	31,206	4,282	35,488
Total	1,307,260	1,423,743	2,731,003
Net unaccredited premium	17,584	-	17,584
Total	<u>\$ 1,324,844</u>	<u>1,423,743</u>	<u>2,748,587</u>

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

**Single Family Mortgage Programs (Continued)**

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 1,244,522	655,251	(574,929)	1,324,844	321,446

Certain Mortgage Purchase Program bonds were legally defeased in 1992 and, therefore, are not reflected in the accompanying Statement of Net Assets. The outstanding balance of these bonds totaled approximately \$38,810. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBS's and other assets in the funds and accounts established by the respective bond resolutions.

The Mortgage Purchase Program Bonds 2005 Series C was issued to fully refund bonds from the Mortgage Purchase Program Bonds 1994 Series G Issue. The NMMFA will realize a \$274 positive cash flow from this refunding. The economic gain to the NMMFA from refunding the 1994 Series G bonds approximates \$220.

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

The single-family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal year 2004 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In March 2005, the NMMFA authorized the \$500,000 Single Family Mortgage Program Bonds, Draw Down Issue 2005. These bonds will be refunded by the issuance of bonds under separate indentures, the proceeds of which will be used to purchase securitized mortgage loans under the respective indentures. Cumulative draw downs were \$368,994 through fiscal year-end September 30, 2005. As of September 30, 2005, approximately \$268,244 of proceeds from the bond issue is outstanding and, accordingly, reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par value bearing variable interest at LIBOR payable monthly, as of the business day immediately preceding the interest payment due, 3.864% at September 30, 2005. Due to the short-term nature of Draw Down Issue 2005, there is no economic gain or loss from refundings on this issue.



**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Bonds Payable (Continued)**

On September 1, 2005, the NMMFA issued \$2.83 million in General Revenue Office Building Refund bonds with an average interest rate of 4.16% to advance refund \$2.53 million of outstanding 2000 General Revenue Office Building Bond with an average interest rate of 5.92%. The net proceeds of \$2.68 million (after payment of approximately \$116,000 in underwriting fees, insurance, and other issuance costs and \$33,000 in original issue discount) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 General Revenue Office Building Bond. As a result, the 2000 General Revenue Office Building Bond is considered to be defeased, and the liability for that on that bond has been removed from the accompanying balance sheet.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$150. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using a method that approximates the effective-interest method. The Authority completed the advanced refunding to reduce its total debt service payments over the next 20 years by \$184 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$122.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
<b>Bonds payable</b>					
General obligation bonds	\$ 249,150	111,850	(42,945)	318,055	57,433
Severance tax bonds	486,840	466,252	(440,912)	512,180	107,154
Revenue bonds	1,637,999	-	(78,463)	1,559,536	81,214
Total bonds payable	2,373,989	578,102	(562,320)	2,389,771	245,801
<b>Other payables</b>					
Notes and loans payable	-	2,168	-	2,168	93
Capital leases	5,628	330	(2,056)	3,902	1,585
Other	1,090	-	(5)	1,085	6
Claims and judgments	37,000	15,738	(8,072)	44,666	8,511
Reserve for losses	51,157	20,309	-	71,466	29,828
Compensated absences	54,006	50,451	(48,417)	56,040	40,275
	148,881	88,996	(58,550)	179,327	80,298
Governmental activity long-term liabilities	\$ 2,522,870	667,098	(620,870)	2,569,098	326,099
<b>Business-type activities</b>					
<b>Bonds payable</b>					
Revenue bonds	\$ 352,137	270,139	(28,368)	593,908	22,130
Bond premiums and discounts	2,502	-	(1,725)	777	-
Total bonds payable	354,639	270,139	(30,093)	594,685	22,130
Notes and loans payable	2,533	489	(2,688)	334	334
Capital leases	2,882	1,226	(1,066)	3,042	783
Compensated absences	48,159	14,628	(13,669)	49,118	34,200
Other	26,663	916	(547)	27,032	506
	80,237	17,259	(17,970)	79,526	35,823
Business-type activity long-term liabilities	\$ 434,876	287,398	(48,063)	674,211	57,953

**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Tax and Revenue Anticipation Notes**

The following notes were issued by the State of New Mexico during fiscal year 2005 and matured June 30, 2005:

- A. 2004 - 2005 Tax and Revenue Anticipation Notes, Series 2003, \$400.0 million.
- B. 2004 - 2005 Tax and Revenue Anticipation Notes, Series 2003A, \$300.0 million.

These notes were issued by the State of New Mexico under the authority of the Short-Term Cash Management Act, Section 6-12A-1, NMSA 1978. The notes were issued to fund a portion of the State's cash flow needs for the State's General Fund during its fiscal year 2005.

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, 2005, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ -	700,000	(700,000)	-

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

The Office of the State Treasurer (State Treasurer) deposited the net proceeds from the sale of the notes, \$712,716, to its anticipation notes fund (Central Accounting System fund number 323). The State Treasurer subsequently transferred the entire amount of the proceeds to the appropriation account fund (Central Accounting System fund number 853).

To pay the notes, the State's General Fund transferred \$723,349 from the appropriation account fund to the state treasurer anticipation notes debt service fund (Central Accounting System fund number 393). From the debt service fund, the Office of the State Treasurer then paid the note principal and interest due at maturity.

Subsequent to June 30, 2005, the State of New Mexico issued the following Tax and Revenue Anticipation notes: 05 - 06 Tax and Revenue Anticipation Notes, Series 2005, \$400.0 million.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION**

**A. Risk Management**

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

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

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

The Internal Service Fund (ISF) services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. ISF has reinsurance for liability and civil rights claims in the amounts of \$1,050 each. All funds, agencies, and authorities of the State participate in ISF. ISF allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency, or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for 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, 2005 were \$158,093. Insurance claims payable of \$187,442 represents amounts expected to be paid by the ISF for covered claims incurred but not reported with the General Services Department through June 30, 2005. The amount of the liability was determined by an independent actuarial consultant to the ISF. The liability is shown in the accompanying financial statements net of interest, computed at 2.60 percent (except for long-term disability liability, which is computed at 4.75%), expected to be earned between June 30, 2005, and the date the claims are ultimately paid. Outstanding claims of \$29,349 have been accrued based upon an independent actuarial report.

Insurance claims payable presented are actuarial computed estimates of the costs of administering, defending, and settling claims for events that had occurred as of the year-end. Since these estimates are based on historical information and various statistical measures, actual

**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

amounts paid may vary significantly from the amount estimated by the fund actuaries and reported herein.

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

	Balance June 30, 2004 (as Restated)	Incurred	Payments	Balance June 30, 2005
Surety Bond	\$ 365	(147)	8	210
Public Property Reserve	1,742	7,334	5,882	3,194
Workers Compensation	18,111	7,301	6,371	19,041
Public Liability	111,259	20,810	1,655	130,414
State Unemployment	3,459	4,827	3,976	4,310
Local Public Body	699	224	-	923
Group Insurance Premium	24,547	185,843	181,041	29,349
<b>Total</b>	<u>\$ 160,182</u>	<u>226,192</u>	<u>198,933</u>	<u>187,441</u>

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

**B. Employee Retirement Systems and Pension Plans**

**Plan Descriptions**

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

**STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

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

The number of participating government employers, the number of members, and payroll amounts (not in thousands) for each system for the year ended June 30, 2005 were:

	PERS	JRS	MRS	VFRS	EERS
Number of employers					
State Agencies	118	-	-	-	14
Cities	81	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	6
Charter Schools	-	-	-	-	40
Other	51	15	18	373	-
Retirees and beneficiaries receiving benefits	21,528	89	44	298	26,100
Terminated plan members not yet receiving benefits	3,297	17	16	-	25,428
Active plan members	47,799	106	50	6,282	63,362

**Funding Benefit Policies**

*Public Employees Retirement System (PERS)* - is a cost sharing, multiple employer defined benefit pension plan which has six divisions of members: State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire, and Legislative, and offers 18 different coverage plans. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in 10-11-2, NMSA 1978. Except as provided for in the Volunteer Firefighter Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978) and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Funding Benefit Policies (Continued)**

though 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.

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 applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. Depending on the division, except Legislative, the maximum benefit that can be paid to a retiree may not exceed a range of 60% to 100% of the final average salary.

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

Members' contributions for all divisions, except the State Legislative Division, are based upon a percentage of salary and range from 4.78 percent to 16.30 percent, depending upon the division. Employer's contributions, also a percentage of salaries paid, range from 7 percent to 25.72 percent. Contribution rates are established by State statute for all members.

*Judicial Retirement System (JRS)* - Persons who serve or have served in the office of Judge or Justice may be entitled to retirement benefits under Section 10-12B-1 through 10-12B-17, NMSA 1978, the "Judicial Retirement Act." Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Funding Benefit Policies (Continued)**

*Magistrate Retirement Fund (MRF)* - Persons who serve or have served in the office of Magistrate may be entitled to retirement benefits under Section 10-12C-4 NMSA 1978, the "Magistrate Retirement Fund". Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 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% of the salary received during the last year prior to retirement by 5% of the number of years of service, not exceeding 15 years, plus 5 years. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

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

*Volunteer Firefighters Retirement Fund (VFRF)* - Persons who serve or have served as volunteer non-salaried firefighters may be entitled to retirement benefits under Section 10-11A-2 NMSA 1978, the "Volunteer Firefighters Retirement Fund". Benefits are available at age 55 or older to any member having served as a volunteer firefighter for not less than 10 years. The plan also provides for survivors' allowances. Benefits range from \$100 to \$200 per month based on length of service.

State statutes require that the State Treasurer transfer \$750,000 from the Fire Protection Fund to the "Volunteer Firefighters Retirement Fund.

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

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

A member is eligible to retire when one of the following events occur:

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



**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Funding Benefit Policies (Continued)**

- (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 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment - The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit - There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment - There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B- The normal monthly benefit is reduced to provide for a one hundred percent (100%) survivors 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% survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**  
**Funding Benefit Policies (Continued)**

(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%, nor be less than 2% unless the change in CPI is less than 2%, 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% or the increase in CPI for years prior to the attainment of age 65. Members on disability may qualify for a COLA beginning July 1 in the third full year of retirement.

(6) Disability Retirement:

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

Monthly Benefit- The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third FAS or (b) 2% 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 status may retire when eligible under the rule of 75 or when the member attains age 65.

(8) The Educational Retirement Act, Section 22-11-1 to 22-11-53, NMSA 1978, assigns the authority to establish and amend benefit provisions to the Board.

Refund of Contributions- Members may withdraw their contributions only when they terminate covered employment in 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 the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, and contributions on deposit for less than one year earned no interest.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3. OTHER INFORMATION (CONTINUED)**

**C. Post-Employment Benefits Other than Pensions**

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

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

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

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium of \$97.60/\$72.65 (ERB/PERA) for the basic single plan and an additional participation fee of \$5.00 if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan. Participants may also enroll in optional plans of coverage.

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

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**C. Post-Employment Benefits Other than Pensions (Continued)**

The post employment benefit expenses for the year ended June 30, 2005, consisted of premiums and claims paid in the amount of \$ 138,660. Participant contributions were \$127,767. Therefore, the net expense for the year was \$9,893. As of June 30, 2005, approximately 25,000 retirees were participating in the plan.

**D. Deferred Compensation Plan**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan under NMSA 1978, Sections 10-7A-1 through 10-7A-12, 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 until termination, retirement, death or unforeseeable emergency.

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

**E. Arbitrage on Tax-Exempt Bonds**

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

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

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

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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**E. Arbitrage on Tax-Exempt Bonds (Continued)**

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

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Capital Projects General Obligation Bonds Series 1999	July 2004	August 2004	X
General Obligation Bonds Series 2001	March 2006	May 2006	
General Obligation Bonds Refunding Series 2001A	July 2005	August 2005	X
General Obligation Bonds Refunding Series 2001B	September 2006	October 2006	
General Obligation Bonds Series 2003	March 2008	May 2008	
General Obligation Bonds Refunding Series 2003B	April 2008	June 2008	
General Obligation Bonds Series 2005	March 2010	April 2010	
Severance Tax Refunding Bonds Series 1997 – A	July 2002	August 2002	X
Severance Tax Refunding Bonds Series 1998 – A	July 2003	August 2003	X
Severance Tax Bonds Series 1993 – B	July 1998	August 1998	X
Severance Tax Bonds Series 1994 – B	July 1999	August 1999	X
Severance Tax Bonds Series 1995 – A	July 2000	August 2000	X
Severance Tax Bonds Series 1995 – B	July 2000	August 2000	X
Severance Tax Bonds Series 1996 – A	July 2001	August 2001	X
Severance Tax Bonds Series 1998 – B	July 2003	August 2003	X
Severance Tax Bonds Series 1999 – B	July 2004	August 2004	X
Severance Tax Bonds Series 1999 – A Supplemental	July 2004	August 2004	X
Severance Tax Bonds Series 2000	July 2005	August 2005	X
Severance Tax Bonds 2000C Supplemental	July 2006	August 2006	X
Severance Tax Bonds Refunding Series 2001A	December 2006	February 2007	
Severance Tax Bonds Series 2002A	June 2007	August 2007	
Severance Tax Bonds Series 2002A Supplemental	January 2007	March 2007	
Severance Tax Bonds Series 2002B Supplemental	November 2007	January 2008	

**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**E. Arbitrage on Tax-Exempt Bonds (Continued)**

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Severance Tax Bonds Series 2003A	June 2008	August 2008	
Severance Tax Bonds Series 2003B Supplemental	October 2008	December 2008	
Severance Tax Bonds Series 2004A	June 2009	August 2009	
Severance Tax Bonds Series 2004B Supplemental	November 2009	January 2010	
Severance Tax Bonds Series 2005A	June 2010	August 2010	
Severance Tax Bonds 2005B-1 Refunding	June 2010	August 2010	
Severance Tax Bonds Series 2005B-2 Supplemental	June 2010	August 2010	
Enhanced 911 Revenue Bonds Series 2000	July 2005	August 2005	X

Interest earnings on invested bond proceeds through June 30, 2005, did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as an accrued liability in the accompanying financial statements.

**F. Commitments and Contingencies**

**Federal Funds**

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

**Litigation**

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

**G. Deficit Fund Balance**

The unreserved, undesignated fund balance of the Debt Service Severance Tax, Capital Projects Judicial and Regulating, Licensing & Etc., Special Revenue Culture, Recreation and Natural Resources General Control, Judicial funds had a deficit as a result of expenditures in excess of available resources. The unrestricted net assets of the Internal Service,

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**G. Deficit Fund Balance (Continued)**

Lottery Authority, State Infrastructure Bank, New Mexico Magazine and State Fair Commission funds had deficits as a result of general and administrative expenses exceeding current year revenue.

**H. Land Grant Permanent Fund (LGPF)**

The Fergusson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants, it was stipulated that such lands, totaling 13.4 million acres, were to be held in trust for the benefit of the public schools and other specific public institutions. Royalties and principal from land sales are transferred by the Commissioner of Public Land 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 five percent of the average of the year-end market values of the LGPF for the immediately preceding five calendar years. In addition to the five percent annual distribution made pursuant to the following schedule: in fiscal years 2005 through 2012, an amount equal to eight-tenths 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, and amount equal to one-half 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-fifth's 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.

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**H. Land Grant Permanent Fund (Continued)**

<u>Beneficiary</u>	<u>Balance June 30, 2004</u>	<u>Earnings from State Lands</u>	<u>Other Decreases in Capital Accounts, Net</u>	<u>Balance June 30, 2005</u>	<u>Participation Percentage June 30, 2005</u>
Benefiting the State, included in governmental funds:					
Charitable penal and reform	\$ 66,042	2,823	3,894	72,759	0.88%
Miner's Colfax Medical Center	85,067	3,544	2,727	91,338	1.10%
New Mexico Boys School	589	24	6	619	0.01%
New Mexico State Hospital	17,783	738	494	19,015	0.23%
Improvements to the Rio Grande	24,264	993	323	25,580	0.31%
Water reservoirs	79,763	3,379	3,953	87,095	1.05%
Penitentiary of New Mexico	156,439	6,504	4,670	167,613	2.03%
Public Buildings - Capitol	91,065	3,834	3,906	98,805	1.19%
	<u>521,012</u>	<u>21,839</u>	<u>19,973</u>	<u>562,824</u>	<u>6.80%</u>
Benefiting the State, included in proprietary funds:					
Eastern New Mexico University	7,627	309	41	7,977	0.10%
New Mexico Highlands University	2,207	91	39	2,337	0.03%
New Mexico Institute of Mining and Technology	15,382	632	268	16,282	0.20%
New Mexico Military Institute	270,903	11,292	8,828	291,023	3.52%
New Mexico School for the Deaf	161,841	6,723	4,709	173,273	2.09%
New Mexico School for the Visually Handicapped	161,407	6,706	4,718	172,831	2.09%
New Mexico State University	34,227	1,436	1,344	37,007	0.45%
Northern New Mexico Community College	1,585	66	40	1,691	0.02%
The University of New Mexico	129,266	5,332	2,823	137,421	1.66%
The University of New Mexico Saline Lands	584	24	-	608	0.01%
Western New Mexico University	2,224	91	39	2,354	0.03%
	<u>787,253</u>	<u>32,702</u>	<u>22,849</u>	<u>842,804</u>	<u>10.20%</u>
Not considered to benefit the State, included in fiduciary funds:					
Public schools	6,355,490	266,270	240,721	6,862,481	83.00%
<b>Total net assets held in trust for pool participants</b>	<u>\$ 7,663,755</u>	<u>320,811</u>	<u>283,543</u>	<u>8,268,109</u>	<u>100.00%</u>



**STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**I. Segment Information**

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

	State Fair	Miners Coalfax Medical Center	Educational Institutions						University of New Mexico
			New Mexico State	Eastern New Mexico	Highlands	Military Inst	New Mexico Tech	Western	
<b>Condensed Statement of Net Assets</b>									
Current assets	\$ 6,535	19,659	81,601	21,845	21,554	7,143	32,936	12,737	356,148
Capital assets	30,440	11,398	295,390	77,334	44,008	44,565	115,247	23,177	685,059
Other assets	561	13,925	189,595	37,239	4,315	299,683	63,739	3,898	499,323
<b>Total assets</b>	<b>\$ 37,536</b>	<b>44,982</b>	<b>566,586</b>	<b>136,418</b>	<b>69,877</b>	<b>351,391</b>	<b>211,922</b>	<b>39,812</b>	<b>1,540,530</b>
Current liabilities	\$ 1,599	1,716	39,887	13,105	8,708	3,414	29,821	6,005	175,835
Long-term liabilities	5,346	10,155	117,649	23,384	4,495	7,630	9,655	5,694	442,219
<b>Total liabilities</b>	<b>\$ 6,945</b>	<b>11,871</b>	<b>157,536</b>	<b>36,489</b>	<b>13,203</b>	<b>11,044</b>	<b>39,476</b>	<b>11,699</b>	<b>618,054</b>
Invested in capital assets, net of related debt	\$ 24,550	11,398	234,840	57,856	38,813	35,998	113,072	17,231	337,267
Restricted	7,031	11,029	92,070	26,264	10,903	299,126	38,649	8,784	322,679
Unrestricted	(990)	10,684	82,140	15,809	6,958	5,223	20,725	2,098	262,530
<b>Total net assets</b>	<b>\$ 30,591</b>	<b>33,111</b>	<b>409,050</b>	<b>99,929</b>	<b>56,674</b>	<b>340,347</b>	<b>172,446</b>	<b>28,113</b>	<b>922,476</b>
<b>Condensed Statement of Activities</b>									
Operating Revenues:									
Sales/services	\$ -	16,018	29,092	907	2,503	-	3,289	2,077	92,796
Investment income	-	-	-	-	-	-	114	-	-
Licenses and fees	4,498	-	-	-	-	-	-	-	-
Net student tuition and fees	-	-	37,622	7,694	7,240	2,121	4,609	2,942	81,391
Patient income	-	-	-	-	-	-	-	-	366,152
Other	10,131	6,045	200,057	39,019	20,997	6,642	90,052	14,511	277,262
<b>Total operating revenues</b>	<b>14,629</b>	<b>22,063</b>	<b>266,771</b>	<b>47,620</b>	<b>30,740</b>	<b>8,763</b>	<b>98,064</b>	<b>19,530</b>	<b>817,601</b>
Operating Expenses:									
Operating expense	8,238	8,190	408,144	25,128	17,952	5,880	122,898	13,365	517,919
Depreciation	1,739	1,035	25,505	5,746	5,052	2,066	5,634	2,371	40,473
General and administrative	5,954	10,183	201	57,773	32,440	13,878	-	21,686	622,017
<b>Total operating expenses</b>	<b>15,931</b>	<b>19,408</b>	<b>433,850</b>	<b>88,647</b>	<b>55,444</b>	<b>21,824</b>	<b>128,532</b>	<b>37,422</b>	<b>1,180,409</b>
Operating income (loss)	(1,302)	2,655	(167,079)	(41,027)	(24,704)	(13,061)	(30,468)	(17,892)	(362,808)

**STATE OF NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 3. OTHER INFORMATION (CONTINUED)**

**I. Segment Information (Continued)**

	Educational Institutions								
	State Fair	Miners Coalfax Medical Center	NM State	Eastern NM	Highlands	Military Inst	NM Tech	Western	UNM
Non Operating Revenue (Expense)									
Government grants and contracts	\$ -	-	167,437	38,482	27,347	-	24,444	16,890	255,088
Net investment income	71	203	4,640	821	343	24,872	248	52	34,988
Other revenue	-	-	3,429	2,291	-	10,936	690	-	94,483
Interest expense	(147)	-	(2,795)	(324)	-	(403)	-	-	(8,056)
Other expense	(20)	(42)	(17,068)	(138)	-	-	-	-	(1,694)
<b>Total nonoperating income</b>	<b>(96)</b>	<b>161</b>	<b>155,643</b>	<b>41,132</b>	<b>27,690</b>	<b>35,405</b>	<b>25,382</b>	<b>16,942</b>	<b>374,809</b>
Net transfers	-	-	35,736	6,429	3,955	2,802	8,462	3,957	17,771
Change in net assets	(1,398)	2,816	24,300	6,534	6,941	25,146	3,376	3,007	29,772
Net assets at beginning of year as restated	31,989	30,295	384,750	93,395	49,733	315,201	169,070	25,106	892,704
<b>Net assets at end of year</b>	<b>\$ 30,591</b>	<b>33,111</b>	<b>409,050</b>	<b>99,929</b>	<b>56,674</b>	<b>340,347</b>	<b>172,446</b>	<b>28,113</b>	<b>922,476</b>
<b>Condensed Statement of Cash Flows</b>									
Net cash provided (used) by:									
Operating activities	\$ 317	3,356	(115,268)	(32,565)	(17,012)	(10,842)	(25,613)	(22,360)	(300,421)
Noncapital financing activities	(393)	-	157,534	40,773	31,302	75	28,609	16,890	351,885
Capital and related financing activities	5,682	9,539	7,131	7,066	(8,567)	(2,787)	(18,187)	4,896	64,455
Investing activities	71	(11,012)	(46,791)	(1,953)	83	15,344	18,992	52	(137,982)
Cash and cash equivalents at beginning of year	1,226	14,915	6,552	11,937	9,003	3,631	18,720	5,684	55,513
<b>Cash and cash equivalents at end of year</b>	<b>\$ 6,903</b>	<b>16,798</b>	<b>9,158</b>	<b>25,258</b>	<b>14,809</b>	<b>5,421</b>	<b>22,521</b>	<b>5,162</b>	<b>33,450</b>

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**OTHER REQUIRED  
SUPPLEMENTARY  
INFORMATION**

STATE OF NEW MEXICO  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR FUND - GENERAL FUND  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

General Fund				
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Over (Under)
<b>Revenues</b>				
Direct revenues				
Licenses and fees	\$ 97,126	101,609	101,655	46
Taxes	815	815	732	(83)
Miscellaneous	1,106	1,318	1,347	29
Interest	2,029	2,029	1,967	(62)
Grants	644,919	711,877	600,301	(111,576)
Other	73,021	85,587	68,549	(17,038)
Prior year funds rebudgeted	19,496	24,593	507	(24,086)
Other state funds	28,977	33,373	39,544	6,171
	<u>867,489</u>	<u>961,201</u>	<u>814,602</u>	<u>(146,599)</u>
Indirect revenues				
Transfers	24,615	27,575	26,580	(995)
Appropriations*	1,198,818	1,206,673	1,230,689	24,016
Other financing sources	27,167	37,994	28,713	(9,281)
	<u>1,250,600</u>	<u>1,272,242</u>	<u>1,285,982</u>	<u>13,740</u>
<b>Total revenues</b>	<b>\$ 2,118,089</b>	<b>2,233,443</b>	<b>2,100,584</b>	<b>(132,859)</b>
<b>Expenditures</b>				
Personnel services and benefits	\$ 973,544	984,404	963,684	20,720
Supplies	21	121	-	121
Contractual services	392,295	422,768	341,255	81,513
Operating costs	86,756	92,263	89,160	3,103
Other costs	492,687	560,151	468,653	91,498
Capital outlay	765	2,600	2,098	502
Other uses	174,406	174,636	153,074	21,562
<b>Total expenditures</b>	<b>\$ 2,120,474</b>	<b>2,236,943</b>	<b>2,017,924</b>	<b>219,019</b>

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

STATE OF NEW MEXICO  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR FUND - EDUCATION  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

	Education			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	-	37,316	41,660	4,344
Interest	100	100	1,125	1,025
Grants	331,485	339,962	316,598	(23,364)
Other	50,824	31,854	12,219	(19,635)
Other state funds	73,130	80,427	81,998	1,571
Prior year funds rebudgeted	148,933	152,857	793	(152,064)
	<u>604,472</u>	<u>642,516</u>	<u>454,393</u>	<u>(188,123)</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	1,979,330	1,979,297	1,979,296	(1)
Other financing sources	52,988	56,193	166,768	110,575
	<u>2,032,318</u>	<u>2,035,490</u>	<u>2,146,064</u>	<u>110,574</u>
<b>Total revenues</b>	<b>\$ 2,636,790</b>	<b>2,678,006</b>	<b>2,600,457</b>	<b>(77,549)</b>
<b>Expenditures</b>				
Personnel services and benefits	\$ 19,981	22,115	21,259	856
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	11,355	14,363	7,665	6,698
Operating costs	-	-	-	-
Other costs	2,214,639	2,237,713	2,142,923	94,790
Capital outlay	-	-	-	-
Other uses	390,815	404,175	359,281	44,894
	<u>390,815</u>	<u>404,175</u>	<u>359,281</u>	<u>44,894</u>
<b>Total expenditures</b>	<b>\$ 2,636,790</b>	<b>2,678,366</b>	<b>2,531,128</b>	<b>147,238</b>

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

STATE OF NEW MEXICO  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR FUND - HEALTH AND HUMAN SERVICES  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

	Health and Human Services			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Direct revenues				
Fees and charges	\$ 949	949	773	(176)
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	-	-	33	33
Interest	3	3	4	1
Grants	2,175,754	2,213,740	2,119,827	(93,913)
Other	102,616	108,404	97,806	(10,598)
Other state funds	-	-	-	-
Prior year funds rebudgeted	1,835	1,832	72	(1,760)
	<u>2,281,157</u>	<u>2,324,928</u>	<u>2,218,515</u>	<u>(106,413)</u>
Indirect revenues				
Transfers	121	121	121	-
Appropriations*	507,734	507,740	508,045	305
Other financing sources	81,185	94,078	95,550	1,472
	<u>589,040</u>	<u>601,939</u>	<u>603,716</u>	<u>1,777</u>
<b>Total revenues</b>	<u>\$ 2,870,197</u>	<u>2,926,867</u>	<u>2,822,231</u>	<u>(104,636)</u>
<b>Expenditures</b>				
Personnel services and benefits	\$ 1,340	3,332	2,415	917
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	105	105	95	10
Supplies	97	97	90	7
Contractual services	26,014	28,082	19,399	8,683
Operating costs	354	697	511	186
Other costs	2,773,738	2,834,715	2,708,874	125,841
Capital outlay	-	-	-	-
Other uses	68,541	59,857	55,662	4,195
<b>Total expenditures</b>	<u>\$ 2,870,189</u>	<u>2,926,885</u>	<u>2,787,046</u>	<u>139,839</u>

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

STATE OF NEW MEXICO  
 OTHER REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MAJOR FUND - HIGHWAY AND TRANSPORTATION  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

<b>Highway and Transportation</b>				
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Grants	300,724	327,801	279,256	(48,545)
Other	-	-	-	-
Other state funds	391,301	412,997	478,738	65,741
Prior year funds rebudgeted	14,696	20,062	-	(20,062)
	<u>706,721</u>	<u>760,860</u>	<u>757,994</u>	<u>(2,866)</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	676	676	11,711	11,035
Other financing sources	-	-	-	-
	<u>676</u>	<u>676</u>	<u>11,711</u>	<u>11,035</u>
<b>Total revenues</b>	<b>\$ 707,397</b>	<b>761,536</b>	<b>769,705</b>	<b>8,169</b>
<b>Expenditures</b>				
Personnel services and benefits	\$ 126,101	127,569	122,608	4,961
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	294,201	329,803	266,963	62,840
Operating costs	-	-	-	-
Other costs	268,772	282,099	278,485	3,614
Capital outlay	-	-	-	-
Other uses	18,323	22,065	19,010	3,055
<b>Total expenditures</b>	<b>\$ 707,397</b>	<b>761,536</b>	<b>687,066</b>	<b>74,470</b>

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



STATE OF NEW MEXICO  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET TO GAAP RECONCILIATION  
GENERAL FUNDS AND MAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway and Transportation
<b>REVENUES</b>				
<b>Budgetary basis revenues</b>	\$ 2,100,584	2,600,457	2,822,231	769,705
Change in accounts receivable	(11,313)	113,050	(64)	-
Change in deferred revenue	5,410	(16)	(46)	-
Change in due from	(2,943)	314	(3)	-
Change in other financing sources	(160,385)	(1,270)	(15,047)	(17,886)
Prior cash budgeted	(13,384)	1,622	-	-
Revenue not budgeted	3,766,054	(321,773)	(552,916)	(48,680)
Reclassifications and other	38,684	(1,939,095)	3,065	(11,711)
<b>GAAP basis revenues</b>	<u>\$ 5,722,707</u>	<u>453,289</u>	<u>2,257,220</u>	<u>691,428</u>
<b>EXPENDITURES</b>				
<b>Budgetary basis expenditures</b>	\$ 2,017,924	2,531,128	2,787,046	687,066
Change in accounts payable	(44,937)	-	(79)	-
Change in other accruals	6,157	1,536	155	-
Change in valid encumbrances	109,880	25,827	5,245	(173,246)
Change in due to	833	9,919	-	-
Change in other financing uses	21,157	-	(5,337)	7,927
Other	(163,766)	42,338	18,443	309,487
<b>GAAP basis expenditures</b>	<u>\$ 1,947,248</u>	<u>2,610,748</u>	<u>2,805,473</u>	<u>831,234</u>

**STATE OF NEW MEXICO**  
**NOTE A – BUDGETARY REPORTING**  
**JUNE 30, 2005**

**A. Budgetary Data**

Budget Process

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

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

Budgetary Basis of Accounting

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

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

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

Budget to GAAP Reconciliation

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

STATE OF NEW MEXICO  
 OTHER REQUIRED SUPPLEMENTARY INFORMATION  
 ANALYSIS OF THE EDUCATIONAL RETIREMENT SYSTEM (EERS)  
 For The Last Seven Years Ending June 30, 2005  
 (IN THOUSANDS)

**Pension Trust Fund Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2005	\$ 7,457,500	\$ 10,591,800	\$ 3,134,300	70%	\$ 2,209,100	142%
June 30, 2004	7,488,000	9,927,100	2,439,100	75%	2,142,400	114%
June 30, 2003	7,518,200	9,266,600	1,748,400	81%	2,032,500	86%
June 30, 2002	7,595,100	8,748,000	1,152,900	87%	1,978,500	58%
June 30, 2001	7,418,300	8,070,300	652,000	92%	1,819,600	36%
June 30, 2000	6,835,800	7,460,600	624,800	92%	1,795,700	35%
June 30, 1999	5,988,500	6,971,700	983,200	86%	1,637,500	60%

**Schedule of Employer Contributions**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
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%
1999	145,521	100.0%

**Additional Information**

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

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level Payment, open
Remaining amortization period	40 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return*	8%
Projected salary increases*	5.00% to 13.5%
*Includes inflation at	3%
Cost of living adjustments	2%

STATE OF NEW MEXICO  
 OTHER REQUIRED SUPPLEMENTARY INFORMATION  
 ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)  
 For The Last Seven Years Ending June 30, 2005  
 (IN THOUSANDS)

**Pension Trust Fund Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2005	\$ 10,008,511	\$ 10,920,967	\$ 912,456	92%	\$ 1,607,839	57%
June 30, 2004	9,275,676	9,973,755	698,079	93%	1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,696	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,304)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,565	5%

**Schedule of Employer Contributions**

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	\$ 219,164	100%
2004	206,836	100%
2003	213,713	100%
2002	204,734	100%
2001	196,544	100%
2000	182,000	100%
1999	174,324	100%

**Additional Information**

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

Valuation date	June 30, 2005
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	21 years
Asset valuation method	Smoothed market 4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	4.5%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

\* Includes inflation

STATE OF NEW MEXICO  
**OTHER REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)**  
**For The Last Seven Years Ending June 30, 2005**  
**(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, 2005	\$ 68,781	\$ 87,175	\$ 18,395	79%	\$ 9,883	186%
June 30, 2004	66,209	87,620	21,411	76%	9,074	236%
June 30, 2003	65,223	85,952	20,728	76%	8,575	242%
June 30, 2002	61,686	75,958	14,272	81%	7,507	190%
June 30, 2001	59,523	70,604	11,081	84%	7,060	157%
June 30, 2000	54,726	63,316	8,590	86%	6,754	127%
June 30, 1999	47,776	58,189	10,413	82%	6,735	155%

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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%
1999	2,374	86.2%

**Additional Information**

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

Valuation date	June 30, 2005
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years
Asset valuation method	Smoothed market 4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

\*Includes inflation

STATE OF NEW MEXICO  
**OTHER REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)**  
**For The Last Seven Years Ending June 30, 2005**  
**(IN THOUSANDS)**

**Pension Trust Fund Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2005	\$ 31,303	\$ 31,385	\$ 82	100%	\$ 3,196	3%
June 30, 2004	30,072	30,195	123	100%	3,002	4%
June 30, 2003	29,630	29,078	(551)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,080)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,264	0%

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 927	100.8%
2004	894	87.0%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1999	803	134.2%

**Additional Information**

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

Valuation date	June 30, 2005
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

\*Includes inflation

STATE OF NEW MEXICO  
**OTHER REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)**  
**For The Last Seven Years Ending June 30, 2005**  
**(IN THOUSANDS)**

**Pension Trust Fund Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2005	\$ 35,651	\$ 25,152	\$ (10,499)	142%	N/A*	N/A
June 30, 2004	33,000	17,778	(15,222)	186%	N/A*	N/A
June 30, 2003	31,222	17,058	(14,163)	183%	N/A*	N/A
June 30, 2002	29,784	16,128	(13,656)	185%	N/A*	N/A
June 30, 2001	27,992	15,807	(12,185)	177%	N/A*	N/A
June 30, 2000	24,641	17,303	(7,338)	0%	N/A*	N/A
June 30, 1999	20,246	16,161	(4,085)	125%	N/A*	N/A

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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%
1999	1,907 - 3,266	30.6%

**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, 2005
Actuarial cost method	Unit credit cost
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market 4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	N/A+
Projected salary increases*	N/A+

\*Includes inflation

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

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

STATE OF NEW MEXICO  
REVENUES AND EXPENSES BY TYPE  
THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)  
For The Last Nine Years Ending June 30, 2005  
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
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
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934
1997	115,616	130,033	220,812	2,219	468,680

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
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
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142
1997	231,602	2,377	24,683	-	258,662



STATE OF NEW MEXICO  
 REVENUES AND EXPENSES BY TYPE  
 THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)  
 For The Last Nine Years Ending June 30, 2005  
 (IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year Ended June 30	Member	Employer	Investment	Other	Total
	Contributions	Contributions	Income	Income	
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
1999	119,377	174,325	929,248	4,517	1,227,467
1998	113,693	165,249	908,326	4,143	1,191,411
1997	109,624	162,496	873,646	9,150	1,154,916

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefit	Administrative	Refunds to	Other	Total
	Payments	Expenses	Terminated Employees	Expenses	
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
1999	237,555	4,876	25,612	-	268,043
1998	212,130	12,913	25,000	-	250,043
1997	182,217	12,611	21,487	-	216,315

STATE OF NEW MEXICO  
 REVENUES AND EXPENSES BY TYPE  
 THE JUDICIAL RETIREMENT SYSTEM (JRS)  
 For The Last Nine Years Ending June 30, 2005  
 (IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
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
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367
1997	310	2,286	6,827	242	9,665

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
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
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807
1997	2,461	12	-	-	2,473

STATE OF NEW MEXICO  
 REVENUES AND EXPENSES BY TYPE  
 THE MAGISTRATE RETIREMENT SYSTEM (MRS)  
 For The Last Nine Years Ending June 30, 2005  
 (IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
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
1999	160	1,077	3,256	1	4,494
1998	167	1,072	858	-	2,094
1997	167	1,086	3,323	-	4,576

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2005	\$ 1,624	\$ 102	\$ -	\$ -	\$ 1,726
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
1999	895	6	40	-	941
1998	712	8	24	-	744
1997	654	7	-	-	661

STATE OF NEW MEXICO  
 REVENUES AND EXPENSES BY TYPE  
 THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)  
 For The Last Nine Years Ending June 30, 2005  
 (IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
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
1999	-	1,000	2,950	-	3,950
1998	-	1,000	744	-	1,744
1997	-	750	2,793	-	3,543

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2005	\$ 346	\$ 102	\$ -	\$ -	\$ 448
2004	307	-	-	-	307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212
1999	172	-	-	-	172
1998	147	2	-	-	149
1997	119	1	-	-	120

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**OTHER  
SUPPLEMENTARY  
INFORMATION**

**STATE OF NEW MEXICO  
 COMBINING BALANCE SHEET - BY FUND TYPE  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005  
 (IN THOUSANDS)**

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 255,300	5,917	142,427	4,983	408,627
Deferred charges and other assets	303	-	43	-	346
Due from other governmental entities	4,114	-	315	-	4,429
Due from other funds	183,510	37,435	52,016	-	272,961
Inventories	46	-	-	-	46
Investments, at fair value	44,749	152,929	-	89,519	287,197
Receivables, net	33,452	45	4,021	15,778	53,296
<b>Total assets</b>	<b>\$ 521,474</b>	<b>196,326</b>	<b>198,822</b>	<b>110,280</b>	<b>1,026,902</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 15,560	12,644	9,363	-	37,567
Accrued liabilities	1,386	-	25	-	1,411
Deferred revenue	40,567	-	48,491	-	89,058
Due to other funds	47,185	19	5,330	-	52,534
Due to other governmental entities	-	22	-	32,905	32,927
Due to custodian - securities	-	-	-	-	-
Funds held for others	692	-	-	-	692
Other obligations	215,438	-	-	-	215,438
<b>Total liabilities</b>	<b>320,828</b>	<b>12,685</b>	<b>63,209</b>	<b>32,905</b>	<b>429,627</b>
<b>FUND BALANCES</b>					
Fund balances reserved for					
Capital projects	-	-	43,635	-	43,635
Inventories	46	-	-	-	46
Encumbrances	47,687	-	55,233	-	102,920
Subsequent years' expenditures	74,189	-	-	-	74,189
Special projects	82,723	-	-	-	82,723
Fund balances segregated for					
Debt service	-	181,857	-	-	181,857
Pooled participants	-	-	-	77,375	77,375
Unreserved - special revenue (deficit)	(3,999)	-	-	-	(3,999)
Unreserved - debt service funds	-	1,784	-	-	1,784
Unreserved - capital projects funds	-	-	36,745	-	36,745
<b>Total fund balances</b>	<b>200,646</b>	<b>183,641</b>	<b>135,613</b>	<b>77,375</b>	<b>597,275</b>
<b>Total liabilities and fund balances</b>	<b>\$ 521,474</b>	<b>196,326</b>	<b>198,822</b>	<b>110,280</b>	<b>1,026,902</b>

STATE OF NEW MEXICO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BY FUND TYPE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
<b>Revenues</b>					
Charges for services	\$ 7,265	2,880	789	-	10,934
Federal funds	42,270	-	2,041	-	44,311
Interest and other investment income	10,474	17,131	4,387	6,824	38,816
Licenses, fees and permits	32,542	-	-	-	32,542
Other	41,467	-	21,104	-	62,571
Other state funds	-	-	1,084	-	1,084
Rentals and royalties	1,316	-	-	-	1,316
Taxes	14,158	-	-	-	14,158
<b>Total revenues</b>	<b>149,492</b>	<b>20,011</b>	<b>29,405</b>	<b>6,824</b>	<b>205,732</b>
<b>Expenditures</b>					
<b>Current</b>					
General control	622,066	914	2,024	132	625,136
Culture, recreation, natural resources	19,179	-	11,732	-	30,911
Judicial	48,167	-	56	-	48,223
Public safety	11,004	-	238	-	11,242
Regulation, licensing, etc.	20,191	-	-	-	20,191
<b>Debt service</b>					
Interest payment	-	29,128	-	-	29,128
Principal payment	-	1,115,506	-	-	1,115,506
Bond issue costs	372	3,033	-	-	3,405
Advance refunding escrow	651	-	-	-	651
Capital outlay	2,934	-	39,474	-	42,408
<b>Total expenditures</b>	<b>724,564</b>	<b>1,148,581</b>	<b>53,524</b>	<b>132</b>	<b>1,926,801</b>
Excess (deficiency) of revenues over expenditures	(575,072)	(1,128,570)	(24,119)	6,692	(1,721,069)
<b>Other Financing Sources (Uses)</b>					
Face amount of bonds sold	578,102	700,000	27,564	-	1,305,666
Bond premiums	18,977	-	-	-	18,977
Payments to refunded bond escrow agent	(75,077)	-	-	-	(75,077)
Transfers in	291,568	467,725	52,482	35,449	847,224
Transfers out	(245,120)	(14,331)	(4,897)	(35,449)	(299,797)
<b>Total other financing sources (uses)</b>	<b>568,450</b>	<b>1,153,394</b>	<b>75,149</b>	<b>-</b>	<b>1,796,993</b>
<b>Net change in fund balances</b>	<b>(6,622)</b>	<b>24,824</b>	<b>51,030</b>	<b>6,692</b>	<b>75,924</b>
Fund balances - beginning as restated	207,268	158,817	84,583	70,683	521,351
<b>Fund balances - ending</b>	<b>\$ 200,646</b>	<b>183,641</b>	<b>135,613</b>	<b>77,375</b>	<b>597,275</b>



STATE OF NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005  
 (IN THOUSANDS)

		Culture Recreation and Natural Resources	General Control	Judicial
<b>ASSETS</b>				
Cash and cash equivalents	\$	35,825	140,233	13,741
Deferred charges and other assets		256	-	-
Receivables, net		4,231	26,625	1,953
Due from other funds		6,007	175,378	243
Due from other governmental entities		-	3,143	163
Inventories		-	-	-
Investments		17,717	-	-
<b>Total assets</b>	<b>\$</b>	<b>64,036</b>	<b>345,379</b>	<b>16,100</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payables	\$	1,916	9,300	1,887
Accrued liabilities		191	72	928
Deferred revenue		295	33,501	3,775
Due to other funds		12,273	31,920	297
Funds held for others		-	37	(64)
Other obligations		58	215,362	-
<b>Total liabilities</b>		<b>14,733</b>	<b>290,192</b>	<b>6,823</b>
Fund balances reserved for				
Inventories		-	-	-
Encumbrances		3,466	36,954	325
Special projects		39,816	33,075	9,724
Subsequent years' expenditures		7,636	57,008	760
Unreserved - special revenue (deficit)		(1,615)	(71,850)	(1,532)
<b>Total fund balances</b>		<b>49,303</b>	<b>55,187</b>	<b>9,277</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>64,036</b>	<b>345,379</b>	<b>16,100</b>

	Public Safety	Regulation, Licensing, Etc.	Total
\$	10,141	55,360	255,300
	-	47	303
	167	476	33,452
	9	1,873	183,510
	490	318	4,114
	-	46	46
	-	27,032	44,749
\$	10,807	85,152	521,474

\$	1,553	904	15,560
	31	164	1,386
	-	2,996	40,567
	1,845	850	47,185
	-	719	692
	-	18	215,438
	3,429	5,651	320,828

	-	46	46
	212	6,730	47,687
	108	-	82,723
	5,635	3,150	74,189
	1,423	69,575	(3,999)
	7,378	79,501	200,646

\$	10,807	85,152	521,474
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**STATE OF NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control	Judicial
<b>Revenues</b>			
Charges for services	\$ 1,897	3,402	793
Federal funds	1,548	26,069	8,640
Interest and other investment income	7,339	664	-
Licenses, fees and permits	25	11,398	135
Other	13,048	13,708	11,155
Rentals and royalties	1,316	-	-
Taxes	1,515	12,293	-
<b>Total revenues</b>	<u>26,688</u>	<u>67,534</u>	<u>20,723</u>
<b>Expenditures</b>			
Current	19,179	622,066	48,167
Debt Service			
Interest payment	-	-	-
Principal payment	-	-	-
Bond issuance costs	-	372	-
Advance refunding escrow	-	651	-
Capital outlay	628	37	1,987
<b>Total expenditures</b>	<u>19,807</u>	<u>623,126</u>	<u>50,154</u>
Excess (deficiency) of revenues over expenditures	6,881	(555,592)	(29,431)
<b>Other Financing Sources (Uses)</b>			
Face amount of bonds sold	-	578,102	-
Bond premiums	-	18,977	-
Payments to refunded bond escrow agent	-	(75,077)	-
Transfers in	10,384	241,464	30,896
Transfers out	(21,901)	(213,470)	(1,710)
<b>Total other financing sources (uses)</b>	<u>(11,517)</u>	<u>549,996</u>	<u>29,186</u>
<b>Net change in fund balances</b>	(4,636)	(5,596)	(245)
Fund balances - beginning as restated	53,939	60,783	9,522
<b>Fund balances - ending</b>	<u>\$ 49,303</u>	<u>55,187</u>	<u>9,277</u>

	Public Safety	Regulation, Licensing, Etc.	Total
\$	1,173	-	7,265
	4,714	1,299	42,270
	-	2,471	10,474
	444	20,540	32,542
	38	3,518	41,467
	-	-	1,316
	-	350	14,158
	6,369	28,178	149,492
	11,004	20,191	720,607
	-	-	-
	-	-	-
	-	-	372
	-	-	651
	15	267	2,934
	11,019	20,458	724,564
	(4,650)	7,720	(575,072)
	-	-	578,102
	-	-	18,977
	-	-	(75,077)
	8,805	19	291,568
	(2,897)	(5,142)	(245,120)
	5,908	(5,123)	568,450
	1,258	2,597	(6,622)
	6,120	76,904	207,268
\$	7,378	79,501	200,646

STATE OF NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2005  
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
<b>ASSETS</b>		
Cash and cash equivalents	\$ 81,579	54,757
Receivables, net	3,849	39
Deferred Charges and other assets	43	-
Due from other funds	12,907	21,193
Due from other governmental entities	314	-
<b>Total assets</b>	<b>\$ 98,692</b>	<b>75,989</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payables	\$ 4,919	3,887
Accrued liabilities	21	4
Deferred revenue	21,465	26,880
Due to other funds	255	6
<b>Total liabilities</b>	<b>26,660</b>	<b>30,777</b>
Fund Balance		
Reserved for		
Capital projects	13,918	26,667
Encumbrances	19,742	17,842
Unreserved - capital projects (deficit)	38,372	703
<b>Total fund balances</b>	<b>72,032</b>	<b>45,212</b>
<b>Total liabilities and fund balances</b>	<b>\$ 98,692</b>	<b>75,989</b>

	Judicial	Public Safety	Regulation, Licensing, Etc.	Total
\$	343	5,450	298	142,427
	-	123	10	4,021
	-	-	-	43
	25	3,156	14,735	52,016
	-	-	1	315
\$	368	8,729	15,044	198,822

\$	190	239	128	9,363
	-	-	-	25
	146	-	-	48,491
	7	5,062	-	5,330
	343	5,301	128	63,209

	2,550	500	-	43,635
	2,655	45	14,949	55,233
	(5,180)	2,883	(33)	36,745
	25	3,428	14,916	135,613

\$	368	8,729	15,044	198,822
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STATE OF NEW MEXICO  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
Revenues		
Charges for services	\$ 344	445
Federal funds	1,279	-
Interest and other investment income	-	4,343
Other	10,141	9,867
State funds	1,084	-
<b>Total revenues</b>	<u>12,848</u>	<u>14,655</u>
Expenditures		
Current	11,732	2,024
Capital outlay	20,655	15,195
<b>Total expenditures</b>	<u>32,387</u>	<u>17,219</u>
Excess (deficiency) of revenues over expenditures	<u>(19,539)</u>	<u>(2,564)</u>
Other Financing Sources (Uses)		
Face amounts of bonds sold	13,439	-
Transfers in	22,313	25,690
Transfers out	(4,513)	(184)
<b>Total other financing sources (uses)</b>	<u>31,239</u>	<u>25,506</u>
<b>Net change in fund balances</b>	11,700	22,942
Fund balances - beginning as restated	<u>60,332</u>	<u>22,270</u>
<b>Fund balances - ending</b>	<u>\$ 72,032</u>	<u>45,212</u>

	Judicial	Public Safety	Regulation, Licensing, Etc.	Total
\$	-	-	-	789
	-	362	400	2,041
	-	-	44	4,387
	-	-	1,096	21,104
	-	-	-	1,084
	-	362	1,540	29,405
	56	238	-	14,050
	1,496	1,231	897	39,474
	1,552	1,469	897	53,524
	(1,552)	(1,107)	643	(24,119)
	-	125	14,000	27,564
	1,479	2,875	125	52,482
	(7)	(193)	-	(4,897)
	1,472	2,807	14,125	75,149
	(80)	1,700	14,768	51,030
	105	1,728	148	84,583
\$	25	3,428	14,916	135,613



STATE OF NEW MEXICO  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2005  
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,644	-	-
Receivables, net	-	26	17
Due from other funds	528	1,583	35,054
Investments	-	47,209	105,720
<b>Total assets</b>	<b>\$ 3,172</b>	<b>48,818</b>	<b>140,791</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	-	12,522
Due to other funds	-	19	-
Due to other governmental entities	-	5	-
<b>Total liabilities</b>	<b>-</b>	<b>24</b>	<b>12,522</b>
Fund Balance			
Reserved for debt service	3,172	48,079	128,270
Unreserved - designated for arbitrage	-	715	(1)
<b>Total fund balances</b>	<b>3,172</b>	<b>48,794</b>	<b>128,269</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,172</b>	<b>48,818</b>	<b>140,791</b>

	Culture Recreation and Natural Resources	Total
\$	3,273	5,917
	2	45
	270	37,435
	-	152,929
\$	<u>3,545</u>	<u>196,326</u>

\$	122	12,644
	-	19
	17	22
	<u>139</u>	<u>12,685</u>

	2,336	181,857
	1,070	1,784
	<u>3,406</u>	<u>183,641</u>

\$	<u>3,545</u>	<u>196,326</u>
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**STATE OF NEW MEXICO  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)**

	General Control	General Obligation Bonds	Severance Tax Bonds
<b>Revenues</b>			
Charges for services	\$ 2,679	-	-
Interest and other investment income	51	4,542	12,430
<b>Total revenues</b>	<b>2,730</b>	<b>4,542</b>	<b>12,430</b>
<b>Expenditures</b>			
Current	-	-	-
Debt service			
Interest payment	96	10,316	17,794
Principal payment	675	42,945	1,070,751
Bond issuance costs	-	539	2,494
<b>Total expenditures</b>	<b>771</b>	<b>53,800</b>	<b>1,091,039</b>
Excess (deficiency) of revenues over expenditures	1,959	(49,258)	(1,078,609)
<b>Other Financing Sources (Uses)</b>			
Face amount of bonds sold	-	-	700,000
Transfer in	821	38,739	425,939
Transfer out	(1,901)	-	(12,372)
<b>Total other financing sources (uses)</b>	<b>(1,080)</b>	<b>38,739</b>	<b>1,113,567</b>
<b>Net change in fund balances</b>	<b>879</b>	<b>(10,519)</b>	<b>34,958</b>
Fund balances - beginning, as restated	2,293	59,313	93,311
<b>Fund balances - ending</b>	<b>\$ 3,172</b>	<b>48,794</b>	<b>128,269</b>

Culture		
Recreation and		
Natural		
Resources		Total
\$	201	2,880
	108	17,131
	309	20,011
	914	914
	922	29,128
	1,135	1,115,506
	-	3,033
	2,971	1,148,581
	(2,662)	(1,128,570)
	-	700,000
	2,226	467,725
	(58)	(14,331)
	2,168	1,153,394
	(494)	24,824
	3,900	158,817
\$	3,406	183,641

**STATE OF NEW MEXICO  
NONMAJOR FUNDS  
JUNE 30, 2005**

**NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

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

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

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

**State Infrastructure Bank** – The State Infrastructure Bank is a proprietary fund administered by the 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.

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STATE OF NEW MEXICO  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2005  
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ -	2,168	90,789	831
Deferred charges and other assets	-	-	-	4
Due from other funds	-	781	-	-
Inventories	271	944	-	190
Receivables, net of allowance for uncollectible	109	60	10,247	262
<b>Total current assets</b>	<b>380</b>	<b>3,953</b>	<b>101,036</b>	<b>1,287</b>
Non current assets				
Investments	-	-	-	-
Loans receivable, long-term	-	-	100,539	-
Capital assets, net of depreciation	123	828	-	33
<b>Total noncurrent assets</b>	<b>123</b>	<b>828</b>	<b>100,539</b>	<b>33</b>
<b>Total assets</b>	<b>\$ 503</b>	<b>4,781</b>	<b>201,575</b>	<b>1,320</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 99	257	449	74
Accrued liabilities	24	75	-	87
Deferred revenues	-	15	-	79
Due to other funds	71	-	-	-
Other long-term liabilities, current	24	126	-	506
Bonds payable, current	-	-	-	-
<b>Total current liabilities</b>	<b>218</b>	<b>473</b>	<b>449</b>	<b>746</b>
Noncurrent Liabilities				
Other long-term liabilities	-	-	-	639
Bonds payable, long-term	-	-	-	-
<b>Total liabilities</b>	<b>218</b>	<b>473</b>	<b>449</b>	<b>1,385</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	123	828	-	33
Restricted for				
Loans	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	201,126	-
Other	-	-	-	-
Unrestricted net assets (deficit)	162	3,480	-	(98)
<b>Total net assets (deficit)</b>	<b>285</b>	<b>4,308</b>	<b>201,126</b>	<b>(65)</b>
<b>Total net assets and liabilities</b>	<b>\$ 503</b>	<b>4,781</b>	<b>201,575</b>	<b>1,320</b>

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$	46,468	3,520	15,311	16,798	552,845	6,903	735,633
	250	2,407	-	-	-	19	2,680
	-	-	-	-	-	-	781
	-	16	-	513	-	18	1,952
	240	764	10,405	2,354	25,429	156	50,026
	46,958	6,707	25,716	19,665	578,274	7,096	791,072
	28,202	-	-	13,919	-	-	42,121
	-	-	-	-	-	-	100,539
	547	696	-	11,398	-	30,440	44,065
	28,749	696	-	25,317	-	30,440	186,725
\$	75,707	7,403	25,716	44,982	578,274	37,536	977,797
\$	4,300	1,945	7,401	417	14,518	301	29,761
	60,535	2,469	-	851	2,509	336	66,886
	120	-	-	76	8,488	278	9,056
	-	2,692	-	-	4,779	-	7,542
	-	142	-	-	-	475	1,273
	-	-	-	404	-	209	613
	64,955	7,248	7,401	1,748	30,294	1,599	115,131
	-	105	-	-	-	-	744
	-	-	-	10,123	-	5,346	15,469
	64,955	7,353	7,401	11,871	30,294	6,945	131,344
	547	448	-	11,398	-	24,550	37,927
	-	-	18,316	-	-	-	18,316
	-	-	-	-	-	1,265	1,265
	10,168	-	-	11,028	-	-	222,322
	-	-	-	-	547,980	5,766	553,746
	37	(398)	(1)	10,685	-	(990)	12,877
	10,752	50	18,315	33,111	547,980	30,591	846,453
\$	75,707	7,403	25,716	44,982	578,274	37,536	977,797



STATE OF NEW MEXICO  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2005  
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
<b>Operating Revenues</b>				
Charges for services	\$ 628	4,535	4,877	4,160
Federal funds	275	-	-	-
Interest and other investment income	-	40	-	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	5	-	37	-
Patient services/clinical operations	-	-	-	-
<b>Total operating revenues</b>	<b>908</b>	<b>4,575</b>	<b>4,914</b>	<b>4,160</b>
<b>Operating Expenses</b>				
Benefits, claims and premiums	-	-	-	-
Game expense	-	-	-	-
Depreciation expense	15	187	-	10
General and administrative	1,097	-	328	4,045
Losses	-	-	-	-
Other operating expenses	-	4,526	-	-
<b>Total operating expenses</b>	<b>1,112</b>	<b>4,713</b>	<b>328</b>	<b>4,055</b>
<b>Operating (loss) income</b>	<b>(204)</b>	<b>(138)</b>	<b>4,586</b>	<b>105</b>
<b>Non-Operating Revenue (Expense)</b>				
Other nonoperating revenues	-	-	7,183	-
<b>Total nonoperating revenues (expenses) income before transfers</b>	<b>-</b>	<b>-</b>	<b>7,183</b>	<b>-</b>
Transfers in (out)	122	-	-	-
<b>Change in net assets</b>	<b>(82)</b>	<b>(138)</b>	<b>11,769</b>	<b>105</b>
Net assets (deficit) at beginning of year, as restated	367	4,446	189,357	(170)
<b>Net assets (deficit) at end of year</b>	<b>\$ 285</b>	<b>4,308</b>	<b>201,126</b>	<b>(65)</b>

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$	245,386	134,469	-	-	-	10,131	404,186
	-	-	-	260	10,065	-	10,600
	3,781	133	312	5,857	30,851	(76)	40,898
	-	-	-	-	-	4,498	4,498
	4	-	-	131	85,858	-	86,035
	-	-	-	16,018	-	-	16,018
	249,171	134,602	312	22,266	126,774	14,553	562,235
	-	-	-	-	129,422	-	129,422
	22,850	96,950	-	-	-	-	119,800
	29	424	-	1,035	-	1,739	3,439
	20,497	-	-	-	-	14,192	40,159
	203,872	-	-	-	-	-	203,872
	-	5,138	-	18,373	-	-	28,037
	247,248	102,512	-	19,408	129,422	15,931	524,729
	1,923	32,090	312	2,858	(2,648)	(1,378)	37,506
	-	141	-	(42)	-	(20)	7,262
	-	141	-	(42)	-	(20)	7,262
	-	(32,231)	-	-	-	-	(32,109)
	1,923	-	312	2,816	(2,648)	(1,398)	12,659
	8,829	50	18,003	30,295	550,628	31,989	833,794
\$	10,752	50	18,315	33,111	547,980	30,591	846,453

STATE OF NEW MEXICO  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
<b>Cash Flows from Operating Activities</b>				
Amounts paid to third party administrators and other vendors	\$ -	-	-	-
Cash paid to suppliers and employees	(1,010)	(4,025)	120	(4,092)
Cash payments made to borrowers	-	-	(790)	-
Cash received on interest from loans	-	-	1,835	-
Cash paid for unemployment benefits	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
Interest payments received from banks	-	-	1,685	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	346	-	-	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	550	4,223	-	4,207
To MUSL	-	-	-	-
To prize winners and related taxes	-	-	-	-
<b>Net cash (used) provided by operating activities</b>	<b>(114)</b>	<b>198</b>	<b>2,850</b>	<b>115</b>
<b>Cash Flows from Investing Activities</b>				
Interest, dividends, gains & losses, net, on investment	-	39	-	-
Purchase of equities and bonds	-	-	-	-
Deposit reserve	-	-	-	-
Receipts of rent	-	-	-	-
Other	-	-	-	-
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Appropriation from/reversion to State General Fund	122	-	-	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	-	-	-	-
<b>Net cash (used) provided by non-capital financing</b>	<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Grant proceeds - EPA	-	-	5,970	-
Special Appropriations Proceeds	-	-	6,000	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from capital debt	-	-	-	-
Proceeds from contributed capital	-	-	-	-
Purchase of premises and equipment	(17)	(89)	-	(5)
<b>Net cash (used) provided by capital financing activities</b>	<b>(17)</b>	<b>(89)</b>	<b>11,970</b>	<b>(5)</b>
<b>Net (decrease) increase in cash</b>	<b>(9)</b>	<b>148</b>	<b>14,820</b>	<b>110</b>
<b>Cash at beginning of year</b>	<b>9</b>	<b>2,020</b>	<b>75,969</b>	<b>721</b>
<b>Cash at end of year</b>	<b>\$ -</b>	<b>2,168</b>	<b>90,789</b>	<b>831</b>

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$	(20,488)	-	-	-	-	-	(20,488)
	-	(17,318)	-	(16,946)	-	(14,309)	(57,580)
	-	-	-	-	-	-	(790)
	-	-	-	-	-	-	1,835
	-	-	-	-	(129,644)	-	(129,644)
	-	126,519	-	-	-	-	126,519
	-	-	336	-	-	-	2,021
	(191,177)	-	-	-	-	-	(191,177)
	-	-	-	439	40,877	-	41,662
	242,017	-	-	-	81,101	-	323,118
	(22,524)	-	-	-	-	-	(22,524)
	-	-	-	19,863	-	14,606	43,449
	-	(10,827)	-	-	-	-	(10,827)
	-	(65,935)	-	-	-	-	(65,935)
	7,828	32,439	336	3,356	(7,666)	297	39,639
	1,125	59	-	(10,706)	-	71	(9,412)
	-	-	-	(306)	-	-	(306)
	-	460	-	-	-	-	460
	-	118	-	-	-	-	118
	-	28	-	-	-	-	28
	1,125	665	-	(11,012)	-	71	(9,112)
	-	-	(2,806)	-	19,297	-	16,613
	-	-	-	-	-	(23)	(23)
	-	-	(199)	-	-	(350)	(549)
	4	(32,272)	-	-	-	-	(32,268)
	4	(32,272)	(3,005)	-	19,297	(373)	(16,227)
	-	-	-	-	-	-	5,970
	-	-	-	-	-	-	6,000
	-	-	-	-	-	(124)	(124)
	-	(142)	-	(302)	-	(11)	(455)
	-	-	-	-	-	(775)	(775)
	-	-	-	10,823	-	5,556	16,379
	-	-	-	-	-	3,272	3,272
	-	(219)	-	(982)	-	(2,236)	(3,548)
	-	(361)	-	9,539	-	5,682	26,719
	8,957	471	(2,669)	1,883	11,631	5,677	41,019
	37,511	3,049	17,980	14,915	541,214	1,226	694,614
\$	46,468	3,520	15,311	16,798	552,845	6,903	735,633

STATE OF NEW MEXICO  
 COMBINING STATEMENT OF CASH FLOWS -  
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating (loss) income	\$ (204)	(138)	4,586	105
Adjustments to reconcile operating income to net cash provided by				
Accounts payable and accrued liabilities	25	109	449	33
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	8	-	-
Bad debt expense	-	-	-	(17)
Compensated absences	3	12	-	-
Construction loans in process	-	-	6,350	-
Deferred revenues	-	(25)	-	25
Depreciation	15	187	-	10
Due from other funds	-	(54)	-	-
Interest on MUSL unreserved acct	-	-	-	-
Due to other funds	71	(16)	-	-
Accrued interest	-	-	(731)	-
Inventories	59	49	-	27
Loans receivable	-	-	(7,767)	-
Other assets	-	(40)	-	-
Prepaid expenses and deposits	-	4	-	3
Provision for bad debts	-	-	(37)	-
Prize payables	-	-	-	-
Vendors' non-cash transactions	-	-	-	-
Additional contributions to MUSL reserve accts	-	-	-	-
Receivables, net	(83)	102	-	(6)
Due to insurance carriers for claims paid	-	-	-	-
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	(65)
Net cash (used) provided by operating activities	\$ (114)	198	2,850	115

Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$ 1,923	32,090	312	2,858	(2,648)	(1,378)	37,506
9	(359)	-	238	(836)	34	(298)
-	43	-	-	-	-	43
-	-	-	-	-	-	8
-	-	-	-	-	-	(17)
-	-	-	33	-	-	48
-	-	-	-	-	-	6,350
-	-	-	-	539	(161)	378
29	424	-	1,035	-	1,739	3,439
-	-	-	-	-	-	(54)
-	74	-	-	-	-	74
-	-	-	-	-	-	55
-	-	23	-	-	-	(708)
-	1	-	(62)	-	-	74
-	-	-	-	-	-	(7,767)
(3,785)	(133)	1	(203)	-	75	(4,085)
-	(20)	-	-	-	-	(13)
-	-	-	1,219	-	-	1,182
-	(589)	-	-	-	-	(589)
-	(6)	-	-	-	-	(6)
-	(460)	-	-	-	-	(460)
(62)	988	-	(1,762)	(4,721)	(12)	(5,556)
326	-	-	-	-	-	326
9,378	-	-	-	-	-	9,378
-	386	-	-	-	-	386
10	-	-	-	-	-	10
-	-	-	-	-	-	(65)
\$ 7,828	32,439	336	3,356	(7,666)	297	39,639

**STATE OF NEW MEXICO  
PRIVATE PURPOSE TRUST FUNDS  
JUNE 30, 2005**

**PRIVATE PURPOSE TRUST FUNDS**

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

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

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

STATE OF NEW MEXICO  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,215	544,938	547,153
Due from other funds	-	1,639	1,639
Investments at fair value	20	7,772,333	7,772,353
Receivables, net of allowance	-	69,424	69,424
<b>Total assets</b>	<b>\$ 2,235</b>	<b>8,388,334</b>	<b>8,390,569</b>
<b>LIABILITIES</b>			
Distributions payable due to beneficiaries	\$ -	29,202	29,202
Due to brokers	-	1,496,649	1,496,649
<b>Total liabilities</b>	<b>-</b>	<b>1,525,851</b>	<b>1,525,851</b>
<b>NET ASSETS</b>			
Net assets held in trust for pool participants	2,179	6,862,483	6,864,662
Reserved for other beneficiaries	56	-	56
<b>Net assets</b>	<b>\$ 2,235</b>	<b>6,862,483</b>	<b>6,864,718</b>



STATE OF NEW MEXICO  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST FUNDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Total
<b>ADDITIONS</b>			
Deposits	\$ -	266,344	266,344
Interest and other investment income	-	209,079	209,079
Net increase in fair value of investments	-	390,286	390,286
<b>Total additions</b>	-	865,709	865,709
<b>DEDUCTIONS</b>			
Distributions	-	350,423	350,423
Management expenses	-	13,675	13,675
<b>Total deductions</b>	-	364,098	364,098
<b>Change in net assets</b>	-	501,611	501,611
Net assets, beginning as restated	2,235	6,360,872	6,363,107
<b>Net assets, ending</b>	<b>\$ 2,235</b>	<b>6,862,483</b>	<b>6,864,718</b>

**STATE OF NEW MEXICO  
NONMAJOR FUNDS  
JUNE 30, 2005**

**PENSION TRUST FUNDS**

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

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

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

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

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

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

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

**STATE OF NEW MEXICO  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS  
YEAR ENDED JUNE 30, 2005  
(IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement	Education Retirement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,450	771,030	111,156
Due from other funds	-	62	-
Due from other governmental entities	-	336	-
Investments at fair value	32,244	10,052,743	8,086,188
Receivables, net of allowance	3,424	1,063,142	84,591
Other assets	-	1,326	6,601
<b>Total assets</b>	<b>38,118</b>	<b>11,888,639</b>	<b>8,288,536</b>
<b>LIABILITIES</b>			
Payables	5,668	4,319	6,553
Due to other funds	81	-	180
Due to brokers	-	1,762,834	8,131
Other liabilities	-	1,275	461
Security lending liability	4	1,141	822,073
<b>Total liabilities</b>	<b>5,753</b>	<b>1,769,569</b>	<b>837,398</b>
<b>NET ASSETS</b>			
Net assets held in trust for pension	<b>\$ 32,365</b>	<b>10,119,070</b>	<b>7,451,138</b>

	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	5,455	2,752	9,319	902,162
	1	-	-	63
	-	-	-	336
	70,286	36,658	152,607	18,430,726
	7,387	3,815	5,372	1,167,731
	-	-	103	8,030
	83,129	43,225	167,401	20,509,048
	-	-	1,618	18,158
	177	78	-	516
	12,354	6,443	-	1,789,762
	-	-	16,520	18,256
	8	4	-	823,230
	12,539	6,525	18,138	2,649,922
\$	70,590	36,700	149,263	17,859,126

**STATE OF NEW MEXICO  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement	Education Retirement
<b>ADDITIONS</b>			
Employee contributions	\$ 172	160,639	169,099
Employer contributions	763	234,232	197,873
Interest and other investment income	2,928	920,022	690,360
Other operating revenues	28	13,158	4,032
<b>Total additions</b>	<b>3,891</b>	<b>1,328,051</b>	<b>1,061,364</b>
<b>DEDUCTIONS</b>			
Benefits and claims	1,624	427,084	454,983
General and admin	9	11,691	5,321
Expenses and management fees	93	28,532	38,023
Refunds	-	29,416	23,444
<b>Total deductions</b>	<b>1,726</b>	<b>496,723</b>	<b>521,771</b>
<b>Change in net assets</b>	<b>2,165</b>	<b>831,328</b>	<b>539,593</b>
Net assets, beginning	30,200	9,287,742	6,911,545
<b>Net assets, ending</b>	<b>\$ 32,365</b>	<b>10,119,070</b>	<b>7,451,138</b>

	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	544	-	21,687	352,141
	2,735	750	43,638	479,991
	6,374	3,309	82,750	1,705,743
	60	31	11,876	29,185
	9,713	4,090	159,951	2,567,060
	4,687	346	138,660	1,027,384
	21	-	2,016	19,058
	203	102	2,014	68,967
	-	-	-	52,860
	4,911	448	142,690	1,168,269
	4,802	3,642	17,261	1,398,791
	65,788	33,058	132,002	16,460,335
\$	70,590	36,700	149,263	17,859,126

**STATE OF NEW MEXICO  
EXTERNAL TRUST FUNDS  
JUNE 30, 2005**

**EXTERNAL TRUST FUNDS**

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

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

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

**STATE OF NEW MEXICO  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 EXTERNAL TRUST FUNDS  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,887	58,780	82,667
Investments at fair value	419,337	4,483,356	4,902,693
Receivables, net of allowance	3,908	16,258	20,166
<b>Total Assets</b>	<b>\$ 447,132</b>	<b>4,558,394</b>	<b>5,005,526</b>
<b>LIABILITIES</b>			
Due to brokers	\$ 1,445	-	1,445
Due to custodians - securities lending	77,385	-	77,385
<b>Total liabilities</b>	<b>78,830</b>	<b>-</b>	<b>78,830</b>
<b>NET ASSETS</b>			
Net assets held in trust for pool participants	\$ 368,302	4,558,394	4,926,696



STATE OF NEW MEXICO  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 EXTERNAL TRUST FUNDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2005  
 (IN THOUSANDS)

	State Investment Council	State Treasurer	Total
<b>ADDITIONS</b>			
Deposits	\$ 8,749	517,038	525,787
Interest and other investment income	32,592	103,114	135,706
<b>Total additions</b>	<b>41,341</b>	<b>620,152</b>	<b>661,493</b>
<b>DELETIONS</b>			
Distributions	6,621	-	6,621
Expenses and management fees	607	385	992
<b>Total deductions</b>	<b>7,228</b>	<b>385</b>	<b>7,613</b>
<b>Change in net assets</b>	<b>34,113</b>	<b>619,767</b>	<b>653,880</b>
Net assets, beginning	334,189	3,938,627	4,272,816
<b>Net assets, ending</b>	<b>\$ 368,302</b>	<b>4,558,394</b>	<b>4,926,696</b>

**STATE OF NEW MEXICO  
AGENCY FUNDS  
JUNE 30, 2005**

**AGENCY FUNDS**

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

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

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

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

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

**Other Agency Funds** – This grouping contains all other agency funds.

**STATE OF NEW MEXICO**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2005**  
**(IN THOUSANDS)**

	Other Agency Funds	Allotment Related Funds	Culture, Recreation and Natural Resources
<b>ASSETS</b>			
Cash and cash equivalents	\$ 181,722	1,040,725	355
Due from other funds	42,432	2,293	-
Investments at fair value	29,873	-	-
Due from other governmental entities	207	-	-
Other assets	49	-	-
Receivables, net of allowance	31,879	-	206
Security deposits	396,561	-	-
<b>Total assets</b>	<b>\$ 682,723</b>	<b>1,043,018</b>	<b>561</b>
<b>LIABILITIES</b>			
Deposits held in trust	\$ 403,778	-	-
Due to beneficiary	123,964	-	-
Due to other funds	35,107	-	-
Due to other governmental entities	11,860	1,043,018	-
Funds held for others	38,530	-	561
Other liabilities	1,482	-	-
Payables	68,002	-	-
<b>Total liabilities</b>	<b>682,723</b>	<b>1,043,018</b>	<b>561</b>
<b>NET ASSETS</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>

	Receipts Pending Distribution of Funds	Suspense Related Funds	Total
\$	3,524	565,807	1,792,133
	26,718	88,483	159,926
	-	1,743	31,616
	-	3,626	3,833
	-	-	49
	61	709,315	741,461
	-	-	396,561
\$	30,303	1,368,974	3,125,579

\$	-	8,049	411,827
	-	-	123,964
	81	918,500	953,688
	30,222	231,824	1,316,924
	-	11,917	51,008
	-	88,792	90,274
	-	109,892	177,894
	30,303	1,368,974	3,125,579
\$	-	-	-

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**STATISTICAL  
SECTION**

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

	2005	2004	2003	2002*	2001
<u>Revenues by Source</u>					
Taxes	\$ 4,179,738	3,653,775	3,275,713	3,283,859	3,504,194
Licenses, fees and permits	98,114	79,069	113,421	92,360	81,523
Interest and other investment income	3,539,435	4,521,673	1,545,064	(1,112,306)	(1,239,950)
Rents and royalties	792,131	558,013	182,946	484,890	421,409
Charges for services	2,688,146	1,926,916	1,579,478	2,045,448	462,562
Intergovernmental	3,640,312	3,992,434	3,695,529	3,334,171	2,411,266
Contributions	832,132	849,577	805,552	674,600	728,773
Other sources	399,677	187,348	80,286	121,375	310,404
Total Revenues	<u>\$ 16,169,685</u>	<u>15,768,805</u>	<u>11,277,989</u>	<u>8,924,397</u>	<u>6,680,181</u>
<u>Expenditures by Function</u>					
Legislative	\$ 12,412	12,036	22,424	11,874	19,280
Judicial	184,319	168,013	158,362	153,391	174,901
General Control	3,271,862	2,741,228	2,392,404	2,589,502	2,203,032
Commerce and Industry	88,722	81,551	75,894	100,022	88,126
Culture/Recreation and Natural Resources	185,303	183,074	203,607	169,027	179,171
Health and Human Services	3,729,641	3,732,015	3,424,129	3,148,466	2,847,600
Public Safety	378,394	345,779	338,676	323,909	290,413
Highway and Transportation	877,638	785,042	585,187	875,972	951,306
Education	4,633,879	4,488,043	4,182,628	4,070,219	4,210,928
Total Expenditures	<u>\$ 13,362,170</u>	<u>12,536,781</u>	<u>11,383,311</u>	<u>11,442,382</u>	<u>10,964,757</u>

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$	3,127,685	2,927,032	2,952,593	2,806,839	2,573,357
	73,457	86,612	76,376	70,649	61,594
	3,525,310	3,702,083	2,004,432	2,164,967	1,950,816
	249,249	156,876	245,529	205,646	142,997
	416,302	402,942	360,410	403,074	359,580
	2,199,250	1,875,180	1,812,429	1,728,017	1,714,313
	676,252	636,762	598,660	572,371	555,495
	299,884	273,623	250,649	252,330	204,831
	<u>10,567,389</u>	<u>10,061,110</u>	<u>8,301,078</u>	<u>8,203,893</u>	<u>7,562,983</u>
\$	15,258	17,564	8,343	14,472	12,383
	133,534	116,834	108,975	104,803	95,756
	1,902,418	1,746,989	1,754,206	1,496,887	1,384,824
	88,696	84,827	74,277	71,554	77,572
	164,039	141,441	123,888	117,389	138,033
	2,545,270	2,227,138	2,150,013	2,168,603	2,059,712
	269,535	290,887	224,811	222,355	220,444
	897,716	640,222	570,785	427,310	479,303
	4,051,113	3,762,107	3,486,091	3,355,295	3,228,810
	<u>10,067,579</u>	<u>9,028,009</u>	<u>8,501,389</u>	<u>7,978,668</u>	<u>7,696,837</u>



STATE OF NEW MEXICO  
SCHEDULE OF REVENUES  
STATE GENERAL FUND  
For The Last Six Fiscal Years  
(IN THOUSANDS)

	2005	2004	2003	2002	2001	2000
<b>REVENUES</b>						
<b>Taxes and License Fees</b>						
General and selective sales taxes:						
Gross receipts	\$ 1,512,483	1,556,015	1,340,369	1,274,281	1,253,424	1,142,105
Compensating	44,117	36,718	38,398	36,009	36,593	33,502
Tobacco (luxury)	48,477	51,828	18,318	17,985	18,422	18,939
Alcoholic beverage	25,173	28,472	25,376	24,688	26,687	26,752
Insurance	95,464	102,201	53,763	50,690	44,562	47,022
Fire protection	27,157	25,765	20,756	24,587	19,953	16,414
Public utilities	8,923	8,320	7,347	8,326	4,521	6,154
Racing	897	1,188	1,150	1,154	1,146	1,058
Private car	537	476	661	336	579	346
Motor vehicle and other excise tax	118,919	115,730	111,142	106,966	97,440	97,042
Gaming tax	46,353	41,646	38,997	28,920	23,353	19,416
Leased vehicles gross receipts & surcharge	26,018	6,556	6,067	6,362	6,352	6,367
Telecommunications relay surcharge	100	108	94	76	68	-
Boat excise tax	219	307	366	537	574	-
<b>Total general and selective sales tax</b>	<b>1,954,837</b>	<b>1,975,330</b>	<b>1,662,804</b>	<b>1,580,917</b>	<b>1,533,674</b>	<b>1,415,117</b>
Income Taxes						
Gross Withholding	888,168	950,904	832,687	798,038	760,579	692,300
Final settlements	446,945	420,278	346,920	460,162	326,820	389,414
Less:						
Transfer - Retiree health care	(7,623)	(7,368)	(6,017)	(5,373)	(5,068)	(4,781)
Transfer - PIT suspense & others	(247,158)	(281,740)	(248,067)	(234,204)	(194,357)	(225,690)
Refunds - TAA suspense	(6,142)	(2,684)	(1,112)	(2,207)	9,513	16,191
Net personal income taxes	1,074,190	1,079,390	924,411	1,016,416	897,487	867,434
Corporate taxes	265,999	172,712	154,669	178,758	240,112	177,744
Less refunds	(23,537)	(49,269)	(51,823)	(37,085)	(20,325)	(11,942)
Net corporate income taxes	242,462	123,443	102,846	141,673	219,787	165,802
Estate taxes	4,925	8,764	28,443	21,185	24,228	16,237
Fiduciary taxes	11,825	11,033	7,003	9,331	8,607	8,644
<b>Total income taxes</b>	<b>1,333,402</b>	<b>1,222,630</b>	<b>1,062,703</b>	<b>1,188,605</b>	<b>1,150,109</b>	<b>1,058,117</b>
Severance taxes						
Oil and gas school tax	381,302	366,056	229,639	205,121	329,031	169,506
7% oil conservation	17,822	16,689	11,939	10,763	16,687	8,931
Resources excise	6,547	6,182	5,756	5,356	5,691	6,118
Natural gas processors	21,728	16,513	21,077	20,270	12,111	12,262
<b>Total severance taxes</b>	<b>427,399</b>	<b>405,440</b>	<b>268,411</b>	<b>241,510</b>	<b>363,520</b>	<b>196,817</b>
<b>Total taxes</b>	<b>3,715,638</b>	<b>3,603,400</b>	<b>2,993,918</b>	<b>3,011,032</b>	<b>3,047,303</b>	<b>2,670,051</b>
<b>License Fees</b>						
Manufactured housing	728	623	440	485	610	710
Franchise	82	121	57	17	3	5
Corporate filing	2,810	2,651	2,540	2,239	2,402	2,435
Alcoholic beverages and gaming	3,541	4,075	3,480	3,471	4,105	3,670
Financial institutions	2,845	2,585	2,288	2,123	2,029	2,038
Corporate special	4,070	4,620	4,356	4,267	7,319	4,774
Construction industries	6,800	6,432	4,881	4,846	6,315	5,084
Gaming license and permit fees	322	267	246	263	306	759
Securities receipts	13,830	16,273	12,307	12,454	12,749	11,866
Health facilities fees	175	271	329	391	75	252
Pipeline fees	38	55	56	71	54	30
Motor vehicles miscellaneous fees	142	141	123	124	402	679

STATE OF NEW MEXICO  
SCHEDULE OF REVENUES  
STATE GENERAL FUND  
For The Last Six Fiscal Years  
(IN THOUSANDS)

	2005	2004	2003	2002	2001	2000
<b>REVENUES (CONTINUED)</b>						
<b>Taxes and License Fees (Continued)</b>						
<b>License Fees (Continued)</b>						
Drivers Training Fees	\$ 41	46	27	31	18	-
State engineers fees	-	-	-	110	-	112
<b>Total license fees</b>	<b>35,424</b>	<b>38,160</b>	<b>31,130</b>	<b>30,892</b>	<b>36,387</b>	<b>32,414</b>
<b>Total taxes and license fees</b>	<b>3,751,062</b>	<b>3,641,560</b>	<b>3,025,048</b>	<b>3,041,924</b>	<b>3,083,690</b>	<b>2,702,465</b>
<b>Other Revenue Sources</b>						
<b>Investment Income</b>						
State land grant permanent fund income	350,285	292,235	275,684	258,049	234,280	219,820
Earnings on state balances	34,386	25,374	40,504	67,162	98,707	72,034
Severance tax permanent fund earnings	173,249	172,434	170,955	159,183	144,650	141,814
<b>Total interest earnings</b>	<b>557,920</b>	<b>490,043</b>	<b>487,143</b>	<b>484,394</b>	<b>477,637</b>	<b>433,668</b>
<b>Rents and royalties</b>						
Federal mineral leasing	445,004	334,883	268,366	229,323	374,464	205,321
Land office	42,044	22,061	20,727	19,919	31,239	23,815
<b>Total rents and royalties</b>	<b>487,048</b>	<b>356,944</b>	<b>289,093</b>	<b>249,242</b>	<b>405,703</b>	<b>229,136</b>
<b>Miscellaneous Receipts and Fees</b>						
Miscellaneous	-	-	-	130	-	13
Environment Department filing fees	1,181	1,492	1,449	2,300	342	372
Local Government Investment Pool administrative fees	-	-	-	-	-	4
Tribal revenue sharing	41,263	58,634	33,096	107,339	53	17,917
Media lease payments	19	18	19	-	-	-
MVD penalty assessments	5,894	5,933	6,597	6,081	5,753	5,737
Fines and forfeitures	8,243	8,041	8,443	8,223	8,605	8,442
Birth and death certificates	576	572	709	533	561	525
District judge receipts	1,032	986	968	978	1,173	1,140
Notary public fees	721	783	751	808	574	593
Court of appeals	-	-	-	-	566	-
Legislative receipts	59	44	61	40	65	46
Workmen's compensation fees	21	2	29	-	39	-
Payroll administration costs	-	-	-	-	-	1
Law enforcement protection	7,042	-	669	1,096	339	2,038
Small county assistance	1,563	1,669	2,561	3,170	2,714	4,497
Supreme court fees	-	-	-	-	2	1
Unclaimed property	13,456	7,463	6,201	7,415	4,823	7,736
Public Defender reimbursement	595	260	223	207	192	233
Small cities assistance	447	371	1,851	559	1,357	532
<b>Total miscellaneous receipts and fees</b>	<b>82,112</b>	<b>86,268</b>	<b>63,627</b>	<b>138,879</b>	<b>27,158</b>	<b>49,827</b>
<b>Other revenues</b>						
Miscellaneous non-recurring	44,653	4,896	93	-	-	-
Transfers - reversions	82,589	45,984	50,340	42,119	-	-
<b>Total other revenues</b>	<b>127,242</b>	<b>50,880</b>	<b>50,433</b>	<b>42,119</b>	<b>-</b>	<b>-</b>
<b>Total other revenue sources</b>	<b>1,254,322</b>	<b>984,135</b>	<b>890,296</b>	<b>914,634</b>	<b>910,498</b>	<b>712,631</b>
<b>Total revenues</b>	<b>\$ 5,005,384</b>	<b>4,625,695</b>	<b>3,915,344</b>	<b>3,956,558</b>	<b>3,994,188</b>	<b>3,415,096</b>

STATE OF NEW MEXICO  
NET ASSETS BY COMPONENT  
Last Four Fiscal Years  
(IN THOUSANDS)  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 7,226,617	7,830,967	7,187,781	6,689,355
Restricted	4,166,965	4,075,363	5,301,338	5,282,593
Unrestricted	1,321,140	351,759	171,430	762,177
<b>Total governmental activities net assets</b>	<b>\$ 12,714,722</b>	<b>12,258,089</b>	<b>12,660,549</b>	<b>12,734,125</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 874,302	892,515	955,999	885,520
Restricted	1,682,804	1,506,856	1,561,273	1,391,203
Unrestricted	494,137	582,996	624,269	979,918
<b>Total Business-type activities net assets</b>	<b>\$ 3,051,243</b>	<b>2,982,367</b>	<b>3,141,541</b>	<b>3,256,641</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 8,100,919	8,723,482	8,143,780	7,574,875
Restricted	5,849,769	5,582,219	6,862,611	6,673,796
Unrestricted	1,815,277	934,755	795,699	1,742,095
<b>Total primary government net assets</b>	<b>\$ 15,765,965</b>	<b>15,240,456</b>	<b>15,802,090</b>	<b>15,990,766</b>

**STATE OF NEW MEXICO**  
**CHANGES IN NET ASSETS**  
**Last Four Fiscal Years**  
**(IN THOUSANDS)**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2002	2003	2004	2005
<b>Program expenses</b>				
Governmental activities:				
General government	\$ 367,506	279,041	537,442	882,809
Culture, recreation, natural resources	169,027	203,607	183,074	185,303
Highway and transportation	875,972	585,187	785,042	877,638
Judicial	153,391	158,362	168,013	184,319
Legislative	11,874	22,424	12,036	12,412
Public safety	323,909	338,676	345,779	378,394
Regulation licensing etc.	100,022	75,894	81,551	88,722
Health and human services	3,148,466	3,424,129	3,732,015	3,729,641
Education	2,336,909	2,381,521	2,611,476	2,637,052
Interest	92,062	246,340	132,440	125,476
Total governmental activities expenses	<u>7,579,138</u>	<u>7,715,181</u>	<u>8,588,868</u>	<u>9,101,766</u>
Business type-activities:				
Unemployment insurance trust fund	135,748	174,705	159,954	129,422
Educational institutions	1,733,310	1,801,107	1,876,567	1,996,827
Nonmajor enterprise funds	419,484	344,429	374,388	395,307
Total business-type activity expenses	<u>2,288,542</u>	<u>2,320,241</u>	<u>2,410,909</u>	<u>2,521,556</u>
Total primary government expenses	<u>\$ 9,867,680</u>	<u>10,035,422</u>	<u>10,999,777</u>	<u>11,623,322</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services	\$ 720,718	503,908	640,028	827,248
Operating grants and contributions	2,413,596	2,765,888	3,182,126	3,268,985
Capital grants and contributions	334,663	324,588	292,847	275,053
Total governmental activities program revenues	<u>3,468,977</u>	<u>3,594,384</u>	<u>4,115,001</u>	<u>4,371,286</u>
Business-type activities:				
Charge for services	1,196,953	1,053,341	1,265,229	1,807,340
Operating grants and contributions	-	581,150	460,203	35,418
Capital grants and contributions	6,519	13,080	20,699	30,553
Total business-type activities program revenues	<u>1,203,472</u>	<u>1,647,571</u>	<u>1,746,131</u>	<u>1,873,311</u>
Total primary government program revenues	<u>\$ 4,672,449</u>	<u>5,241,955</u>	<u>5,861,132</u>	<u>6,244,597</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (4,110,161)	(4,120,797)	(4,473,867)	(4,730,480)
Business-type activities	<u>(1,085,070)</u>	<u>(672,670)</u>	<u>(664,778)</u>	<u>(648,245)</u>
Total primary government net expense	<u>\$ (5,195,231)</u>	<u>(4,793,467)</u>	<u>(5,138,645)</u>	<u>(5,378,725)</u>

**STATE OF NEW MEXICO**  
**CHANGES IN NET ASSETS**  
**Last Four Fiscal Years**  
**(IN THOUSANDS)**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2002	2003	2004	2005
<b>General revenues and other changes in net assets</b>				
Governmental activities:				
Taxes				
Individual income tax	\$ 1,009,224	980,326	1,090,733	1,089,031
Corporate income tax	138,078	102,846	131,897	244,371
Sales and use tax	303,615	275,873	327,878	368,716
Business privilege	1,305,730	1,684,150	1,821,396	1,970,239
Severance	194,347	-	-	-
Other taxes	381,209	301,555	360,940	507,381
Tribal gaming revenue	107,339	-	-	-
Investment income	169,647	639,731	1,071,990	994,872
Other revenue	27,775	139,060	181,707	239,724
Transfers	(484,860)	(473,007)	(481,507)	(495,101)
Total governmental activities	<u>3,152,104</u>	<u>3,650,534</u>	<u>4,505,034</u>	<u>4,919,233</u>
Business-type activities:				
Non-operating grants and contracts	534,293	-	-	-
Investment income (loss)	(55,987)	77,334	134,001	115,187
Other revenue (expense)	115,727	160,058	186,383	154,389
Transfers	484,860	473,007	481,507	495,101
Total business-type activities	<u>1,078,893</u>	<u>710,399</u>	<u>801,891</u>	<u>764,677</u>
Total primary government	<u>\$ 4,230,997</u>	<u>4,360,933</u>	<u>5,306,925</u>	<u>5,683,910</u>
<b>Change in net assets</b>				
Governmental activities	\$ (958,057)	(470,263)	31,167	188,753
Business-type activities	(6,177)	37,729	137,113	116,432
Total primary government	<u>\$ (964,234)</u>	<u>(432,534)</u>	<u>168,280</u>	<u>305,185</u>

STATE OF NEW MEXICO  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 Last Four Fiscal Years  
 (IN THOUSANDS)  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved	\$ 197,938	230,781	186,655	69,687
Unreserved	298,084	172,240	427,605	732,395
Total general fund	\$ 496,022	403,021	614,260	802,082
All other governmental funds				
Reserved	\$ 4,890,316	4,507,256	5,183,451	5,253,182
Unreserved, reported in:				
Special revenue funds	221,350	196,816	116,023	422,245
Capital projects funds	4,569	12,497	105,151	36,745
Debt service funds	11,486	177,355	889,304	621,143
Total all other governmental funds	\$ 5,127,721	4,893,924	6,293,929	6,333,315

STATE OF NEW MEXICO  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 Last Four Fiscal Years  
 (IN THOUSANDS)  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues</b>				
Taxes	\$ 3,217,911	3,366,514	3,957,290	4,122,934
Licenses, fees and permits	92,360	113,421	79,069	98,114
Interest and other investment income	163,936	639,731	1,069,187	991,789
Rents and royalties	275,350	302,101	370,014	499,319
Charges for services	85,089	88,386	190,945	229,816
Intergovernmental	2,792,421	3,090,476	3,474,722	3,543,855
Other revenues	497,998	139,060	173,300	233,804
<b>Total Revenues</b>	<u>7,125,065</u>	<u>7,739,689</u>	<u>9,314,527</u>	<u>9,719,631</u>
<b>Expenditures</b>				
General control	359,439	272,941	343,036	852,544
Culture, recreation, natural resources	163,326	199,287	173,455	175,341
Highways and transportation	478,520	208,190	291,302	374,151
Judicial	148,217	154,441	164,519	178,863
Legislative	11,474	22,121	11,935	12,313
Public safety	312,982	330,397	325,687	359,980
Regulation, licensing, etc.	96,649	73,338	79,517	87,008
Health and human services	3,042,898	3,383,743	3,639,440	3,790,976
Education	2,258,083	2,321,789	2,610,544	2,636,367
<b>Debt Service</b>				
Interest	92,062	246,340	133,740	125,476
Principal	270,071	176,328	364,460	1,190,529
Bond issuance costs	-	-	10,597	3,870
Advance refunding escrow	-	-	7,286	651
Capital outlay	392,205	563,652	364,113	371,535
<b>Total expenditures</b>	<u>7,625,926</u>	<u>7,952,567</u>	<u>8,519,631</u>	<u>10,159,604</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(500,861)</u>	<u>(212,878)</u>	<u>794,896</u>	<u>(439,973)</u>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	513,880	336,653	1,103,469	1,535,043
Bond premium	-	-	59,904	18,977
Refunding bond issue	-	-	437,950	-
Payment to refunded bond escrow	-	-	(408,856)	(75,077)
Operating transfers in	4,195,209	4,628,455	4,697,378	5,217,701
Operating transfers out	(4,681,988)	(5,103,650)	(5,180,257)	(5,725,723)
<b>Total other financing sources (uses)</b>	<u>27,101</u>	<u>(138,542)</u>	<u>709,588</u>	<u>970,921</u>
<b>Net change in fund balances</b>	<u>\$ (473,760)</u>	<u>(351,420)</u>	<u>1,504,484</u>	<u>530,948</u>
Debt service as a percentage of noncapital expenditu	5.01%	5.72%	6.11%	13.44%